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Filinvest REIT Corp.
(formerly Cyberzone Properties, Inc.)
(Incorporated in the Republic of the Philippines)

**Offer of 1,634,187,850 Common Shares
with an Over-allotment Option of up to 163,418,785 Common Shares
Offer Price of ₱7.00 per Offer Share**

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

Sponsor

Filinvest Land, Inc.

Fund Manager

FREIT Fund Managers, Inc.

Property Manager

ProOffice Work Services, Inc.

Joint Global Coordinators and Bookrunners



Sole Local Coordinator and Local Lead Underwriter



Local Lead Underwriter



Local Co-lead Underwriters



Selling Agents

Trading Participants of The Philippine Stock Exchange, Inc.

The date of this REIT Plan is July 19, 2021

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Filinvest REIT Corp.
23rd Floor, Axis Tower 1
Northgate Cyberzone
Filinvest Corporate City
Alabang, Muntinlupa City
Philippines
+632 8846 0278
<http://www.filinvestreit.com>

This REIT Plan relates to the offer and sale of 1,634,187,850 common shares (the “**Firm Offer**,” and such shares, the “**Firm Shares**”) with an Over-allotment Option (as defined below) of up to 163,418,785 common shares (the “**Option Shares**”), with a par value of ₱0.50 per share (the “**Shares**”), of Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.), a corporation organized and existing under Philippine law (“**Filinvest REIT**” or the “**Company**”) and operating as a real estate company, and upon compliance with the requirements of Republic Act No. 9856, The Real Estate Investment Trust Act of 2009 and its Implementing Rules and Regulations (the “**REIT Law**”), shall operate as a real estate investment trust (“**REIT**”).

The Firm Shares will comprise 1,634,187,850 existing common shares offered by Filinvest Land Inc. (“**FLI**”, the “**Selling Shareholder**” and the “**Sponsor**”) pursuant to a secondary offer. The Option Shares will comprise up to 163,418,785 existing common shares of the Sponsor. The Firm Shares and the Option Shares are referred to as the “**Offer Shares**,” and the offer of the Offer Shares is referred to as the “**Offer**.”

The Company had an authorized capital stock of ₱2,000,000,000 divided into 2,000,000,000 common shares with a par value of ₱1.00 per share, of which 1,163,426,668 common shares are issued and outstanding, as of March 31, 2021. On June 25, 2021, the Company’s shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from “Cyberzone Properties, Inc.” to “Filinvest REIT Corp.”, (ii) reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company’s authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. As part of the increase in authorized capital stock, the Sponsor will subscribe to 2,565,924,658 Shares as part of the consideration for the assignment by the Company of its loans payable amounting to ₱3,746.3 million to the Sponsor. The change in name of the Company, the reduction in the par value of its Shares, and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021. As a result of such increase and the subscription to Shares by the Sponsor, 4,892,777,994 Shares are issued and outstanding as of the date of this REIT Plan.

An application will be made for the listing of the Offer Shares, together with the rest of the Shares of the Company, on the Main Board of The Philippine Stock Exchange, Inc. (the “**PSE**”). The Offer Shares will be listed and traded on the Main Board of the PSE under the trading symbol “**FILRT**”.

The Firm Shares will be offered at a price of ₱7.00 per Firm Share (the “**Offer Price**”). The determination of the Offer Price is further discussed in the section entitled “*Determination of the Offer Price*” in this REIT Plan and is based on a bookbuilding process and discussions by and among the Company, BPI Capital Corporation (“**BPI Capital**” or the “**Sole Local Coordinator and Local Lead Underwriter**”), China Bank Capital Corporation (“**China Bank Capital**”) (together with BPI Capital, the “**Local Lead Underwriters**”), First Metro Investment Corporation (“**First Metro**”) and SB Capital Investment Corporation (“**SB Capital**”) (the “**Local Co-lead Underwriters**”) and UBS AG, Singapore Branch (“**UBS**” or the “**International Bookrunner**”, and together with BPI Capital the “**Joint Global Coordinators and Bookrunners**”). A total of 4,892,777,994 Shares will be outstanding after the Firm Offer.

Subject to the approval of the Securities and Exchange Commission of the Philippines (the “**Philippine SEC**”), the Selling Shareholder has granted BPI Capital in its role as stabilizing agent (the “**Stabilizing Agent**”), an option exercisable in whole or in part from and including the date of listing and when trading of the Shares commences on the PSE (the “**Listing Date**”) and ending 30 calendar days from and including the Listing Date to purchase up to 163,418,785 Option Shares, on the same terms and conditions as the Firm Shares as set forth in this REIT Plan, solely to cover over-allotments, if any (the “**Over-allotment Option**”). The Over-allotment Option, to the extent not fully exercised by the Stabilizing Agent, shall be deemed cancelled and the relevant Option Shares shall be re-delivered to the Selling Shareholder. The Option Shares will be sold as part of the Institutional Offer (as defined below).

The Offer Shares will represent approximately 36.74% of the issued and outstanding capital stock of the Company after completion of the Offer, assuming the full exercise of the Over-allotment Option, and the Offer Shares will represent approximately 33.40% of the issued and outstanding capital stock of the Company after completion of the Offer, assuming the Over-allotment Option is not exercised. After the Offer, the Sponsor shall own 3,095,171,359 Shares, or 63.26% of the outstanding Shares, assuming the full exercise of the Over-allotment Option, and 3,258,590,144 Shares, or 66.60% of the outstanding Shares, assuming the Over-allotment Option is not exercised. Because the entire Offer comprises existing Shares, there will be no change in the outstanding capital stock of the Company after the completion of the Offer. Please see the sections entitled “*Dilution*” and “*Plan of Distribution*” in this REIT Plan.

1,143,931,450 Firm Shares (or approximately 70% of the Firm Shares) (the “**Institutional Offer Shares**”) are being offered for sale (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to domestic qualified institutional buyers as defined under the Securities Regulation Code of the Philippines and other domestic investors in the Philippines (the “**Domestic Investors**”) by the Local Lead Underwriters and the Local Co-lead Underwriters (the “**Institutional Offer**”).

490,256,400 Firm Shares (or approximately 30% of the Firm Shares) (the “**Trading Participants and Retail Offer Shares**”) are being offered to all of the REIT eligible trading participants of the PSE (the “**Eligible PSE Trading Participants**”) and to local small investors (the “**LSIs**”) under the Local Small Investors Program (the “**Trading Participants and Retail Offer**”). The amount of Offer Shares to be made available to the Eligible PSE Trading Participants and LSIs will be 326,837,600 and 163,418,800 Firm Shares, or approximately 20% and 10%, respectively, of the Firm Shares subject to final allocation as may be determined by the Joint Global Coordinators and Bookrunners.

The Institutional Offer and Trading Participants and Retail Offer are being made in reliance on Regulation S of the U.S. Securities Act.

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

The Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters will receive underwriting and selling fees from the Selling Shareholder of up to 2.19% of the gross proceeds from the sale of the Offer Shares, as discussed in the section entitled “*Plan of Distribution*” in this REIT Plan. This underwriting and selling fee is exclusive of the amounts to be paid to selling agents such as Eligible PSE Trading Participants (as defined below), where applicable. The estimated underwriting, selling and Trading Participant (“**TP**”) fees amount to approximately ₱298.5 million, assuming that the Over-allotment Option is fully exercised. The estimated underwriting, selling and TP fees amount to approximately ₱273.4 million, assuming that the Over-allotment Option is not exercised. Any Firm Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, and the Local Co-lead Underwriters. For a more detailed discussion on the fees to be received by the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, and the Local Co-lead Underwriters, please see the sections entitled “*Use of Proceeds*” and “*Plan of Distribution*” in this REIT Plan.

The Company will not receive any proceeds from the Offer and there will be no change in the total outstanding capital stock after the Offer, as the Offer comprises secondary offers of shares by the Selling Shareholder. Assuming full exercise of the Over-allotment Option, the total proceeds to be raised by the Selling Shareholder from the sale of the Offer Shares will be approximately ₱12,583.2 million. The Selling Shareholder will receive net proceeds of approximately ₱12,083.8 million from the sale of the Offer Shares, assuming full exercise of the Over-allotment Option (after deducting fees and expenses payable by the Selling Shareholder). For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see “*Use of Proceeds*” and Annex 1 “*Reinvestment Plan*” of this REIT Plan. For a more detailed discussion on the Selling Shareholder’s shareholding please see the section entitled “*Principal and Selling Shareholder*” in this REIT Plan.

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

All of the Shares issued and to be sold pursuant to the Offer have, or will have, identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to minimum public ownership requirements of the REIT Law and to the nationality limits under Philippine law. The constitution of the Philippines and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. For more information relating to restrictions on ownerships of the Shares, please see the sections entitled "*Risk Factors*," "*Business and Properties*," and "*Regulatory and Environmental Matters – Nationality Restriction*" in this REIT Plan.

The Company is a REIT formed primarily to own and invest in income-producing commercial portfolio of office and retail properties in the Philippines that meet the Company's investment criteria. Primarily, the Company will be the commercial REIT platform for the Filinvest Group. As a commercial REIT, the Company will focus on expanding its commercial properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. The Company offers its 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 support from the Sponsor, 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.

As of date of this REIT Plan, the Company's property portfolio consists of (i) 16 office towers (one with a retail component) in Northgate Cyberzone, Alabang, and (ii) one office tower with a retail component in Cebu City, all of which met the Company's investment criteria. The following tables summarize key information relating to the Company's Properties. For more details on the Properties, please see "*Business and Properties*" in this REIT Plan.

Summary Information of the Properties

Summary Information of the Properties

	As of March 31, 2021
Total Office Space GLA of the Properties (sq.m.)	299,158
Total Retail Space GLA of the Properties (sq.m.).....	2,204
Total GLA of the Properties (sq.m.).....	301,362
Average land lease tenure (years) of the Northgate ⁽¹⁾	
Cyberzone Properties – weighted by GLA ⁽²⁾	74.9
WALE (years) of the Properties – weighted by GLA ⁽³⁾	3.8 ⁽⁵⁾
Valuation of the Properties (₱ millions) ⁽⁴⁾	₱48,547.4

Notes:

- (1) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI. The figure presented is calculated using the sum of the initial term and the term of the renewal period of each land lease.
- (2) Computed as (i) the sum of the products of (1) the land lease term in respect of each Northgate Cyberzone Property as of the date indicated multiplied by (2) the GLA of the relevant Northgate Cyberzone Property, divided by (ii) the total GLA of all the Northgate Cyberzone Properties. The Cebu Provincial Government owns the land on which Cebu Tower 1 is situated under the BTO arrangement between the Cebu Provincial Government and the Company. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent memorandum of agreement (“MOA”), renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021.
- (3) Computed as (i) the sum of the products of (1) the remaining lease term of each tenant of the Property, multiplied by (2) the GLA of such lease, divided by (ii) the total GLA of all the Properties.
- (4) Based on Asian Appraisal’s valuation report as of March 31, 2021. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.
- (5) As of April 30, 2021, the WALE (years) of the Properties – weighted by GLA was 3.9.

Summary Information for Axis Tower 1, Filinvest One, Filinvest Two, Filinvest Three, Vector One, Vector Two, and Vector Three

	Axis Tower 1	Filinvest One	Filinvest Two	Filinvest Three	Vector One	Vector Two	Vector Three
Year Completed	March 2018	June 2013	September 2015	January 2015	May 2011	September 2014	January 2017
Description	Grade A, LEED Gold and PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, LEED Gold and PEZA-accredited, office building
Location	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang
GLA (Office) in sq.m.	39,340	19,637	23,784	23,784	17,764	17,889	36,345
GLA (Retail) in sq.m.	1,529	—	—	—	—	—	—
Occupancy Rate as of March 31, 2021	89.6%	100.0%	100.0%	66.5%	92.0%	100.0%	68.3%
Right over Building²	Owned	Owned	Owned	Owned	Owned	Owned	Owned
Right over Land	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor
Land Lease Expiry¹	February 2096	February 2096	February 2096	February 2096	February 2096	February 2096	February 2096
Remaining Term (years) for Land Lease (as of March 31, 2021)²	74.9	74.9	74.9	74.9	74.9	74.9	74.9
Valuation (₱ millions) (based on Asian Appraisal's valuation report as of March 31, 2021)	6,442.0	3,423.3	4,180.0	3,716.1	2,768.8	3,134.1	6,053.1

Notes:

- (1) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI. The figure presented is calculated using the sum of the initial term and the term of the renewal period of the land lease.
- (2) The Company has held the right over all properties since the completion of the buildings.

Summary Information for Plaza A, Plaza B, Plaza C, Plaza D and Plaza E

	Plaza A	Plaza B	Plaza C	Plaza D	Plaza E
Year Completed	October 2007	March 2001	March 2001	June 2007	February 2014
Description	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building
Location	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang
GLA (Office) in sq.m.	10,860	6,488	6,540	10,860	14,859
GLA (Retail) in sq.m.	—	—	—	—	—
Occupancy Rate as of March 31, 2021	100.0%	85.2% ¹	100.0%	83.2%	100.0%
Right over Building³	Owned	Owned	Owned	Owned	Owned
Right over Land	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor
Land Lease Expiry²	February 2096	February 2096	February 2096	February 2096	February 2096
Remaining Term (years) for Land Lease (as of March 31, 2021)²	74.9	74.9	74.9	74.9	74.9
Valuation (₱ millions) (based on Asian Appraisal's valuation report as of March 31, 2021)	1,655.0	893.4	1,034.4	1,483.1	2,421.0

Notes:

- (1) Includes areas leased by telecommunication carriers for their cell towers. Office GLA is inclusive of executed lease agreements valid as of March 31, 2021.
- (2) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI. The figure presented is calculated using the sum of the initial term and the term of the renewal period of the land lease.
- (3) The Company has held the right over all properties since the completion of the buildings.

Summary Information for iHub1, iHub2, 5132 Building, Capital One and Cebu Tower 1

	iHub1	iHub2	5132 Building	Capital One	Cebu Tower 1
Year Completed	June 2008	August 2009	November 2007	October 2005	June 2015
Description	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building	Grade A, PEZA-accredited, office building
Location	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Northgate Cyberzone, Alabang	Salinas Drive, Cebu City
GLA (Office) in sq.m.	9,480	14,181	9,409	18,000	19,937
GLA (Retail) in sq.m.	—	—	—	—	675
Occupancy Rate as of March 31, 2021	70.7%	100.0%	100.0%	100.0%	99.1%
Right over Building³	Owned	Owned	Owned	Owned	BTO arrangement with Cebu Provincial Government
Right over Land	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	Leased from the Sponsor	BTO arrangement with Cebu Provincial Government
Land Lease Expiry¹	February 2096	February 2096	February 2096	February 2096	November 2043 ²
Remaining Term (years) for Land Lease (as of March 31, 2021)¹	74.9	74.9	74.9	74.9	22.7
Valuation (₱ millions) (based on Asian Appraisal's valuation report as of March 31, 2021)	1,449.0	2,335.6	1,442.9	2,997.8	3,117.7

Notes:

- (1) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI. The figure presented is calculated using the sum of the initial term and the term of the renewal period of the land lease.
- (2) The Cebu Provincial Government owns the land on which Cebu Tower 1 is situated under the BTO arrangement between the Cebu Provincial Government and the Company. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent memorandum of agreement (“MOA”), renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021.
- (3) The Company has held the right over all properties since the completion of the buildings.

The Sponsor is a corporation organized under the laws of the Philippines. The Sponsor is a leading real estate company in the Philippines, focused on the development of residential houses, lots, condotels, mid-rise buildings (“MRBs”) and high-rise buildings (“HRBs”) projects throughout the Philippines, and the development of investment properties in the retail, office and industrial real estate sectors. As of March 31, 2021, the Sponsor has built more than 200 residential developments across the country and operates 31 offices and seven retail developments totaling 781,018 sq.m. of GLA. As such, the Company benefits from the Sponsor’s well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as the Company’s Properties. As of March 31, 2021, 64.92% of the Sponsor’s common shares were held by Filinvest Development Corporation, and 35.08% were held publicly. In 2020, FLI was recognized as among the top 10 developers by BCI Asia Awards. In 2019, it was recognized as “Most Innovative Mixed-use Developer” by the *International Finance Awards*, and the “Best Real Estate Development Company” for Residential and “Most Innovative Real Estate Company” by *Global Business Outlook*.

The fund manager, FREIT Fund Managers, Inc., is a corporation, organized under the laws of the Philippines (the “**Fund Manager**”). The Fund Manager was incorporated on April 13, 2021, and has its registered office at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa. The Fund Manager is a wholly owned Subsidiary of the Sponsor. The Fund Manager has general power of management over the assets of the Company, pursuant to a fund management agreement dated May 24, 2021 between the Company and the Fund Manager (the “**Fund Management Agreement**”). The Fund Manager’s main responsibilities are to implement the Company’s investment strategies and manage the Company’s assets and liabilities for the benefit of the Company’s Shareholders. The Fund Manager will manage the assets of the Company with a focus on generating steady Rental Revenues and, if appropriate, increasing the Company’s assets over time so as to enhance the returns from the investments of the Company and, ultimately, the distributions to the Company’s Shareholders. For a more detailed discussion on the Company’s business strategy, see the sections entitled “*Business and Properties – Business Strategies*” and “*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*” in this REIT Plan.

The property manager, ProOffice Work Services, Inc, is a corporation, organized under the laws of the Philippines (the “**Property Manager**”). The Property Manager was incorporated on March 18, 2019, and has its registered office at 7th Floor, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781. The Property Manager is a wholly owned Subsidiary of the Sponsor. The Property Manager will perform the day-to-day property management functions of the Properties pursuant to a property management agreement dated March 11, 2021 between the Company and the Property Manager (the “**Property Management Agreement**”), in accordance with this REIT Plan, and the Company’s investment strategies. See the section entitled “*Certain Agreements Relating to the Company and the Properties – Property Management Agreement*” in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, the Property Manager will oversee the overall management of, maintenance and repair of the structure of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

On March 25, 2021, the Company filed a Registration Statement covering the Shares with the Philippine SEC, in accordance with the provisions of the Securities Regulation Code (“**SRC**”), and the REIT Law.

The listing of the Offer Shares is subject to the approval of the PSE. On April 5, 2021, the Company filed its application for the listing of the Offer Shares and the rest of its Shares with the PSE. The board of directors of the PSE approved the application, subject to fulfillment of certain listing conditions by the Company, and a notice of approval was issued on July 8, 2021. However, such an approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE or the Philippine SEC of the Shares. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this REIT Plan. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this REIT Plan. The Offer Shares are offered subject to the receipt and acceptance of any order by the Company and subject to the Company’s right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the “**PDTC**”).

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- **Risks relating to the Company's Business;**
- **Risks relating to the Properties;**
- **Risks relating to the Philippines;**
- **Risks relating to the Offer Shares and an Investment in the Company; and**
- **Risks relating to the Presentation of Information in this REIT Plan.**

See the section entitled "Risk Factors" in this REIT Plan, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

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

By:

Maricel Brion-Lirio
President and Chief Executive Officer

(REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SUBSCRIBED AND SWORN to before me this JUL 19 2021 day of July 2021 in the City of MANDALUYONG CITY, Philippines, affiant exhibiting to me the following as competent evidence of identity:

NAME	GOVERNMENT ISSUED I.D.	DATE AND PLACE OF ISSUE
Maricel Brion-Lirio	Non-Professional Driver's License No. N04-97-4001143	Land Transportation Office / Valid until 11 August 2023

Doc. No. 241 ;
Page No. 50 ;
Book No. 26 ;
Series of 2021.

JOVEN G. SEMILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4581076; 1-4-21; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

NOTICE TO INVESTORS

Unless otherwise stated, all information contained in this REIT Plan relating to the Company and its operations have been supplied by the Company. In accordance with the requirements of applicable laws and regulations in the Philippines for the sale of securities, such as the Offer Shares, in the Philippines, each of the Local Lead Underwriters, the Local Co-lead Underwriters and the Company have exercised the required due diligence to the effect that, and each of the Local Lead Underwriters, the Local Co-lead Underwriters and the Company confirm that to the best of their knowledge and belief after having taken reasonable care to ensure that such is the case, as of the date of this REIT Plan the information contained in this REIT Plan relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this REIT Plan misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this REIT Plan with respect to the same. Each person contemplating an investment in the Offer Shares should make their own investigation and analysis of the creditworthiness of the Company and their own determination of the suitability of any such investment.

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

No representation or warranty, express or implied, is made by the Company or the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters regarding the legality of an investment in the Offer Shares under any legal, investment, or similar laws or regulations. The contents of this REIT Plan are not investment, legal, or tax advice. Prospective investors should consult their own counsel, accountant, and other advisers as to legal, tax, business, financial, and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this REIT Plan, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

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

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

The operating information used throughout this REIT Plan has been calculated by the Company on the basis of certain assumptions made by it. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details on the assumptions used in determining the appraised value of the Properties for this REIT Plan. Please also see the section entitled “*Capitalization*” in this REIT Plan, which should be read in conjunction with the Company’s financial statements and the notes thereto as included in this REIT Plan. Because certain discussions are based on the assumption of an Offer Price of ₱7.00 per Offer Share, the operating information provided in this REIT Plan may not be comparable to similar operating information reported by other companies.

The distribution of this REIT Plan and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters require persons into whose possession this REIT Plan comes to inform them about, and to observe, any such restrictions. This REIT Plan does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells, or resells the Offer Shares, or possesses and distributes this REIT

Plan and must obtain any consents, approvals, or permissions required for the purchase, offer, sale, or resale by it of the Offer Shares under the laws, rules, and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales, or resales, and neither the Company nor the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters shall have any responsibility therefor.

In connection with the Offer, the Stabilizing Agent may over-allot Offer Shares or effect transactions with a view to support the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no assurance that the Stabilizing Agent will undertake stabilization activities. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, regulations and rules. The total number of Offer Shares which the Stabilizing Agent or any of its agents may buy to undertake any stabilization activities shall not exceed 10% of the aggregate number of the Offer Shares.

The Company reserves the right to withdraw the offer and sale of Offer Shares at any time, and the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the Philippine SEC and the PSE. The Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters, and certain related entities may acquire for their own account a portion of the Offer Shares.

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

CONVENTIONS THAT APPLY TO THIS REIT PLAN

In this REIT Plan, unless otherwise specified or the context otherwise requires, all references to the “**Company**” are to Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.), and its subsidiary on a consolidated basis. All references to the “**Filinvest Group**” are to Filinvest Development Corporation and its Subsidiaries and Affiliates. All references to the “**Philippines**” are references to the Republic of the Philippines. All references to the “**Government**” or the “**National Government**” are to the national Government of the Philippines. All references to the “**BSP**” are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to “**Philippine peso**”, “**Pesos**”, “**Php**” and “**₱**” are to the lawful currency of the Philippines. The Company publishes its financial statements in Pesos. The items expressed in the Glossary of Terms may be defined otherwise by appropriate Government agencies or regulations from time to time, or by conventional or industry usage.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding off. References to Annexes are to the Annexes set out in this REIT Plan. All references herein to dates and times shall mean Philippine dates and times unless otherwise specified.

In this REIT Plan, the total number of storeys of each Property should be read as the total number of physical floors from the ground level.

BASIS FOR CERTAIN MARKET DATA

Certain statistical information and forecasts in this REIT Plan relating to the Philippines and other data used in this REIT Plan were obtained or derived from internal surveys, market research, Governmental data, publicly available information, and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. This REIT Plan also contains industry information that was prepared from available public sources and independent market research studies conducted by Jones Lang LaSalle (Philippines) (“**JLL**”) to provide an overview of the real estate industry in which the Company operates. However, there is no assurance that such information is accurate or complete. For such purpose, the Company engaged JLL to conduct such independent market research studies on the real estate industry in the Philippines and the office real estate markets of Metro Manila and Metro Cebu, the full version of which is attached to this REIT Plan as Annex 3. Similarly, internal surveys, industry forecasts, market research, Governmental data, publicly available information, and/or industry publications have not been independently verified by the Company or the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters, and might not be accurate, complete, up-to-date, balanced, or consistent with other information compiled within or outside the Philippines.

Consequently, neither the Company nor the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters make any representations as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same.

PRESENTATION OF FINANCIAL INFORMATION

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards, and Philippine Interpretations of International Financial Reporting Interpretations Committee interpretations issued by the Financial Reporting Standards Council.

The Company's fiscal year begins on January 1 and ends on December 31 of each year. Unless otherwise indicated, the description of the business activities of the Company in this REIT Plan is presented on a consolidated basis.

The translation of Peso amounts into U.S. dollars as of and for the period ended December 31, 2020 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos as of and for the year ended December 31, 2020 and amounts in Pesos as of and for the three months ended March 31, 2021 were converted to U.S. dollars using the BSP Reference Rate quoted on the BSP's Reference Exchange Rate Bulletin on March 31, 2021 of ₱48.550 = U.S.\$1.00.

In this REIT Plan, references to "2017", "2018", "2019" and "2020" refer to the fiscal years ended December 31, 2017, 2018, 2019 and 2020, respectively. SyCip Gorres Velayo & Co. ("SGV & Co."), a member firm of Ernst & Young Global Limited, independent auditors, (i) audited the Company's financial statements as of December 31, 2020, 2019 and 2018, and for the years then ended, and (ii) audited the Company's financial statements as of March 31, 2021 and for the three months ended March 31, 2021 and 2020, included in this REIT Plan. The financial information for such periods is extracted from the financial statements included in this REIT Plan and have been prepared in accordance with PFRS. The audited financial statements of the Company as of December 31, 2020 and as of March 31, 2021 do not reflect the effects of the Property Disposals and Assignment of Loans (each as defined below).

This REIT Plan contains certain pro forma financial information. as of and for the year ended December 31, 2020 and as of and for the three months ended March 31, 2021. The unaudited pro forma consolidated information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code Rule 68. The historical financial information was derived from the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020 and the audited consolidated financial statements of the Company as of and for the three months ended March 31, 2021 and prepared in compliance with PFRS. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The pro forma financial information does not purport to represent what the results of operations and financial position of the Company would actually have been had those assumptions in fact been true, nor does it purport to project the results of operations of the Company for any future period or date. SGV & Co. has expressed an opinion about whether the pro forma information has been compiled, in all material respects, by the Company's management on the basis of the criteria as set out in Note 2 to the pro forma consolidated financial information. SGV & Co. conducted the engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Philippine Auditing and Assurance Standards Council.

In preparation for the Company's transition to a REIT company, the Sponsor and the Company identified and selected the Properties as the assets which will comprise the initial REIT portfolio based on the requirements of the REIT Law as well the Company's investment criteria. As such, the Sponsor and the Company determined that certain of the Company's assets (other than the Properties) will be transferred from the Company to the Sponsor in the form of property dividends or through assignment of rights. On December 4, 2020, the Company's Board approved the declaration of property dividends consisting of one building (which has been operational for less than three years) in Northgate Cyberzone (Axis Tower 2), two buildings under construction in Northgate Cyberzone (Axis Tower 3 and Axis Tower 4), and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020 (the "**First Property Dividend**"). On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February

15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, all of which have been identified for redevelopment, and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu, which has been operating for less than three years (the “**Second Property Dividend**”, and together with the First Property Dividend, the “**Property Dividend**”). On February 11, 2021, the Company’s Board also approved the transfer of its rights under its “build-transfer-operate” (“**BTO**”) arrangement with the Cebu Provincial Government relating to two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor (the “**BTO Rights Transfer**”, and collectively with the Property Dividend, the “**Property Disposals**”). The Philippine SEC’s approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell.

On December 9, 2020, the Company and the Sponsor entered into an agreement, whereby the Company would assign to the Sponsor, its loans payable in the aggregate amount of ₱4,233.8 million, in consideration for the aggregate amount of ₱4,233.8 million to be paid by the Company, of which ₱3,746.3 million shall be converted by the Sponsor into equity of the Company. On March 12, 2021, the Company and the Sponsor entered into an agreement whereby a portion of the Sponsor’s receivables from the Company will be converted to equity through the latter’s subscription to 2,565,924,658 common shares of the Company at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million) (the “**Assignment of Loans**”). The increase in the Company’s authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock was approved by the Philippine SEC on July 2, 2021.

Please refer to the Company’s pro forma financial information as of and for the year ended December 31, 2020 and as of and for the three months ended March 31, 2021 included in this REIT Plan for further details.

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

PRESENTATION OF NON-PFRS FINANCIAL MEASURES

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

Funds from operations (“**FFO**”) is equal to net income, excluding gains or losses from sales of property, and adjusted by adding back non-cash expenses such as depreciation and amortization on investment property and intangible assets. Adjusted funds from operations (“**AFFO**”) is calculated by (i) subtracting from FFO the recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company’s properties and its revenue stream and (ii) adding to or deducting from FFO any adjustments related to the straight-line method of recognizing revenue. “**Recurring capital expenditure**” comprises capital expenditures required for maintenance including major repairs, overhauls, and major replacement parts for equipment. Capital expenditures are spending for acquisition or major maintenance that will preserve, improve or prolong the useful life of an existing asset.

The Company believes that the use of FFO and AFFO, combined with the required PFRS presentations, improves the understanding of the Company’s operating results among investors. FFO and AFFO are an important measurement because the Company’s leases generally have contractual escalations of base rents that are not directly observable in the Company’s statements of comprehensive income due to application of straight-line method of recognizing Rental Revenues. Non-cash expenses such as depreciation on investment properties and intangible assets are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, the Company believes that AFFO provides a better measure of its dividend-paying capability.

See “*Profit Forecast and Profit Projection - Dividends*” in this REIT Plan for a description of these non-PFRS financial measures.

These non-PFRS financial measures are supplemental measures of the Company’s performance that are not required by, or presented in accordance with, and should not be considered as an alternative to net profit, revenues or any other measure of the Company’s financial performance derived in accordance with PFRS or as an alternative to cash flows from operations or as a measure of the Company’s liquidity. Non-PFRS financial measures have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for, investors’ own analysis of the Company’s financial condition or results of operations, as reported under PFRS. These non-PFRS financial measures are not standardized terms and other companies may calculate

measures bearing the same titles differently, hence a direct comparison between companies using such terms may not be possible, which limits the usefulness of these non-PFRS financial measures.

FORWARD-LOOKING STATEMENTS

This REIT Plan contains forward-looking statements and forward-looking financial information (including in the section entitled “*Profit Forecast and Profit Projection*”), that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements include, without limitation, statements relating to:

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

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

- any amendment of the REIT Law or of any other laws or regulations affecting the Company;
- any unforeseen changes in the domestic, regional, or global economy that result in reduced occupancy or rental rates for the Company’s properties;
- any fluctuations in the competitive landscape in the Philippine property market;
- any substantial change in the quality of the Company’s tenants;
- any changes to available interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- any material changes to any planned renovations or improvements to the Company’s properties, resulting from market demands, financial conditions, and legal requirements, among others;
- the condition of and changes to the Philippines, Asian, or global economies;
- the general political, social, and economic conditions in the Philippines;
- any changes in government regulations, including tax laws, or licensing in the Philippines; and competition in the property investment and development industries in the Philippines; and
- any other matters not yet known to the Fund Manager or not currently considered material by the Fund Manager.

Additional factors that can cause the Company’s actual results, performance or achievements to differ materially from the forward-looking statements and forward-looking financial information in this REIT Plan include, but are not limited to, those disclosed under “*Risk Factors*”, “*Profit Forecast and Profit Projection*” and elsewhere in

this REIT Plan. These forward-looking statements and forward-looking financial information speak only as of the date of this REIT Plan.

In particular, in light of the ongoing COVID-19 pandemic and associated uncertainties in the global financial markets and their contagion effect on the real economy, any forward-looking statements and forward-looking financial information contained in this REIT Plan must be considered with significant caution and reservation.

The Company, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement and/or forward-looking financial information contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based.

This REIT Plan includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "aim," "anticipate," "believe," "consider," "continue," "estimate," "expect," "going forward," "intend," "ought to," "plan," "potential," "predict," "project," "propose," "seek," "may," "might," "can," "could," "will," "would," "shall," "should," "is/are likely to," the negative form of these words, and other similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this REIT Plan are forward-looking statements. Statements in the REIT Plan as to the opinions, beliefs, and intentions of the Company accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this REIT Plan, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This REIT Plan discloses, under the section "*Risk Factors*", "*Profit Forecast and Profit Projection*" and elsewhere, important factors that can cause actual results to differ materially from the Company's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY OF TERMS

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

Adjusted Funds From Operations or AFFO	Calculated by (i) subtracting from FFO the recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company’s properties and its revenue stream and (ii) adding to or deducting from FFO any adjustments related to the straight-line method of recognizing revenue.
Affiliate	A corporation that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under the common Control of, another corporation.
Anchor Locators	Tenants accounting for a significant proportion of GLA for a particular Property.
Applicant	A person, whether natural or juridical, who seeks to subscribe for the Offer Shares.
Application	An application to purchase the Offer Shares pursuant to the Offer.
BIR	Bureau of Internal Revenue of the Philippines.
BMS	building management system.
Board	The board of directors of the Company.
BOT	“Build-Operate-Transfer”
BPI Capital	BPI Capital Corporation.
BPO	Business Process Outsourcing, which involves the contracting of the operations and responsibilities of a business function to a third-party service provider. Examples of outsourced functions are back-office functions, including internal business functions such as human resources, finance, and accounting, and front-office functions, including customer-related services such as contact/call center services.
BPO Office	Office space designed and dedicated for BPO company operations. As clients of BPOs are usually located offshore and in different time zones, all utilities, equipment, and services of the office space are designed for 24-hour operations.
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines.
BTO	“Build-Transfer-Operate”.
BVAL	Bloomberg Valuation.
CAGR	Compound annual growth rate from the initial year to the final year over a certain period of time.
CALABARZON	an administrative region in the Philippines, designated as Region IV-A, and comprises the provinces of Batangas, Cavite, Laguna, Quezon, and Rizal, and one highly urbanized city, Lucena.

CBD	Central business district.
Cebu Provincial Government	The provincial government of the province of Cebu.
Cebu Tower 1	The office tower with a retail component located in Filinvest Cyberzone Cebu, Cebu City.
China Bank Capital	China Bank Capital Corporation.
Committed Leases	All leases in respect of the Properties covered by executed lease agreements or for which letters of intent (“ LOI ”) have been signed by the relevant lessor and lessee (and such agreements or LOIs are valid as of the relevant date). An LOI contains the final agreed commercial terms and conditions between the lessor and the lessee, subject to execution of the formal contract. Typically, a rental deposit is payable by the lessee upon the execution of the LOI.
Competitive Investment Return	<p>A comparable or better return than other investment instruments available in the market relative to the associated risks. For this purpose, investment return refers to total return. Income streams and/or capital appreciation includes lease rental revenues, future escalations in rent, and price appreciation in stock.</p> <p>Specifically, the Company compares its dividend yield and potential dividend growth to (a) the current 10-year BVAL benchmark rate, (b) rates of recent comparable local debt issuances and instruments, and (c) the 1-year forward dividend yield and dividend yield growth for comparable equity investments and instruments, as taken from Bloomberg.</p>
Control.....	<p>The power of a corporation to direct or govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly, through Subsidiaries, more than one-half of the voting power of an enterprise, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute Control. Control also exists even when the parent corporation owns one-half or less of the voting power of an enterprise when there is power:</p> <ol style="list-style-type: none"> i. over more than one-half of the voting rights by virtue of an agreement with investors; ii to direct or govern the financial and operating policies of the enterprise under a statute or an agreement; iii to appoint or remove the majority of the members of the board of directors or equivalent governing body; or iv to cast the majority votes at meetings of the board of directors or equivalent governing body.
COVID-19.....	Coronavirus Disease 2019.
CUSA	Common usage service area.
DCS	District cooling system.
DENR.....	Department of Environment and Natural Resources of the Philippines.

Deposited Property	The total value of the Company’s assets, reflecting the fair market value of the total assets held by the Company.
Directors	Directors of the Company.
Distributable Income	Net income as adjusted for unrealized gains and losses/expenses and impairments losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of a REIT’s assets that are re-invested by the REIT within one year from the date of sale).
Domestic Investors	Domestic qualified institutional buyers as defined under the Securities Regulation Code of the Philippines and other domestic investors in the Philippines.
Dues	Net recoveries from tenants for usage of common area services.
EBITDA	Earnings before interest, provisions for income tax, depreciation and amortization.
ECQ.....	enhanced community quarantine.
EDSA	Epifanio de los Santos Avenue, a limited-access circumferential highway around Metro Manila.
Eligible PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE that have complied with all the requirements under the PSE Amended Listing Rules for Real Estate Investment Trusts dated February 7, 2020 to trade REIT shares.
FAI	Filinvest Alabang, Inc.
FAR.....	floor-to-area ratio.
FDC.....	Filinvest Development Corporation.
Filinvest City.....	a 244 hectare township located in a prime property in Alabang, Muntinlupa City, designed to provide modern convenience in harmony with nature. It comprises residential, business, leisure, learning and education, and medical and wellness areas amid green landscapes in a modern urban development. Filinvest City is a fully-integrated and self-contained community divided into districts that provide a balanced mix of developments that the Sponsor believes is competitive with the world’s most modern cities.
Filinvest Cyberzone Cebu	a 1.2 hectare joint commercial development of the Company with the Cebu Provincial Government under a 30-year “build-transfer-operate” (“ BTO ”) arrangement.
Filinvest Group.....	Filinvest Development Corporation and its Subsidiaries and Affiliates.
Firm Offer	The offer and sale of the Firm Shares.
Firm Shares	1,634,187,850 Shares offered by the Selling Shareholder.
floor area	For the purposes of this REIT Plan, in respect of a building, the usable area and common areas.

FTE.....	full time employees.
Funds from Operations or FFO	Equal to net income, excluding gains or losses from sales of property, and adjusted by adding back non-cash expenses such as depreciation and amortization on investment property and intangible assets.
Fund Management Agreement.....	The Fund Management Agreement, dated May 24, 2021, between the Company and the Fund Manager.
Fund Manager	FREIT Fund Managers, Inc., a corporation organized and existing under the law of the Philippines, and a wholly owned Subsidiary of the Sponsor.
GCQ	General community quarantine.
GDP.....	Gross domestic product, or the monetary value of all the finished goods and services produced within a country’s borders, calculated on an annual basis.
Government or National Government.....	The government of the Republic of the Philippines.
GLA or “Gross Leasable Area”	The areas in the Properties that are leasable to tenants, which primarily comprise commercial office space or retail space under contract, as of December 31, 2020 or March 31, 2021, as applicable, unless otherwise specified in this REIT Plan. Each GLA figure presented in this REIT Plan should be read as “more or less” to account for the margin of error (+/-5 sq.m.) which is accepted in industry practice when measuring such space.
GLA Efficiency	Tenants’ useable or carpetable area as divided by GLA.
Grade A	Based on JLL’s industry report attached to this REIT Plan, Grade A developments are modern specification buildings with high quality finishes, which could incorporate suspended ceilings, and are located in prime locations.
Gross Revenue.....	The gross revenue of the Company, consisting of Rental Revenues and Dues, before expenses, in any financial year ending on December 31 in each year or other specified period.
Gross Rental Revenues.....	The gross Rental Revenues of the Company, before expenses, in any financial year ending on December 31 in each year or other specified period.
“headquarters” or “HQ”	corporate headquarters, including regional operating headquarters (“ ROHQ ”) and regional headquarters, typically serving as a central location where a corporation’s executive management and key managerial and support staff maintain their offices.
HRB	High-rise building.
IBPAP	IT and Business Process Association of the Philippines.
Institutional Offer.....	The offer for sale of the Institutional Offer Shares (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to

	Domestic Investors by the Local Lead Underwriters and the Local Co-lead Underwriters.
Institutional Offer Shares	At least 1,143,931,450 Offer Shares being offered for sale pursuant to the Institutional Offer.
IT-BPM	information technology and business process management.
JLL	Jones Lang LaSalle (Philippines).
Joint Global Coordinators and Bookrunners	BPI Capital and UBS.
Jumbo Certificate	A certificate covering all the securities lodged with the PDTC and issued in the name of the PCD Nominee.
KPO.....	Knowledge Process Outsourcing, a subset of BPOs, which involves outsourcing of core functions which may or may not give cost benefit to the parent company but helps in value addition. The processes which are outsourced more towards KPOs are usually more specialized and knowledge based as compared to regular BPOs. Services included in KPOs are related to research and development, capital and insurance market services, legal services, biotechnology, animation and design, etc.
LEED.....	Leadership in Energy and Environmental Design. More information on LEED can be found at https://www.usgbc.org/cert-guide .
Listing Date	The date on which trading of the Shares on the PSE begins, expected to be on or about August 12, 2021.
Local Lead Underwriters	BPI Capital Corporation and China Bank Capital Corporation.
Local Co-lead Underwriters	First Metro Investment Corporation and SB Capital Investment Corporation.
LSIs	Local small investors.
LRT	Light rail transit.
MECQ	modified enhanced community quarantine.
Metro Manila.....	The metropolitan area comprising the city of Manila, the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon City, San Juan, Taguig and Valenzuela, and the municipality of Pateros.
MNCs	multinational corporations.
MRB	Mid-rise building.
MRT	Metro rail transit.
National Internal Revenue Code	Republic Act No. 8424 or the Tax Reform Act of 1997, as amended.
Net Absorption	Net absorption, for a specific period, is the sum of newly occupied space for such period, minus newly vacant space for such period.

Net Asset Value.....	The adjusted net asset value reflecting the fair market values of total assets and investible funds held by the Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of the Company.
Net Operating Income	Gross Revenue less cost and expenses, but including depreciation and amortization of the Properties.
NLEX	North Luzon Expressway.
Northgate Cyberzone.....	An IT and BPO park located within the Filinvest City township in Alabang, Muntinlupa City in the southern part of Metro Manila. Northgate Cyberzone is an 18.7 hectare, PEZA-registered IT zone, located next to Alabang-Zapote Road, and is designed, master-planned and built around the needs of technology-based companies.
Northgate Cyberzone Properties....	Comprise 16 office towers (one with a retail component) in Northgate Cyberzone: Axis Tower 1, Filinvest One, Filinvest Two, Filinvest Three, Vector One, Vector Two, Vector Three, Plaza A, Plaza B, Plaza C, Plaza D, Plaza E, iHub1, iHub2, 5132 Building, and Capital One.
Occupancy Rate.....	The percentage of occupied area, in respect of a building, that is covered by Committed Leases which have commenced on the specified lease term as compared to the total GLA made available in the building as of the relevant date.
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein.
Offer Implementing Guidelines.....	Implementing guidelines for the reservation and allocation of the Trading Participants and Retail Offer Shares through the PSE, prepared for the Offer and approved by the PSE.
Offer Price.....	₱7.00 per Offer Share.
Offer Shares	The Firm Shares and the Option Shares.
office space.....	Space specifically used for offices.
OFW.....	Overseas Filipino Workers.
Option Shares	Up to 163,418,785 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allotment Option.
Order of Registration.....	The order of registration issued by the Philippine SEC granting the effectiveness of the registration statement filed in relation to the Offer Shares.
Organizational Documents	The Articles of Incorporation and By-Laws, including amendments thereof, of the Company.
Over-allotment Option	An option granted by the Selling Shareholder to the Stabilizing Agent, exercisable within 30 calendar days from and including the Listing Date, to purchase Option Shares.
PAGCOR.....	Philippine Amusement and Gaming Corp.

PAGCOR-accredited BPO	Service providers that provide support services to licensed gaming operators and do not handle betting. These service providers provide services such as but not limited to (a) customer relations, (b) strategic support, (c) IT support, (d) gaming software platform and (e) Special Class of BPO (i.e., service providers that are servicing licensed gaming operators abroad and do not handle betting but purely product marketing and are not servicing any PAGCOR POGO licensees). These BPOs are accredited by PAGCOR and required to employ 90% Filipinos for their workforce. The Company does not have any PAGCOR-accredited BPO tenants.
Parent.....	A corporation, which has Control over another corporation, directly or indirectly, through one or more intermediaries.
PCC	Philippine Competition Commission.
PCD.....	The Philippine Central Depository.
PCD Nominee	The PCD Nominee Corporation, a corporation wholly owned by the PDTC.
PDS	The Philippine Dealing System.
PDTC.....	The Philippine Depository and Trust Corp.
Permit to Sell.....	The certificate of permit to offer securities for sale issued by the Philippine SEC in relation to the Offer Shares.
Pesos or ₱	The lawful currency of the Philippines.
PEZA.....	The Philippine Economic Zone Authority.
PFRS	Philippine Financial Reporting Standards.
Philippines.....	Republic of the Philippines.
Philippine Revised Corporation Code	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines.
Philippine National.....	As defined under the Foreign Investments Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Revised Corporation Code of which 100% of the capital stock outstanding and the entitlement to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national.

Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign

Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Philippine SEC	The Securities and Exchange Commission of the Philippines.
POGO	Philippine offshore gaming operator, as licensed by PAGCOR.
the Properties	The Company’s REIT portfolio properties comprising (i) the Northgate Cyberzone Properties, 16 office towers (one with a retail component) in Northgate Cyberzone, Alabang, and (ii) Cebu Tower 1, an office tower with a retail component in Cebu City, all of which are qualified under the requirements of the REIT Land as well as the Company’s investment criteria. See “ <i>Business and Properties</i> ” for more details on the Properties.
Property Management Agreement	The Property Management Agreement, dated March 11, 2021, between the Company and the Property Manager.
Property Manager	ProOffice Work Services, Inc, a corporation organized and existing under the laws of the Philippines and a wholly owned Subsidiary of the Sponsor.
PSE	The Philippine Stock Exchange, Inc.
PSE Main Board	One of the two boards of the PSE, open to companies that have an authorized capital stock of at least ₱500 million, at least three years of operating history, EBITDA of at least ₱50 million for the three years prior to listing, and positive stockholders’ equity for the fiscal year immediately preceding listing.
Public Shareholder	A shareholder of the Company, other than the following persons (“ Non-public Shareholders ”): <ul style="list-style-type: none"> i Any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the Company; ii A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than ten percent (10%) of any class of securities of (i); iii A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the

	beneficial owner of more than 10% of any class of securities of the Company;
iii	An associate of (ii) and (iii);
iv	A Parent, Subsidiary, or Affiliate of the Company or anyone listed in (i); and
v	Any person who holds legal title to the shares of stock of the Company for the benefit of another for the purpose of circumventing the provisions of the REIT Law.
REIT.....	A stock corporation established in accordance with the Philippine Revised Corporation Code and the rules and regulations promulgated by the Philippine SEC principally for the purpose of owning income-generating real estate assets. For purposes of clarity, a REIT, although designated as a “trust”, does not have the same technical meaning as “trust” under existing laws and regulations but is used herein for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.
the REIT Law.....	Republic Act No. 9856, The Real Estate Investment Trust (REIT) Act of 2009 and its Implementing Rules and Regulations, and any amendments thereto.
Regulation S.....	Regulation S under the U.S. Securities Act
related party.....	In the context of the REIT Law, and in relation to the Company, any of the following individuals or companies: <ul style="list-style-type: none"> i. a Director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10% of any class of securities of the Company or any associate of such persons; ii. the Sponsor; iii. the Fund Manager; iv. an adviser of the Company, including any lawyer, accountant, auditor, financial or business consultant, and such other persons rendering professional advisory services to the Company; v. the Property Manager; vi. a director, chairman of the board of directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10% of any class of securities of the Sponsor, Fund

Manager, or Property Manager, or an associate of any such persons; and

- vii. any Parent, Subsidiary, or Affiliate of the Company, the Fund Manager, or the Property Manager.

Rental Income or Rental Revenues	The rental amounts payable by all tenants and earned by the Company on its Properties, and any other property the Company may acquire, as reflected in the audited financial statements of the Company. Rental Income or Rental Revenues is recognized using the straight-line method over the lease term, and adjusted for tenant incentives, if any, amortized over the applicable lease period.
retail space.....	Space intended for retail purposes, including restaurants or food outlets.
Revised REIT IRR	Memorandum Circular No. 1, Series of 2020 issued by the Philippine SEC, as may be amended, supplemented or superseded from time to time.
SCTEX	Subic – Clark – Tarlac Expressway.
Selling Shareholder	Filinvest Land Inc.
Shareholders.....	The shareholders of the Company, following the completion of the Offer.
Shares	The common shares of par value ₱0.50 each of the Company.
SLEX.....	South Luzon Expressway.
Sole Local Coordinator	BPI Capital
Sponsor or FLI	Filinvest Land Inc.
sq.m.....	Square meters.
SRC	The Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
Stabilizing Agent.....	BPI Capital and its affiliates.
Stabilization Period	the period beginning on or after the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date during which the Stabilizing Agent has an option exercisable in whole or in part for the conduct of stabilization activities.
State.....	The Republic of the Philippines.
Subsidiary.....	A corporation which is Controlled, directly or indirectly, by another corporation which thereby becomes its Parent.
TIEZA	Tourism Infrastructure and Enterprise Zone Authority.
TPLEX	Tarlac – Pangasinan – La Union Expressway.
TP	Trading Participant
TR.....	ton of refrigeration.

Trading Participants and Retail Offer.....	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines. About 20% of the Firm Shares are being allocated to all of the Eligible PSE Trading Participants at the Offer Price and about 10% of the Firm Shares are being allocated at the Offer Price to LSIs.
Trading Participants and Retail Offer Settlement Date	The date on which domestic subscriptions under the Trading Participants and Retail Offer are paid, expected to be on or about August 3, 2021.
Trading Participants and Retail Offer Shares	490,256,400 Firm Shares being offered pursuant to the Trading Participants and Retail Offer.
“traditional” office types or tenants	Traditional tenants or office types are non-BPO and non-POGO tenants, which typically operate during normal business hours (e.g., 8:30 a.m. to 5:00 p.m).
UBS or the International Bookrunner.....	UBS AG, Singapore Branch
U.S. Securities Act	The United States Securities Act of 1933, as amended
WALE	Weighted average lease expiry computed as (i) the sum of the products of (1) the remaining lease term of each tenant of the Property, multiplied by (2) the GLA of such lease, divided by (ii) the total occupied GLA of all the Properties.
WFH.....	work-from-home.
VAT	value-added tax

REIT PLAN SUMMARY

The following summary is qualified in its entirety by, and is subject to the more detailed information and financial statements contained or referred to elsewhere in this REIT Plan. The meanings of terms not defined in this summary can be found elsewhere in this REIT Plan.

FILINVEST REIT CORP.

Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (“**Filinvest REIT**” or the “**Company**”) is one of the largest providers of standard and build-to-suit BPO office spaces in the country, with a portfolio of 17 office buildings with an aggregate office space gross leasable area (“**GLA**”) of 299,158 sq.m. and 2,204 sq.m. of retail GLA as of the date of this REIT Plan.

The Company is a REIT formed primarily to own and invest in income-producing commercial portfolio of office and retail properties in the Philippines that meet the Company’s investment criteria. Primarily, the Company will be the commercial REIT platform for the Filinvest Group. As a commercial REIT, the Company will focus on expanding its commercial properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. The Company offers its 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 support from Filinvest Land Inc. (the “**Sponsor**”), 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

The Company’s principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled “*Business and Properties – Investment Policy*” in this REIT Plan.

As of date of this REIT Plan, the Company’s property portfolio consists of 17 fully operational office buildings that meet the Company’s investment criteria. 16 office buildings are located at Northgate Cyberzone, Alabang (“**Northgate Cyberzone**”, and such properties, the “**Northgate Cyberzone Properties**”) and one office building, Cebu Tower 1, is located in Filinvest Cyberzone Cebu, Cebu City, Cebu (together with the Northgate Cyberzone Properties, the “**Properties**”). Axis Tower 1 in Northgate Cyberzone and Cebu Tower 1 in Filinvest Cyberzone Cebu, also have retail components. The land on which the Northgate Cyberzone Properties are located is leased by the Company from the Sponsor, while Cebu Tower 1 and the land on which it is located is owned by the Cebu Provincial Government and operated by the Company under a build-transfer-operate (“**BTO**”) arrangement. The average remaining land lease term (weighted by GLA) of the Northgate Cyberzone Properties was 74.9 years as of March 31, 2021, while the remaining initial term of the BTO arrangement between the Company and the Cebu Provincial Government was 22.7 years as of March 31, 2021, renewable for another 25 years.

For the year ended December 31, 2020, the Gross Revenue (including other income) from all the Properties amounted to ₱3,107.8 million. For the three months ended March 31, 2021, the Gross Revenue (including other income) from all the Properties amounted to ₱1,068.5 million.

The Company’s total assets and total liabilities were ₱25,229.5 million and ₱20,123.5 million, respectively, as of December 31, 2020. The Company’s total revenues and income were ₱3,107.8 million and the Company’s net income was ₱1,860.8 million for the year ended December 31, 2020. The Company’s total assets and total liabilities were ₱23,081.0 million and ₱17,169.6 million, respectively, as of March 31, 2021. The Company’s total revenues and income were ₱1,068.5 million and the Company’s net income was ₱639.1 million for the three months ended March 31, 2021.

On a pro forma basis, taking into account the Property Disposals and the assignment of loans on December 9, 2020, the Company’s pro forma total assets and pro forma total liabilities were ₱15,318.1 million and ₱9,958.1 million, respectively, as of December 31, 2020. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company’s pro forma Gross Revenue was ₱2,783.2 million and the Company’s pro forma net income was ₱1,612.2 million, for the year ended December 31, 2020. On a pro forma basis, taking into account the Property Disposals and the assignment of loans on December 9, 2020, the Company’s pro forma total assets and pro forma total liabilities were ₱14,236.3 million and ₱8,252.1 million, respectively, as of March 31, 2021. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company’s pro forma Gross Revenue was ₱954.2 million and the Company’s pro forma net income was ₱485.9 million for the three months ended March 31, 2021. See “—*Property Disposals and Assignment of Loans*”,

“*Summary Pro Forma Financial Information*” and the unaudited pro forma financial information and related notes elsewhere in this REIT Plan for more information on these pro forma adjustments.

Northgate Cyberzone Properties

Northgate Cyberzone is an IT and BPO park located within the Filinvest City township in Alabang, Muntinlupa City in the southern part of Metro Manila. Northgate Cyberzone is an 18.7 hectare, PEZA-registered IT zone, located next to Alabang-Zapote Road, and is designed, master-planned and built around the needs of technology-based companies. Northgate Cyberzone is the third largest IT hub in Metro Manila as of March 31, 2021 based on PEZA records.

The Northgate Cyberzone Properties have an aggregate of 279,221 sq.m. of office space GLA, and 1,529 sq.m. of retail GLA. All of the Northgate Cyberzone Properties are Grade A, PEZA-accredited office buildings that are owned by the Company. Each of the Northgate Cyberzone Properties also have appurtenant parking spaces, and are within walking distance of F@stbytes, a retail and dining block catering to locators and tenants of properties at Northgate Cyberzone. The Northgate Cyberzone Properties also benefit from a district cooling system (“DCS”), and are within the “360 Eco-Loop”, a public transportation system for commuters traveling within the different districts of Filinvest City.

The Northgate Cyberzone Properties comprise the following:

- *Axis Tower 1*, a 25-storey office building, has approximately 39,340 sq.m. of office space GLA and 1,529 sq.m. of retail GLA, 460 parking slots. Axis Tower 1 was completed in March 2018 and is certified LEED Gold;
- *Filinvest One* is a 10-storey office building with approximately 19,637 sq.m. of office space GLA, 109 parking slots, and was completed in June 2013;
- *Filinvest Two* is a 14-storey office building with approximately 23,784 sq.m. of office space GLA, 89 parking slots and was completed in September 2015;
- *Filinvest Three* is a 14-storey office building with approximately 23,784 sq.m. of office space GLA, 87 parking slots and was completed in January 2015;
- *Vector One* is a 14-storey office building having a shared main lobby with Vector Two and has 166 parking slots through common podium parking levels with Vector Two, with approximately 17,764 sq.m. of office space GLA. Vector One was completed in May 2011, and Filinvest Alabang, Inc. (“FAI”) was the first tenant of Vector One and occupied the fifth to seventh floors of the building to serve as FAI’s corporate headquarters;
- *Vector Two* is a 14-storey office building, having a shared main lobby with Vector One and has 153 parking slots through common podium parking levels with Vector One, with approximately 17,889 sq.m. of office space GLA, and was completed in September 2014;
- *Vector Three* is a 22-storey office building with approximately 36,345 sq.m. of office space GLA, 365 parking slots, and was completed in January 2017. Vector Three is certified Leadership in Energy and Environmental Design (“LEED”) Gold;
- *Plaza A* is a six-storey office building with approximately 10,860 sq.m. of office space GLA, 64 parking slots, and was completed in October 2007;
- *Plaza B* is a four-storey office building with approximately 6,488 sq.m. of office space GLA, 58 parking slots and was completed in March 2001;
- *Plaza C* is a four-storey office building, has approximately 6,540 sq.m. of office space GLA, 58 parking slots, and was completed in March 2001;
- *Plaza D* is a six-storey office building with approximately 10,860 sq.m. of office space GLA, 64 parking slots, and was completed in June 2007;

- *Plaza E* is a 12-storey office building with approximately 14,859 sq.m. of office space GLA, 127 parking slots, and was completed in February 2014;
- *iHub1* is a six-storey office building having a shared lobby and 46 parking slots through a common basement with iHub2-tower complex, with approximately 9,480 sq.m. of office space GLA, iHub1 was completed in June 2008;
- *iHub2* is a nine-storey office building having a shared lobby and 84 parking slots through a common basement with iHub1-tower complex, with approximately 14,181 sq.m. of office space GLA. iHub2 was completed in August 2009;
- *5132 Building* is a six-storey office building with approximately 9,409 sq.m. of office space GLA, 55 parking slots, and was completed in November 2007; and
- *Capital One* is a five-storey office building with approximately 18,000 sq.m. of office space GLA, 93 parking slots, and was completed in October 2005. Capital One was constructed on a “build-to-suit” arrangement to accommodate its previous tenant, HSBC, and is currently occupied by Capital One.

The parcels of land on which the Northgate Cyberzone Properties are located are under a long-term land lease between the Company and the Sponsor, which was entered into on arm’s length-terms. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on these lease arrangements.

Cebu Tower 1

Cebu Tower 1 is located in Filinvest Cyberzone Cebu, a commercial development under a BTO arrangement with the Cebu Provincial Government. Filinvest Cyberzone Cebu, located along Salinas Drive, Cebu City, is centrally located between Cebu City and Mandaue City.

Cebu Tower 1, is a 13-storey Grade A, PEZA-accredited office building, with approximately 19,937 sq.m. of office space GLA and 675 sq.m. of retail GLA. Cebu Tower 1 was completed in June 2015. Cebu Tower 1 has 274 parking slots, and its retail area located on its ground floor includes shops and dining options for its tenants and tenants of surrounding office buildings. Cebu Tower 1 has a centralized chilled water-type air-conditioning system, has provisions for 100% emergency back-up power, is equipped with automatic sprinkler systems with smoke detectors and fire alarms, and has underground fiber-optic cabling facilities with dark fiber provisions for all major telecommunications providers.

Cebu Tower 1 and the land on which it is located are owned by the Cebu Provincial Government and operated by the Company under a BTO arrangement. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent memorandum of agreement (“**MOA**”), renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on these lease arrangements.

The Properties have exhibited strong and stable cash flows from rental revenue and have experienced a consistently high Occupancy Rate with minimal payment delays and defaults. Furthermore, the Properties (1) are situated in business centers, such as Northgate Cyberzone within the Filinvest City township, and Filinvest Cyberzone Cebu within Cebu City, (2) have quality and diverse tenant bases of top BPOs, KPOs, banking and other financial institutions, education companies, and corporate locators, and (3) have long and substantial remaining useful lives of the buildings, which are not subject to re-development. The Company believes the Properties are an attractive investment option for potential stakeholders, having exhibited a strong lease take up and potential for growth.

See “*Business and Properties*” for more details on the Properties.

STRUCTURE OF THE REIT

The Company is a domestic corporation, established to invest in income-generating real estate. The Company is supported and managed by a number of parties.

The Sponsor is a corporation organized under the laws of the Philippines. The Sponsor is a leading real estate company in the Philippines, focused on the development of residential houses, lots, condotels, mid-rise buildings (“MRBs”) and high-rise buildings (“HRBs”) projects throughout the Philippines, and the development of investment properties in the retail, office and industrial real estate sectors. As of March 31, 2021, the Sponsor has built more than 200 residential developments across the country and operates 31 offices and seven retail developments totaling 781,018 sq.m. of GLA. As such, the Company benefits from the Sponsor’s well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as the Company’s Properties. As of March 31, 2021, 64.92% of the Sponsor’s common shares were held by Filinvest Development Corporation, and 35.08% were held publicly. In 2020, FLI was recognized as among the top 10 developers by BCI Asia Awards. In 2019, it was recognized as “Most Innovative Mixed-use Developer” by the *International Finance Awards*, and the “Best Real Estate Development Company” for Residential and “Most Innovative Real Estate Company” by *Global Business Outlook*.

The fund manager, FREIT Fund Managers, Inc., is a corporation, organized under the laws of the Philippines (the “**Fund Manager**”). The Fund Manager was incorporated on April 13, 2021, and has its registered office at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa. The Fund Manager is a wholly owned Subsidiary of the Sponsor. The Fund Manager has general power of management over the assets of the Company, pursuant to a fund management agreement dated May 24, 2021 between the Company and the Fund Manager (the “**Fund Management Agreement**”). The Fund Manager’s main responsibilities are to implement the Company’s investment strategies and manage the Company’s assets and liabilities for the benefit of the Company’s Shareholders. The Fund Manager will manage the assets of the Company with a focus on generating steady Rental Revenues and, if appropriate, increasing the Company’s assets over time so as to enhance the returns from the investments of the Company and, ultimately, the distributions to the Company’s Shareholders. For a more detailed discussion on the Company’s business strategy, see the sections entitled “*Business and Properties – Business Strategies*” and “*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*” in this REIT Plan.

The property manager, ProOffice Work Services, Inc, is a corporation, organized under the laws of the Philippines (the “**Property Manager**”). The Property Manager was incorporated on March 18, 2019, and has its registered office at 7th Floor, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781. The Property Manager is a wholly owned Subsidiary of the Sponsor. The Property Manager will perform the day-to-day property management functions of the Properties pursuant to a property management agreement dated March 11, 2021 between the Company and the Property Manager (the “**Property Management Agreement**”), in accordance with this REIT Plan, and the Company’s investment strategies. See the section entitled “*Certain Agreements Relating to the Company and the Properties – Property Management Agreement*” in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, the Property Manager will oversee the overall management of, maintenance and repair of the structure of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

COMPETITIVE STRENGTHS

The Company believes that it benefits from the following competitive strengths:

Sponsored by a leading Philippines full-range property developer with strong track record of commercial developments, particularly in Alabang

Filinvest Land, Inc. (“**FLI**”), the Company’s Sponsor, is one of the leading full-range property developers in the Philippines based on publicly available reports, with over 781,000 sq.m. of GLA across its portfolio of commercial properties, which includes office and retail developments, as of March 31, 2021. FLI also has a land bank of 1,897 hectares as of March 31, 2021. FLI is owned by Filinvest Development Corporation (“**FDC**”), one of the Philippines’ largest publicly listed conglomerates in terms of total assets as of March 31, 2021, based on publicly

available reports, with business interests in property, banking services, power, infrastructure and sugar. The Filinvest Group, which comprises, FDC, FLI and their subsidiaries and affiliates under the Filinvest brand, has over 60 years of real estate development experience and has successfully developed key landmark office projects in the Philippines, such as (i) the 52-storey PBCOM Tower in Makati CBD, one of the tallest buildings in the Philippines, (ii) the 201-hectare Filinvest Mimosa Plus Leisure City in Clark Freeport, Pampanga, and (iii) the 244-hectare Filinvest City in Alabang, Muntinlupa City, where Northgate Cyberzone, a PEZA-registered special economic zone and IT park, is located. As of March 31, 2021, the Filinvest Group had ongoing developments and projects across over 55 cities and municipalities in the Philippines.

FLI also has a proven track record of growing its real estate leasing portfolio. From 2014 to 2020, FLI’s leasing portfolio GLA grew 2.3 times.

FLI’s GLA (‘000 sqm)



Source: FLI data as of March 31, 2021

The Filinvest Group was a pioneer in developing BPO offices in the Philippines, and established the first campus style IT park in the Philippines. FLI was also one of only three developers that received PEZA incentives for being among the first facilities providers for the BPO industry. FLI introduced construction standards which the Company believes have now become industry standards for BPO offices, including the side core lift lobby, as well as larger and wider span floor plates. FLI has also engaged both IFC and DBP (JICA) to provide financing for its initial office developments in Northgate Cyberzone in the midst of the Asian financial crisis towards the turn of the millennium.

From 2001 to 2020, FLI’s offices kept pace with the increased office demand in the Philippines spurred by the growth of the BPO industry. During such period, FLI’s office GLA increased at a 13% CAGR, growing from 48,175 sq.m. in 2001 to 523,905 sq.m. as of December 31, 2020. As of March 31, 2021, FLI’s office GLA was at 523,905 sq.m. The Filinvest Group also established Alabang, Muntinlupa City as an ideal location for BPO offices, with convenient access to human resources from the nearby communities of southern Metro Manila.

Based on real estate market reports, FLI is one of the largest providers of standard and build-to-suit office spaces for BPOs in the Philippines, and is currently a market leader in providing premium quality office space for multinational corporations (“MNCs”). As of March 31, 2021, FLI had 12 office buildings that were under construction and that are expected to be completed in the next two years. The completion of these office buildings is expected to increase FLI’s office leasing portfolio by 43%, from 523,905 sq.m. of GLA as of March 31, 2021 to approximately 750,000 sq.m. of GLA in 2022. Furthermore, with a further 508,000 sq.m. of GLA of planned office developments in the pipeline, FLI’s office leasing portfolio GLA is expected to exceed 1,000,000 sq.m. by 2027.

The Company believes that the Filinvest Group is the dominant office leasing space developer in Alabang, Muntinlupa City where its flagship Filinvest City master planned development is located. The Filinvest Group controls all 244 hectares of land in Filinvest City – of which 86 hectares of prime commercial land is beneficially owned by the Filinvest Group. The Company believes that this parcel of land is the largest contiguous Metro Manila CBD property controlled by a single group. According to the independent market research report by JLL, the Filinvest Group has approximately 49.5% of the market share as of December 31, 2020 in Muntinlupa City, ahead of Ayala Land, Inc., its closest competitor at 11.9%. As a result, the Company believes that the Filinvest Group is often the first port of call for tenants looking to locate in Alabang, Muntinlupa City. Furthermore, the

Filinvest Group's experience and market share in the Alabang, Muntinlupa City area provides the Filinvest Group with clear visibility of the local office market, allowing it to adapt its provision of new supply to changes in office demand.

As part of the Filinvest Group, and one of the key members of the Filinvest Group in Filinvest City, the Company believes that it has also established itself as a reputable developer of Grade A office buildings in campus-type settings particularly in Alabang.

Filinvest City is an attractive PEZA- and LEEDv4 ND-certified district in the strategic Alabang CBD

Muntinlupa City is one of the 16 cities in Metro Manila, and a major commercial hub in the Philippines. Over the last 10 years, the supply of office space in Muntinlupa City has increased by almost 2.4 times, from 265,000 sq.m. in 2010 to 624,000 sq.m. in 2020 according to JLL. Muntinlupa City has also won multiple awards for being a business-friendly city, including awards from the Philippine Chamber of Commerce and Industry for Most Business Friendly Local Government Unit ("LGU") in 2018 and 2017, and a special citation for Most Business Friendly LGU in 2019. Muntinlupa City also provides a good environment for families, having been hailed as the 'Most Child-Friendly City' in the National Capital Region and conferred the Seal of Child-Friendly Local Governance in 2017 by the Regional Committee for the Welfare of Children.

Alabang is a *barangay* (an administrative sub-area) in Muntinlupa City which embraces the "live-work-play-and learn" concept, with retail, dining and entertainment amenities located alongside commercial offices and buildings, making it an ideal environment for working adults and their families.

The Company believes that the Filinvest City development in Alabang best embodies the "live-work-play-and learn" concept, as the center of commerce in Muntinlupa City with approximately 80% of all Grade A office space supply in Muntinlupa City, according to JLL. Filinvest City is the Filinvest Group's fully integrated, self-contained, master planned urban development located within 244 hectares of prime property in Alabang.

Filinvest City has been awarded the Leadership in Energy and Environmental Design LEEDv4 Gold for Neighborhood Development ("LEEDv4 ND") certification, and is the first CBD in the Philippines to earn such recognition. Filinvest City was also recognized by the Asia Pacific Property Awards 2020 – 2021 with the "Mixed-use Development in the Philippines" award.

The strategic location of Filinvest City makes it both a good destination as well as a gateway to neighboring regions, with CALABARZON, one of the fastest growing industrial regions in the Philippines located within an hour's drive. In addition, Filinvest City is in close proximity to other major CBDs, and a 30-minute drive away from Makati City and Bonifacio Global City via Skyway. Filinvest City is also in close proximity to key transport nodes such as the NAIA airport, which is a 30-minute drive away.

The Company believes that the transport connectivity of Filinvest City will be improved further in the next few years with the completion of major infrastructure projects that are expected to complement the five major roads that currently already traverse Filinvest City, including both the Skyway and SLEX. In addition, the North-South Commuter Railway which is currently being developed, will connect Filinvest City via railroad all the way from Clark, Pampanga in Central Luzon to the Bicol province in Southern Luzon, and increase the access points at the perimeter of the property. The North-South Commuter Railway project is expected to connect existing Philippine National Railways routes in Clark, Pampanga to Calamba, Laguna, and Central Luzon to CALABARZON. The new NLEX-SLEX Connector Road is also expected to reduce travel time from Filinvest City to Quezon City and Clark, Pampanga significantly, improving accessibility to northern Metro Manila, and New Clark City and Clark International Airport in Pampanga.

Filinvest City's community is well supported by a full suite of amenities, including three hospitals, a university, bike trails, and Festival Mall, the largest mall in southern Metro Manila, as well as other community facilities embodying the "live-work-play-and learn" concept. In addition, Filinvest City has embarked on the first phase of its "smart city" initiatives which includes the installation of a fiber optic network and CCTV cameras, provision of public WiFi access and the development of a smart city command center.

The Filinvest Group intends to continue developing and enhancing the amenities available in Filinvest City as an office and BPO destination. For example, The Crib at Block 10, is a co-living space currently under construction that is expected to provide the workforce in the city more affordable, safe and well-designed living accommodations within walking distance to the workplace. The Company believes that the development of co-

living space will promote productivity and efficiency and reduce workplace commute time for employees in Filinvest City.

Filinvest City is divided into three major districts that provide a balanced mix of developments: Spectrum District, Civic Plaza and Northgate Cyberzone. Spectrum District and Civic Plaza host mixed-use retail, residential and commercial developments while the 18.7 hectare Northgate Cyberzone is an IT park that caters primarily to IT-BPM and BPO firms.

Filinvest City Masterplan



As part of its vision for Filinvest City, the Filinvest Group has earmarked Northgate Cyberzone in its enhanced masterplan for its own world-class office developments which will define the Filinvest City skyline and act as value enhancers in Filinvest City. For example, the Axis Towers of the Filinvest Group located in Northgate Cyberzone, combine world-class LEED GOLD office spaces, convenient retail options and open green parks.

Sloping Gardens at Axis Complex



Northgate Cyberzone is strategically located in Filinvest City, with good access to nearby hospitals, retail and leisure establishments, hospitality, transport hubs and major thoroughfares. The Axis Towers sloping gardens and

central plaza, and Plaza Park allow tenants to enjoy nature and greenery while having the convenience of a highly urbanized city at their doorstep.

Northgate Cyberzone has many amenities and features that cater to tenants in the BPO industry, as well as carbon footprint reduction initiatives. The table below summarizes certain of these amenities and initiatives:

Northgate Cyberzone Selected Amenities	
Amenities	Description
<ul style="list-style-type: none"> Truck-mounted 1400KVA Mobile Generator 	<ul style="list-style-type: none"> Secondary emergency power source (N+2) to each building's backup electricity generators; backup to the backup (N+1) Capable of providing up to 100% emergency power for 48 continuous hours in the event of failure of a building's backup generators Certified and approved by PEZA.
<ul style="list-style-type: none"> Centralized District Cooling System ("DCS") 	<ul style="list-style-type: none"> Centralized production and distribution of cooling energy to existing and future buildings. The biggest district cooling system in the Philippines with a current capacity of 8,000 tons of refrigeration ("TR") expandable up to 12,000 TR to accommodate future developments. Environment friendly - Reduces power and water consumption, greenhouse gas and CO2 emissions through energy efficient operation and use of non-ozone depleting refrigerant.
<ul style="list-style-type: none"> Advanced City IT infrastructure 	<ul style="list-style-type: none"> Buildings have fiber optic ready ladder access and facilities to provide tenants with high-speed fiber-optic data telecommunications systems of telecommunications systems and providers. data center 24/7 CCTV in all common areas with minimum of 30 days of recording storage capacity. Free 1-hour WiFi internet connection within Northgate Cyberzone
<ul style="list-style-type: none"> Eco-Loop transport system and South Station transport hub 	<ul style="list-style-type: none"> The Filinvest City 360 Eco-Loop is the Philippine's first integrated, electric-powered public transport system that provides 24/7 affordable shuttle service for employees via solar-powered e-buses and e-jeeps The South Station transport hub within Filinvest City is the largest multi-modal transport terminal in southern Metro Manila connecting Filinvest City with CALABARZON.
<ul style="list-style-type: none"> Access control, elevator destination control and visitor management systems 	<ul style="list-style-type: none"> Newer buildings equipped with state-of-the-art access control turnstiles integrated with destination control equipped elevators and visitor management systems to ensure security and convenience for tenants and guests
<ul style="list-style-type: none"> Fire station and 24/7 Lifeline ambulance service 	<ul style="list-style-type: none"> Filinvest City has its own fire station, as part of its central emergency command post, which is equipped with a fire truck that can immediately respond to fires within a 3-kilometer radius Lifeline is a dedicated emergency quick response service with a standby 24/7 advanced life support ambulance within Northgate Cyberzone
<ul style="list-style-type: none"> Sports area / Basketball Court 	<ul style="list-style-type: none"> Open-air sports and recreation area within Northgate Cyberzone that may be used by locators and its employees for activities, events and gatherings subject to booking schedules.
<ul style="list-style-type: none"> Retail center 	<ul style="list-style-type: none"> Food and beverage establishments, 24/7 convenience stores and ATMs located at F@stbytes and Axis Towers ground floor retail

Truck-mounted 1400KVA Mobile Generator



24/7 Lifeline emergency ambulance service



Filinvest City Solar Power e-Jeep and e-Bus



Filinvest City Transportation Hub, South Station



Northgate Cyberzone has retail establishments to support the commercial needs of its occupiers on a 24/7 basis with a variety of food and beverage locators, convenience stores, kiosks, and shops. Geographically distributed within Northgate Cyberzone, F@stbytes dining center conveniently caters to the north-eastern area of Northgate Cyberzone while the retail area of the Axis Towers caters to the south-western area.

Filinvest City – retail and dining center amenities complemented by retail F@stbytes Dining Center



Axis Towers Retail



In October 2017, the district cooling system (“DCS”) project for Northgate Cyberzone was launched. Through the DCS, the air conditioning and cooling systems of the existing and upcoming buildings in Northgate Cyberzone were centralized, and the DCS is expected to increase efficiency in the cooling system of all the locators. As of March 31, 2021, the Company believes that the project is the biggest DCS plant in the Philippines with a plant capacity of 12000 TR, backed up by French and Filipino technical expertise. The project was developed through Philippine DCS Development Corporation (“PDDC”), a joint venture between the Filinvest Group and Engie. Engie is the world’s largest independent provider of urban cooling networks.



District Cooling System at Northgate Cyberzone

Dominant Grade A office portfolio located in Filinvest City

As the Philippine economy transitions to a post-lock down macro environment, one key theme is the diversification of office space into satellite areas and cities closer to employees' homes according to JLL. Further, according to JLL, given the Alabang CBD area's high quality office space available at lower rental rates compared to Makati and Bonifacio Global City ("BGC"), the Alabang CBD area in Muntinlupa City stands to benefit as one of the primary destinations for BPO companies looking to diversify their office spaces outside Makati CBD and BGC, and looks set to capture this increase in demand.

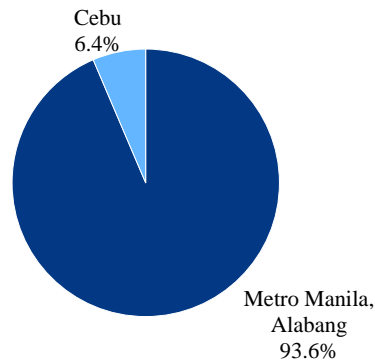
In addition, the moratorium on new economic zones and PEZA accreditation for office projects located in Metro Manila has resulted in a significant reduction of new PEZA-accredited office supply. The Company believes that office space in Filinvest City – and Northgate Cyberzone district in particular – which already has existing PEZA-accreditation, is likely to experience stronger demand given the shortage of new PEZA-accredited space and stands to benefit from the moratorium.

As of March 31, 2021, the Properties were valued at ₱48,547.4 million, comprising 17 Grade A office buildings which cater primarily to major domestic and international BPO and ROHQ (regional operating headquarters) for large corporations. Each of the Properties is PEZA-accredited, enabling the Company's tenants to enjoy available fiscal and non-fiscal tax incentives including a special tax rate of 5% on gross income, income tax holidays and exemption from creditable withholding taxes, among others. PEZA-related incentives will remain as long as the Company continues to comply with PEZA regulations and requirements.

In addition, the Properties feature large floor plates, amenities and technology for tenants including high-speed fiber-optic data telecommunications systems, and clean and uninterrupted power supply supported by backup generators and additional backup mobile genset trucks in the event of emergencies.

16 of the Properties (comprising 93.6% of the total valuation prepared by Asian Appraisal of ₱48,547.4 million as of March 31, 2021) are located in Northgate Cyberzone, Filinvest City, where the Filinvest Group is the market leader according to JLL, and one Property, Cebu Tower 1 (which accounts for 6.4% of the total valuation prepared by Asian Appraisal of ₱48,547.4 million as of March 31, 2021), located in Filinvest Cyberzone Cebu. In addition, two of the four LEED GOLD certified buildings in Northgate Cyberzone (Vector Three and Axis Tower 1) are owned by the Company.

Portfolio valuation breakdown (%)



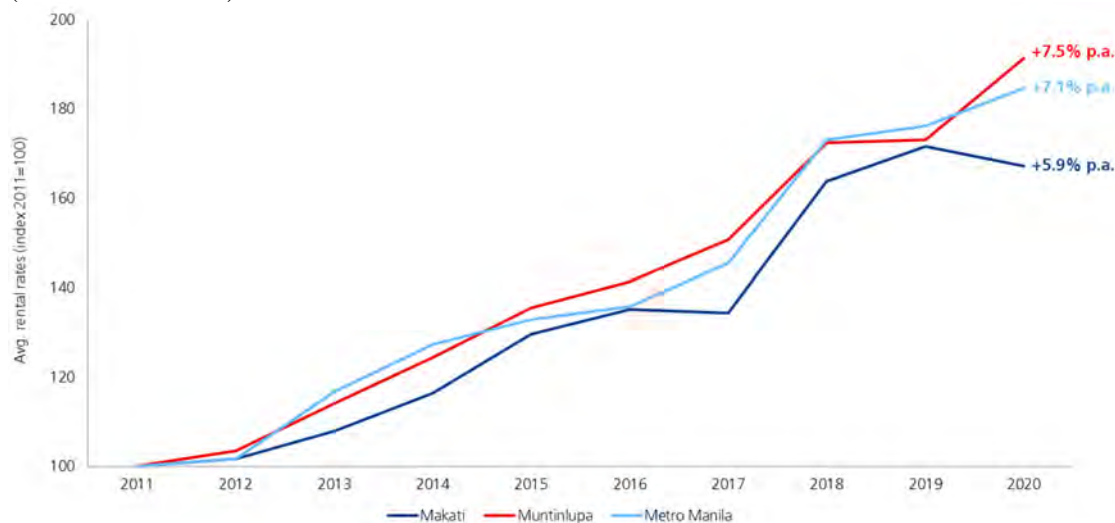
Note: Asian Appraisal valuation as of March 31, 2021

The Muntinlupa City office rental market has demonstrated strong growth from 2011 to 2020, growing by 7.5% per annum, and outperforming the Makati CBD office rental rate growth of 5.9% per annum, and the overall Metro Manila office rental rate growth of 7.1% per annum over the same period according to JLL. In particular, Muntinlupa City rental rates increased in 2020 despite the impact of the COVID-19 pandemic, demonstrating its strategic location, tenants’ continued demand for office space in the area and its overall resilience.

Based on data from JLL, the Metro Cebu office rental market has similarly performed well, with average monthly office rents growing by 5.7% per annum between 2015 to 2020 (higher than Makati CBD’s growth rate of 5.2% per annum over the same period). Metro Cebu’s office market is also set for further growth in the future as local and foreign firms continue to diversify their demand outside of Metro Manila. The total office supply in Metro Cebu is expected to grow to 1.6 million sq.m. of GLA by December 31, 2025, from 1.2 million sq.m. of GLA as of December 31, 2020.

Cebu Tower 1 is located in Filinvest Cyberzone Cebu, a 1.2-hectare development under a BTO arrangement between the Company and the Cebu Provincial Government. Filinvest Cyberzone Cebu is located at Salinas Drive, a strategic gateway to Cebu IT Park. In addition to Cebu Towers 1 and 2 which were recently completed in 2015 and 2018, Filinvest Cyberzone Cebu also has two additional Towers (Cebu Towers 3 and 4) under construction, slated for completion by 2022 and 2023, respectively.

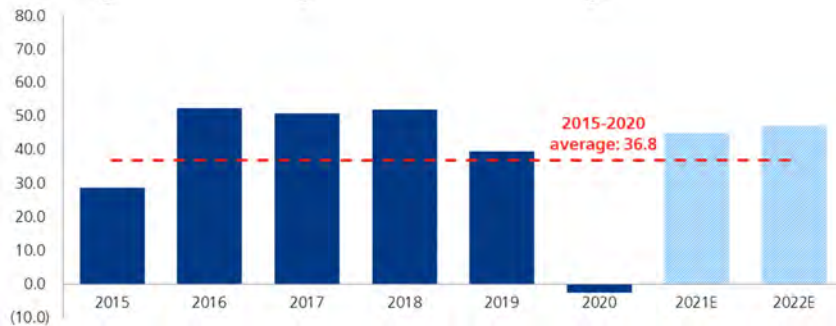
Average office rental rates in Muntinlupa, Makati and Metro Manila
(Indexed: 2011 = 100)



Source: JLL independent market research report

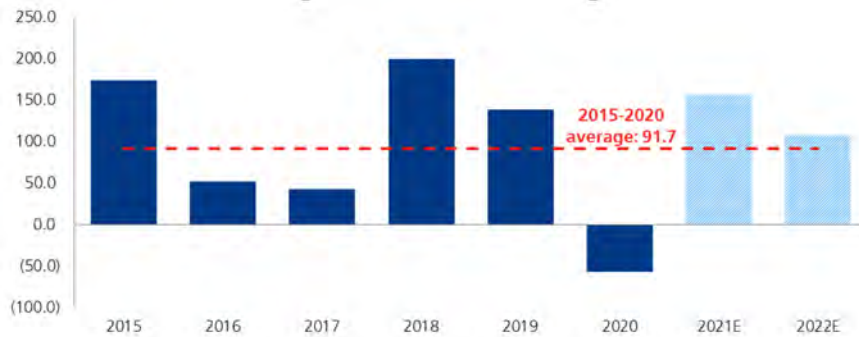
The continued robust office market outlook in Muntinlupa and Cebu is supported by the strong forecast net absorption volumes from 2021 to 2025 based on data from JLL, as demand continues to outstrip supply, particularly for high quality Grade A office space similar to that of the Properties.

Muntinlupa office net absorption 2015 – 2022E ('000 sqm)



Source: JLL independent market research report

Metro Cebu office net absorption 2015 – 2022E ('000 sqm)

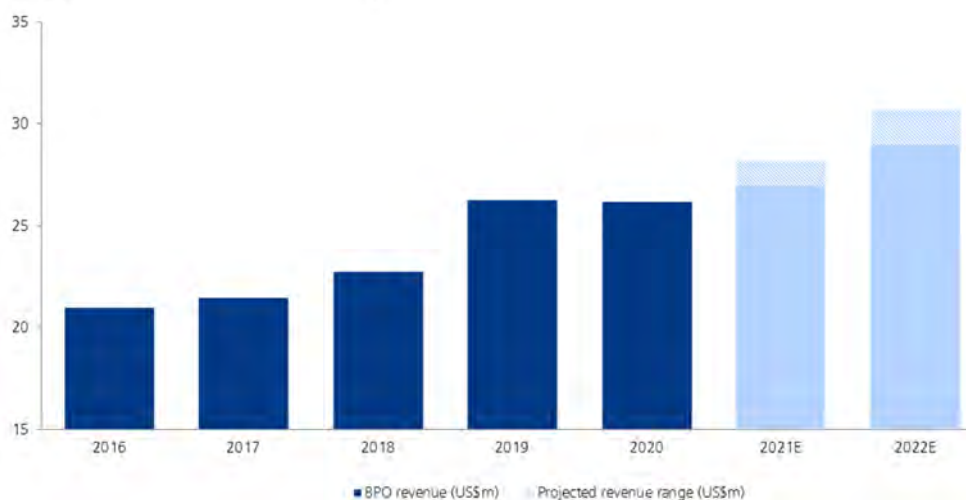


Source: JLL independent market research report

High quality tenants from the Philippines IT-BPM (BPO) sector, providing stable cashflows

The Philippines IT-BPM (BPO) industry is one of the core pillars of the Philippine economy, employing over 1.3 million people and contributing approximately 7.1% of the Philippine’s GDP in 2019 according to JLL. Between 2011 and 2019, the BPO industry revenue grew by approximately 9% per annum, from U.S.\$12.1 billion in 2011 to U.S.\$26.3 billion in 2019, and looks set to continue growing by between 3.2% to 5.5% in 2021E to 2022E as foreign MNCs and international firms continue to outsource part of their operations according to JLL.

Philippines IT-BPM (BPO) industry revenue 2016-2022E (U.S.\$ billion) (source: JLL)



The Philippines was ranked the 6th most digital nation in 2020 in the Tholons Services Globalization Index, demonstrating the widespread recognition of the Philippines as a premier outsourcing destination. The Philippines’ strong competitive advantage in attracting BPO companies is due to its highly skilled, English-speaking talent pool, and competitive wages according to JLL.

The BPO industry has remained resilient throughout the widespread negative economic impact from the COVID-19 pandemic, as BPO offices remained open and operational throughout both the ECQ and GCQ periods. As a result, the BPO industry’s revenue for 2020 is expected to reach U.S.\$26.2 billion, only a 0.5% decrease from the industry’s revenues in 2019, outperforming the general Philippine economy according to JLL.

The Philippines’ BPO industry demand fundamentals remain strong despite the impact of COVID-19. According to JLL: first, BPO firms provide critical support services to international companies across the world, and are essential to the operational continuity of these global firms. The smooth operational continuity of these essential support services and functions is predicated on a high quality, reliable work environment with good internet connectivity and digital infrastructure that high quality BPO offices provide, and which typical homes in the Philippines lack. Second, the nature of the support services provided may involve data confidentiality requirements which limit the extent to which “work from home” (“WFH”) policies may be adopted. This is particularly true for financial services BPO firms which have strict requirements for data security and confidentiality. Third, the recent trend of WFH initiatives has underscored the fact that certain workflows can be done remotely, outside of high cost developed markets. Combined with the pressure to reduce costs in a difficult economic environment, international firms may look to increase the extent of their outsourcing operations in destinations like the Philippines, where BPO firms can provide high quality services at lower cost.

The BPO industry is expected to recover in 2021-2022 with revenue growth projected to be between 3.2%-5.5%, and employment growth of between 2.7% and 5.0% according to JLL.

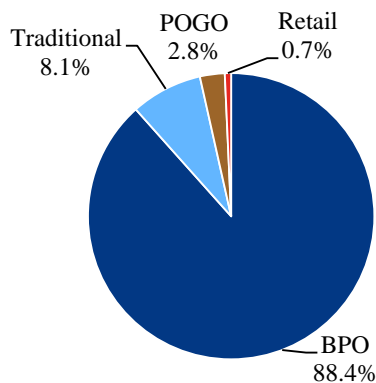
As of March 31, 2021, 88.4% of the Properties’ occupied GLA is leased to well-known global tenants in the BPO sector, with a further 8.1% contributed by traditional office tenants and 0.7% by retail tenants. Exposure to tenants in the POGO sector is minimal at under 2.8% of occupied GLA as of March 31, 2021 ensuring the stability and resilience of the Property’s cashflows.

Tenant Profile

The Company’s tenants consist of international BPO corporations and MNCs, including the ROHQs of corporations with strong brand recognition globally. The Company’s tenants include those that provide BPO services for corporations in the health care, banking & finance, outsourcing services, call center services, knowledge process outsourcing and information technology industries. In addition, some of the Company’s tenants are traditional MNCs, with those from the automobile, construction, engineering, banking & finance, information technology, real estate and semi-conductor industries amongst the occupants in the Properties. Exposure to tenants in the POGO sector is minimal at under 2.8% of occupied GLA as of March 31, 2021 ensuring

the stability and resilience of the Property’s cashflows. Furthermore, the tenants in the Properties have leased with the Company for five years on average.

Tenant sector breakdown by occupied GLA



The top 20 tenants of the Properties accounted for 79.2% of total GLA as of March 31, 2021, and include major international BPO and MNC tenants.

Top 20 office tenants information

#	Tenant	Industry	Description	Occupied GLA (sqm)	% of occupied GLA	% of total GLA	Properties
1	Capital One	BPO	BPO services for Capital One, an American bank holding company with over 48,000 employees globally	38,337	14.2%	12.7%	Capital One, Filinvest Three
2	Optum	BPO	BPO services for a pharmacy benefit manager and care services group with operations across 150 countries globally	24,770	9.2%	8.2%	Vector Three, Cebu Tower 1
3	Genpact	BPO	American professional services firm headquartered in New York with over 96,000 employees globally	21,239	7.9%	7.0%	Vector Two, iHub1, 5132 Building
4	Concentrix	BPO	American BPO services company with operations in 40 countries	19,886	7.4%	6.6%	Vector One, Plaza A, iHub2
5	Accenture	BPO	BPO services for Accenture, a Fortune Global 500 consulting and services company	18,643	6.9%	6.2%	Axis Tower 1, Cebu Tower 1
6	Tenant 6	BPO	BPO services for global online payment services company headquartered in the US	16,564	6.1%	5.5%	Axis Tower 1
7	Tenant 7	BPO	BPO services for an international bank with operations across the world	11,959	4.4%	4.0%	Filinvest One
8	Synchrony Global Services Phil. Inc.	BPO	Call center operations and select back office functions for Synchrony, a global financial services company	10,341	3.8%	3.4%	Filinvest Three
9	Majorel (formerly Arvato Corp.)	BPO	BPO company headquartered in Europe, with over 50,000 employees globally	9,160	3.4%	3.0%	Vector Three, Plaza E
10	Tenant 10	BPO	Call center company with 36 facilities in 14 countries, and headquartered in California	8,321	3.1%	2.8%	Plaza B, Plaza C
11	Infosys	BPO	Global business consulting, information technology and outsourcing services company headquartered in India	8,080	3.0%	2.7%	Vector Two
12	AIG Shared Services	BPO	BPO services for AIG, a leading non-life insurer globally	7,853	2.9%	2.6%	iHub2

13	Tenant 13	BPO	BPO company with over 40,000 employees globally	7,411	2.7%	2.5%	Vector Two and Axis Tower One
14	Hinduja Global Solutions	BPO	BPO company, part of the Indian conglomerate Hinduja Group, with over 40,000 employees globally	6,855	2.5%	2.3%	Plaza E
15	FAI	BPO	Leading property developers in Alabang, part of Filinvest group	6,812	2.5%	2.3%	Vector One
16	Tenant 16	BPO	BPO services for an American multinational telecommunications conglomerate	5,384	2.0%	1.8%	Plaza D
17	EXL Service Phils.	BPO	Headquartered in the United States, EXL is a leading operations management and analytics company	5,156	1.9%	1.7%	-Plaza E
18	Tenant 18	BPO	American multinational corporation that provides digital products and digital IT services, including cloud computing services, consulting, and operations services.	4,613	1.7%	1.5%	Vector Three
19	SLK Global	BPO	BPO services company offering technology platforms and solutions for the financial services industry	3,819	1.4%	1.3%	Vector Three and Axis Tower One
20	Tenant 20	BPO	BPO services for a privately owned global hedge fund administrator	3,447	1.3%	1.1%	Filinvest Two
Total				238,649	88.3%	79.2%	

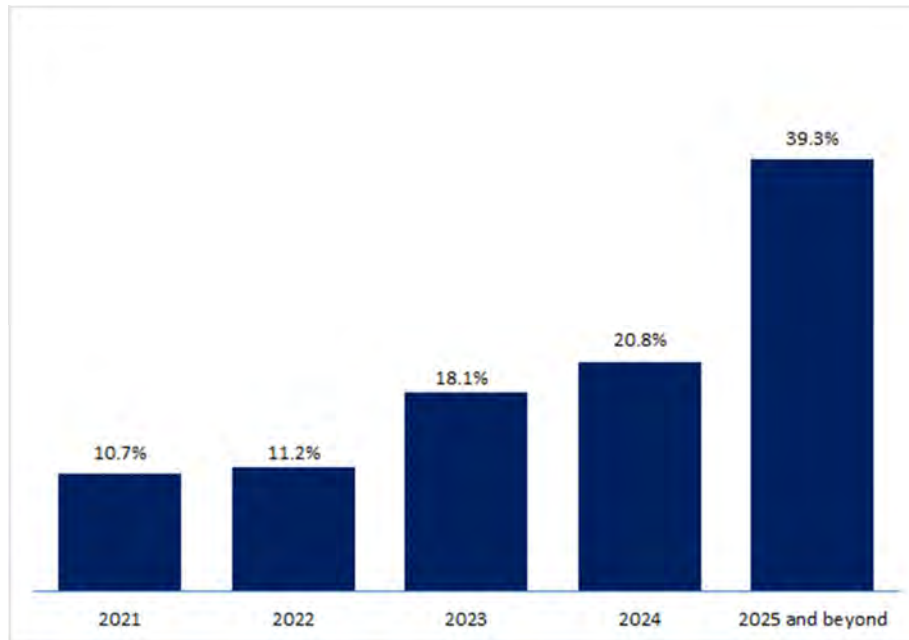
Note: Tenants which are not named did not provide consent to disclose their names. All of these tenants are multinational BPOs.

The stability of the Properties' cashflows is further supported by its WALE of 3.8 years (by GLA) as of March 31, 2021¹, and well spread lease maturity profile, with no more than 20% of leases expiring in any given year. BPO tenants tend to take on longer term leases due to the large fit-out cost required for BPO offices. The typical fit-out can cost up to three to six months of rent depending on the leased area, which incentivizes longer term commitment to the existing office spaces for which fit-out costs have already been incurred. In particular, 99% of leases expiring in 2020 (or 52,560 sq.m. in GLA) were renewed at rentals above the previous year's escalated rates. Furthermore, the tenants in the Properties have leased with the Company for five years on average. Over the last 15 years, 90% of leases within the Properties have been successfully renewed, underscoring the long-standing and enduring nature of the Company's tenants.

In addition, the Northgate Cyberzone Properties have a long average remaining land lease tenure of 74.9 years (by GLA) as of March 31, 2021, while Cebu Tower 1 has 22.7 years remaining under the initial term of the BTO arrangement as of March 31, 2021, renewable for another 25 years. The Company believes that the 50-year land lease (renewable for another 25 years) for the Northgate Cyberzone Properties, complements the Company's strong and enduring tenancies, and demonstrates the long term strength and stability of the Properties' cashflows and capital value.

¹ The Properties had a WALE of 3.9 years (by GLA) as of April 30, 2021.

Lease expiry profile as of March 31, 2021 (by occupied GLA)



Strong organic growth from fixed rental escalations, and inorganic growth from Sponsor pipeline

Approximately 90% of the leases in the Properties have contractual fixed rental escalations of 4% to 10% per annum, with overall average contractual rental escalation of 5.0% per annum, providing for a secure source of organic growth and clear income visibility. The Company believes that the strong organic growth in rental revenues in turn translates into an attractive dividend per share (“DPS”) growth, which will allow investors to benefit from the income growth of the Properties while also benefitting from its tax efficient REIT structure.

The Properties have been well-maintained and operated by professional property managers – ProOffice Work Services, Inc. (“ProOffice”) for the Northgate Cyberzone Properties since 2019, and Santos Knight Frank (“SKF”) for Cebu Tower One since 2018. The management rights of Santos Knight Frank over Cebu Tower One will be transferred to ProOffice, the REIT Property Manager on or prior to the issuance of the Permit to Sell by the Philippine SEC. The Company has a track record of regular maintenance and renovation to bring up its facilities to meet the needs of its tenants. For instance, the Properties’ cooling system is less than five years old, and substantially all of the elevator systems are less than 10 years old on average. Among the major renovations and asset enhancements conducted for the Properties are:

Project Description	Building	Year	Project Cost (P millions)
Upgrading of Chilled Water System to DCS	All buildings	2017-2019	1,387.0
Modernization of elevators	Vector Two, 5132 Building, iHub 1, Plaza A, Plaza B, Plaza C, Plaza D	2017 to 2021	44.3
BMS Upgrade for Centralization to Command Center	Plaza A, Plaza B, Plaza C, Plaza D, Plaza E Vector One, Vector Two, iHub1, iHub2, 5132 Building	2021	12.1
Integrated BMS (iBMS) Centralization	All buildings	2021	16.8
Major Fan Coil Units Maintenance and Rehab of Air Handling Units	Plaza A, Plaza D, Vector One, Vector Two, iHub1, iHub2, 5132 Building	2019	36.9
Installation of Access Control System (Turnstiles)	Axis Tower 1	2019	47.0
Total replacement of Packaged Air-Conditioning Units (PACU)	Plaza B	2019	27.0
Installation of Accelerograph with FDAS Interface	Plaza A, Plaza D, Plaza E, Vector One, iHub 2, Filinvest One, Filinvest Two, Capital One	2018	9.6
Installation of Visitor Management System	All buildings	2019 - 2021	2.9
Renovation of Common Restrooms	Plaza B and Plaza C	2019	8.5
Total			1,592.1

More than ₱250 million in the next three years of additional renovations and asset enhancements are planned for the Properties, including elevator modernization, refurbishment of building façade and common areas, and installation of turnstiles and visitor management system, among others. The Company intends to fund such additional renovations and asset enhancements through a combination of operating cash flows and debt financing. The upkeep and maintenance of the Properties ensure the reliability of their operations around the clock, and allows the Company to stay current and relevant, and keep its Properties attractive to tenants.

Sponsor's extensive CBD land bank in three major BPO hubs and deep portfolio

In addition to the organic growth from fixed rental escalations built into the leases, the Company has ready access to inorganic growth opportunities from the Sponsor's pipeline of what the Company believes are high quality income-producing commercial assets, in addition to potential acquisitions from unrelated third parties.

The Sponsor has granted the Company a right of first refusal over all significant commercial properties of the Sponsor and its wholly owned subsidiaries that qualify as REIT assets under the REIT Law (excluding land and projects intended for the Sponsor's trading business such as condominium units that are temporarily leased out) (the "ROFR"). The grant of the ROFR will be valid as long as (i) the Company continues to be a REIT under the REIT Law, and (ii) the Company is at least majority-owned by the Filinvest Group.

The Sponsor has an extensive CBD land bank in Metro Manila, Clark, Pampanga and Cebu. The Sponsor has over 250 hectares of land in these CBD areas, and the total additional GLA from these three areas is expected to be approximately 5.3 million sq.m. In addition, the Sponsor has over 140 hectares of land for industrial leasing and warehouse development, which the Company believes highlights the Sponsor's strength in portfolio development for both the office and industrial space.

In addition to the Properties, as of March 31, 2021, FLI has 14 operational office buildings and 11 more under construction (and which are expected to be completed in the next two years) located in key CBDs including Northgate Cyberzone, Makati CBD, Ortigas CBD, Quezon City, Clark Mimosa and others that may form additional pipeline acquisitions for the Company. These buildings are expected to total approximately 315,000 sq.m. of GLA, equivalent to 105% of the aggregate GLA of the Properties. These buildings include the following:

In Filinvest City, Alabang

Axis Tower 2 which was completed in 2019 is currently ramping up its occupancy. The 40,536 sq.m. LEED GOLD certified BPO office tower is located in a 2.6 hectare common compound with Axis Tower 1, as well as Axis Towers 3 and 4 which are currently under construction and expected to be completed in 2022. The towers each have 39,340 sq.m. of office GLA and share 5,948 sq.m. of common retail space, as well as podium and basement parking.

In Makati CBD

The 52-storey landmark Makati CBD office property PBCom Tower, with 37,987 sq.m. of office space and amenities including a food court and retail component may also be considered. Located in Ayala Avenue, PBCom Tower is the tallest office building in the Philippines, and as of March 31, 2020 had an appraised value of ₱ 7,650 million based on latest valuation reports. Also in Makati is 100 West, a mixed use tower in Gil Puyat extension, which has 14,333 sq.m. of office space and 3,896 sq.m. of retail space. As of December 31, 2020, 387 Building with an expected 10,010 sq.m. of GLA and located in Gil Puyat Avenue, is currently under construction and is expected to be completed in 2021

In Other Major Metro Manila Cities

Filinvest Cyberzone Bay City consists of four buildings with a total GLA of 66,589 sq.m.

One Filinvest Ortigas with a GLA of 39,759 sq.m. is under construction as of March 31, 2021, and is scheduled to be completed in 2022.

Studio 7 and Activa in Quezon City were under construction as of March 31, 2021. Studio 7, with a total office GLA of 36,541 sq.m. is scheduled to be completed in 2022 while Activa, with a total office GLA of 51,992 sq.m. is scheduled to be completed in 2025.

In Cebu

Cebu Tower Two which was completed in 2018 and has a total office and retail GLA of 28,927 sq.m. is currently operational. There Cebu Towers Three and Four, with expected GLAs of 21,847 sq.m. and 22,342 sq.m., respectively, were undergoing construction as of December 31, 2020, and are expected to be completed in 2022 and 2023, respectively.

In Clark Mimososa

In Filinvest Mimososa Plus Leisure City in Clark, there are two buildings, Workplus 1 and Workplus 2 that are currently operational with GLA of 21,431 sq.m. while two other buildings were under construction as of March 31, 2021, with total office and retail GLA of 24,623 sq.m., and which are expected to be completed in 2021 and 2022.

In Dumaguete

Marina Town, Dumaguete is a 1.9-hectare mixed-use development fronting Dumaguete Bay. The project is expected to feature a hotel, mall, and an office component of 4,225 sq.m. of GLA that is expected to be completed within the first quarter of 2022.

Experienced management team with accumulated 75 years of property experience

The management team possesses intimate knowledge of the Properties, their competitive strengths and their leasing aspects, having managed the assets since they were initially developed by the Filinvest Group. The Company will benefit from the continuity of service and familiarity of the management team with the assets and the growth commitment of the Sponsor.

The experience that the management team and directors of the Company have in property fund and portfolio management, real estate development, investment, asset and property management, and finance will benefit the REIT. In particular, the Company's President, Maricel Brion-Lirio, has 21 years of experience in the real estate industry, particularly in office leasing and business development. Other key members of the management team include the Chief Financial Officer, Treasurer and Compliance Officer, Ana Venus A. Mejia, who similarly has extensive experience in the real estate industry, with over 20 years of experience. See "Board of Directors and Senior Management" elsewhere in this REIT Plan for more information on the Board and senior management of the Company.

BUSINESS STRATEGIES

The Company's principal strategy is to invest in income-generating real estate property, including office buildings, retail malls, industrial warehouses and buildings, and hotels. Through the services of the Fund Manager and the Property Manager, who will collectively work with the Company's management team, the Company intends to maximize investment returns for its Shareholders. The Company believes it will be able to grow from both its

existing portfolio, and by adding new assets in the future. Please see also the section entitled “*The Fund Manager and the Property Manager*” elsewhere in this REIT plan.

Fund Manager

The Fund Manager plans to achieve its key objectives for the Company through the following strategies:

Organic growth strategy through pro-active asset management

The Fund Manager’s organic growth strategy involves active asset management in the form of asset enhancement initiatives to drive higher rental rates for the Properties and thereby deliver the optimum net operating income. The Company believes that the Fund Manager will be able to achieve the foregoing through proper coordination with the Property Manager in undertaking the following:

- Formulate or rationalize the capital expenditure policy which aims to protect and improve the asset quality of the Properties to be able to command the desired rental rates.
- Pro-actively manage lease renewals in advance of expiries, negotiate higher rental rates for new leases, and reconfigure or expand tenant spaces to best respond to the needs of the Company’s tenants
- Maintain good relationships with tenants and improve their tenancy experience.

Inorganic growth strategy through redevelopment of existing assets and new acquisitions

The Fund Manager intends to pursue inorganic growth through the redevelopment, to the extent allowable by the REIT Law, and in accordance with the Company’s plans, of existing assets with low floor-to-area ratio (“**FAR**”) into taller buildings with higher FAR, which will help maximize land use, increase GLA and consequently, increase property valuation.

In addition, the Fund Manager will consider the acquisition of high quality commercial properties that are dividend yield accretive to the Company’s portfolio of Properties. The Fund Manager will consider potential pipeline assets for acquisition from the Filinvest Group’s wide array of income-producing commercial assets, as well as commercial assets from external parties.

The Company may acquire new projects through direct acquisition, or through tax-free-exchanges, depending on what would be the most beneficial transactional form for the Company at such time. The Company may also procure new land sites can through long-term leases, joint ventures or acquisitions, which shall be studied, and proposed to the Company’ management. The Company believes that the identification and targeting of such new projects and additional locations offer potential opportunities for future income and capital growth.

The Sponsor has granted the Company a right of first refusal over all significant commercial properties of the Sponsor and its wholly owned subsidiaries that qualify as REIT assets under the REIT Law (excluding land and projects intended for the Sponsor’s trading business such as condominium units that are temporarily leased out). The grant of the ROFR will be valid as long as (i) the Company continues to be a REIT under the REIT Law, and (ii) the Company is at least majority-owned by the Filinvest Group.

Focus on key CBDs in Metro Manila and major regional hubs in the Philippines

The Fund Manager intends to primarily focus its growth on Grade A assets situated in prime CBD properties in and around the Metro Manila area and major regional hubs in the Philippines. This strategy aligns with the Sponsor’s expansive land bank in growth centers identified by the IT and Business Process Association of the Philippines. The Fund Manager also intends to actively pursue industrial assets along CALABARZON and the NLEX-SCTEX-TPLEX industrial and logistics corridor.

Active management of capital structure and well-balanced risk management strategy

The Fund Manager will closely monitor and manage the Company’s balance sheet, and resources to optimize overall returns for Shareholders balanced against preserving the long-term financial health of the Company. The Fund Manager may use management tools such as accessing the capital markets for debt, equity, hybrid or other forms of capital as appropriate, and utilizing hedging instruments in order to manage the Company’s financial

risk exposures. The Company has successfully accessed the retail bond market in the past, and is expected to continue to use leverage in growing its leasing portfolio.

Commitment to green initiatives

The Company and the Sponsor are committed to sustainable development and ecological efficiency of the Properties. As such, the Company and the Sponsor have initiated measures to reduce the consumption of natural resources and minimize emissions. For example, the DCS in Northgate Cyberzone is a system that has been implemented to increase the efficiency and sustainability of the buildings in Northgate Cyberzone, and lower air-conditioning and other operational costs for both the Company and its tenants. The Fund Manager intends to work with the Property Manager to promote additional green initiatives and programs for the Properties. The township developments where the Properties are located are also designed to provide wide open spaces to improve the working environment of the BPO workforce.

Please see also the section entitled “The Fund Manager and the Property Manager” elsewhere in this REIT Plan.

Property Manager

The Property Manager shall protect and enhance the assets of the Company and ensure that the Company provides the services required by its tenants, and to deliver the desired revenues.

Active tenancy and leasing management

In order to maximize the leasing revenues of the Company, the Property Manager shall implement the following strategies together with the Fund Manager:

- Proactively negotiate expiring leases at least six to nine months before the expiration date, and renew them at the desired rental rate based on the leasing plans approved by the Company’s management. The Company’s current lease arrangements generally permit tenants to renew their leases for an additional five years, subject to notifying the Company at least six months prior to expiry and revised rental rates in line with the prevailing market. The Property Manager will monitor expiring leases and actively engage tenants in negotiations well in advance of expiry.
- Negotiating increased rental rates, when current leases with below-market rents expire.
- For vacancies, proactively tap the existing tenant base for future expansions, as well as attract new customers. The Property Manager will also work with the Filinvest Group’s in-house office leasing teams as well as with the Company’s third party leasing brokers to reach a wider pool of potential new clients.
- Improve customer services and tenancy occupancy experience to continue the historically high retention rate of tenants.
- Continuing review and analysis of the existing tenant mix; proposing an optimum tenant mix to the Company’s plans and programs, with the goal of achieving the target operating income.

Active property management

The Property Manager will also ensure the Properties are kept in excellent condition, in order to meet the high commercial standards of the Company’s tenants. These efforts include, but are not limited to, the following:

- Ensure that preventive maintenance contracts are in place at all times, by contracting reputable and capable service contractors and monitoring their performances, for the Properties’ machinery, equipment, facilities, amenities and common areas.
- Recommend and implement, the Company’s approved plans and programs for capital expenditure on major maintenance and building enhancements such as modernization of elevators, restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and

equipment upgrades, as well as extraordinary maintenance, such as in the event of damage from weather disturbances, natural disasters, or other unforeseen events.

- Develop and promote systems and strategies to proactively manage facilities and provide prompt feedback to tenants; concerns.
- The Property Manager will also ensure that the IT infrastructure within the Properties meet the requirements of the Company's BPO tenants.
- Work together with the estate manager of townships where the Properties are located, to ensure that the Company continues to have ample, secure and conducive parking spaces for the locators, employees and visitors. The Property Manager will also procure the implementation of house rules and regulations applicable to the Properties.
- Facilitate relocation or expansion of tenants according to their operational requirements by vetting technical plans, monitoring and overseeing tenants' compliance with fire and building codes and regulations, and PEZA and other applicable regulatory requirements.
- Close coordination and cooperation with utility companies to ensure reliable service and supply of power and water at all times.

The Property Manager will work closely with the township managers to ensure the environment of the Properties remains attractive. The Company believes that maintaining and improving green facilities within the townships where the Properties are located, together with its safe and secure setting offered by such developments, the close proximity of the Properties to convenient shopping and transportation all add to the value of the portfolio.

Excellent customer service

The Company believes that the Filinvest Group has built its reputation as one of the top office space providers in the Philippines, not just by delivering the physical building services but also by building a good relationship with its tenants. The Property Manager is likewise committed to delivering a high level of customer service satisfaction. The Property Manager intends to undertake the following activities to continue delivering excellent customer service to the tenants of the Company:

- Continued tenancy and employee surveys to give the Property Manager and the Company updated information and data on the views of its tenants.
- Open communication and feedback system with tenants via traditional and online platforms.
- Continuous market research and studies on new ways to improve customer experience.

Cost efficiency

The Property Manager will always strive to implement the most cost efficient policies and programs without sacrificing the quality of the service. The Company believes that the Property Manager would be able to achieve this through continuous communications and maintaining good working relationships with the Company's existing service providers, to ensure that service contracts are executed properly and effectively. The Property Manager also intends to expand the Company's current pool of vendors by inviting other providers to participate in the bidding process for external service providers. The Property Manager also intends to conduct regular performance evaluation reviews of the contractors and service providers to ensure that the Company continues to engage with appropriate counterparties.

Reduction of operating expense through energy efficiency management together with Engie

The Property Manager is studying an Integrated building management system ("iBMS") together with Engie which will connect all existing building management systems of the Properties via a central system. The iBMS aims to achieve cost-savings in building electricity consumption through efficient operation of connected equipment and continuous monitoring of building energy consumption.

The Property Manager is also studying the feasibility of installing solar panels atop the building roof decks of the Properties as part of the 'Filinvest Green City' concept, and as a way of having renewable clean energy onsite and reducing reliance on non-renewable energy sources.

Please see also the section entitled “*The Fund Manager and the Property Manager*” elsewhere in this REIT Plan.

RECENT DEVELOPMENTS

Occupancy Rate

As of March 31, 2021, the Properties had an overall occupancy rate of 89.7%, comprising 270,424 sq.m. of GLA. As of April 30, 2021, the Properties’ overall occupancy rate increased to 90.3%, comprising 272,258 sq.m. of GLA, as a result of Majorel, one of the Company’s existing tenants, leasing an additional 4,613 sq.m. of office space in Vector Three, combined with a reduction of 2,778.19 sq.m. in occupied GLA due to the non-renewal and pre-termination of leases, respectively, by two other tenants.

Property Disposals and Assignment of Loans

In preparation for the Company’s transition to a REIT company, the Sponsor and the Company identified and selected the Properties as the assets which will comprise the initial REIT portfolio based on the requirements of the REIT Law as well the Company’s investment criteria. As such, the Sponsor and the Company determined that certain of the Company’s assets (other than the Properties) will be transferred from the Company to the Sponsor in the form of property dividends or through assignment of rights. On December 4, 2020, the Company’s Board approved the declaration of property dividends consisting of one building (which has been operational for less than three years) in Northgate Cyberzone (Axis Tower 2), two buildings under construction in Northgate Cyberzone (Axis Tower 3 and Axis Tower 4), and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020 (the “**First Property Dividend**”). On February 11, 2021, the Company’s Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack, Mandaluyong City, all of which have been identified for redevelopment, and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu, which has been operating for less than three years (the “**Second Property Dividend**”, and together with the First Property Dividend, the “**Property Dividend**”). On February 11, 2021, the Company’s Board also approved the transfer of its rights under its “build-transfer-operate” (“**BTO**”) arrangement with the Cebu Provincial Government relating to two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor (the “**BTO Rights Transfer**”, and collectively with the Property Dividend, the “**Property Disposals**”). The Philippine SEC’s approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell.

On December 9, 2020, the Company and the Sponsor entered into an agreement, whereby the Company would assign to the Sponsor, its loans payable in the aggregate amount of ₱4,233.8 million, in consideration for the aggregate amount of ₱4,233.8 million to be paid by the Company, of which ₱3,746.3 million shall be converted by the Sponsor into equity of the Company. On March 12, 2021, the Company and the Sponsor entered into an agreement whereby a portion of the Sponsor’s receivables from the Company will be converted to equity through the latter’s subscription to 2,565,924,658 common shares of the Company at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million) (the “**Assignment of Loans**”). The increase in the Company’s authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock was approved by the Philippine SEC on July 2, 2021.

Please refer to the Company’s pro forma financial information for the year ended December 31, 2020 included in this REIT Plan for further details.

Change of Name, Reduction in Par Value and Increase in Authorized Capital Stock

On June 25, 2021, the Company’s shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from “Cyberzone Properties, Inc.” to “Filinvest REIT Corp.”, (ii) reduction of the par value of its common shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company’s authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share. As part of the increase in authorized capital stock, the Sponsor will subscribe to 2,565,924,658 common shares.

The change in name of the Company, the reduction in the par value of its common shares and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021.

Sale of ProOffice Works Services, Inc.

The Company was the holding company of the Property Manager, ProOffice Works Services, Inc. (“**ProOffice**”). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice commenced commercial operations on August 1, 2019. On December 23, 2020, the Company entered into a Deed of Assignment to sell its interest in ProOffice to the Sponsor for a total consideration of ₱17.2 million. The assignment did not have any material impact to the consolidated financial statements of the Company as of and for the year ended December 31, 2020.

Impact of COVID-19

The COVID-19 outbreak which commenced in January 2020 and accelerated beyond the first quarter of 2020 has caused disruptions in the Company’s operations. The various quarantine measures imposed by the Government from March 2020 resulted in (i) delays in the construction of pipeline buildings due to the mandatory stoppage of construction activities, and (ii) ceasing of tenant operations at the Properties during the imposition of enhanced community quarantine (“**ECQ**”) measures in the areas where the Properties are located. During the ECQ period, the Company’s tenants were not allowed to operate at the Properties, and such tenants had to set-up work-from-home arrangements for their employees. When the ECQ measures were eased and transitioned to a modified enhance community quarantine (“**MECQ**”), certain tenants of the Company had to reduce their manpower at the Properties by 50%, and certain tenants sought temporary additional workspace to address the 50% density and social distancing requirements under MECQ.

While the Properties continued to be in operation in 2020 and in 2021, as a result of such quarantine measures imposed by the Government (including areas placed under general community quarantine (“**GCQ**”) (which was less restrictive than MECQ), the Company believes that Occupancy Rate of certain buildings will be lower than expected in 2021 as a result of the downsizing of certain smaller traditional tenants and the pre-terminations of some POGO leases and that lease negotiations for either new spaces or expansions would potentially be postponed due to internal business decisions of its tenants.

Nonetheless, the Company anticipates that its rental revenues for 2021 will remain stable as a majority of its lease contracts to top multinational global firms including BPO, IT, and traditional companies and headquarters of companies have fixed rates, and have lease terms ranging from three to five years. Despite the challenging business environment brought about by the COVID-19 pandemic, the Company does not expect any going concern issue affecting its business operations, and considers the events surrounding the COVID-19 outbreak to not have any material impact on its financial position and performance

To continuously ensure the health and safety of its stakeholders, the Company has implemented various measures for the safety of its customers, tenants, suppliers, service providers and employees in compliance with the World Health Organization’s and the Department of Health’s guidelines on COVID-19. The Company has instituted the following measures to ensure safe operation of its Properties:

Screening and minimizing contacts

- Screening of all entrants to its facilities and buildings through temperature scanning. Persons with low-grade fever and up (including employees who must take a sick leave) will be politely refused entry.
- The Company requires any employee with fever and similar symptoms to be tested for COVID-19 subject to the Department of Health’s protocols and official advisories.
- Visitors from outside the Philippines are screened in accordance with the protocols applicable to the jurisdiction of origin.
- Limiting face-to-face contact through online service desks, call center and e-payments for suppliers.
- Use of online platforms for customer and supplier transactions.

- Provision of shuttle services to employees from designated pick-up points to the Company’s offices, and from the Company’s offices to designated pick-up points to minimize external contacts.

Keeping Office Safe – Reducing Office Density

- Implementation of alternative work arrangements to minimize face-to-face encounters and reduce density within work spaces.
- Cutting work force density to 50% through alternate shifting schedules.
- Developing more work-from-home facilities.
- Strict adherence to self-quarantine protocols for employees who travelled.
- Sanitation of all areas and provision of hygiene supplies in all areas such as alcohol, hand sanitizers, hand soap and facemasks. Disinfection of high traffic areas is done every hour.
- Employee education on COVID-19 through circulars on the disease and protocols to be followed. Nurses are onsite to provide assistance.
- Implementation of “No ID, No Face Mask and Face Shield, No Entry” policy.
- Installation of foot baths at the entrances of its Properties, with disinfectant bleach with water poured over non slip foot mats.
- Installation of isolation booths per Department of Health requirements

DIVIDEND POLICY

As of the date of this REIT Plan, the Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company’s shareholders may be entitled to receive at least 90% of the Company’s annual Distributable Income.

From 2017 to 2019, the Company declared and distributed dividends to its shareholders as follows:

	Cash Dividends (millions)	Prior Year Net Income (millions)	% of Dividends
2017.....	₱383.9	₱1,347.68	28.5%
2018.....	₱312.5	₱1,183.48	26.4%
2019.....	₱348.3	₱1,410.28	24.7%

The Company did not declare any cash dividends in 2020. On December 4, 2020, the Company’s Board approved the declaration of the First Property Dividend, and on February 11, 2021, the Company’s Board also approved the declaration of the Second Property Dividend. The Philippine SEC’s approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell. See “*Presentation of Financial Information*” elsewhere in this REIT Plan.

Dividends were declared in accordance with the provisions of Section 42 of the Philippine Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

Following the Offer, the Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law and the Revised REIT IRR, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of the Company’s outstanding loan facilities in the event the Company incurs indebtedness, and the absence of circumstances which may restrict the payment of such amount of dividends,

including, but not limited to, when there is need for special reserve for probable contingencies. The Company intends to declare and pay out dividends on a quarterly basis each year.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by the Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

See “*Dividends and Dividend Policy*” in this REIT Plan.

THE FUND MANAGER

The Fund Manager is a corporation, organized under the laws of the Philippines. The Fund Manager was incorporated on April 13, 2021, and has its registered office at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa. The Fund Manager is a wholly owned Subsidiary of the Sponsor. The Fund Manager has general power of management over the assets of the Company, pursuant to the Fund Management Agreement. The Fund Manager’s main responsibilities are to implement the Company’s investment strategies and manage the Company’s assets and liabilities for the benefit of the Company’s Shareholders. The Fund Manager will manage the assets of the Company with a focus on generating steady Rental Revenues and, if appropriate, increasing the Company’s assets over time so as to enhance the returns from the investments of the Company and, ultimately, the distributions to the Company’s Shareholders. For a more detailed discussion on the Company’s business strategy, see the sections entitled “*Business and Properties – Business Strategies*” and “*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*” in this REIT Plan.

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive equivalent to one tenth of 1% (0.1%) of the Deposited Property Value plus 2.5% of the EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease expenses, including the interest on lease liabilities, exclusive of value-added taxes (the “**Management Fee**”).

The Fund Manager shall likewise be entitled to (i) an acquisition fee of 1.0% of the acquisition price of every acquisition made, exclusive of value-added taxes, and (ii) a divestment fee of 0.5% of the sales price for every property divested by it on behalf of the Company, exclusive of value-added taxes. The total amount of the Management Fee, acquisition fee, and divestment fee, paid to the Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, acquisition fee, and divestment fee shall be collectively referred to as “**Fund Management Fee**”).

The Fund Management Fee is structured to align the interests of the Fund Manager and the Shareholders. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company’s assets reflecting the fair market value of the total assets held by the Company and managed by the Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = (0.1% of Deposited Property Value)

+ (2.5% x EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease related expenses, including the interest expense on lease liabilities)

+ (1.0% x acquisition price, for every acquisition, if applicable)

+ (0.5% x sales price for every property divested, if applicable)

THE PROPERTY MANAGER

The Property Manager is a corporation, organized under the laws of the Philippines. The Property Manager was incorporated on March 18, 2019, and has its registered office at 7th Floor, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City 1781. The Property Manager is a wholly owned Subsidiary of the Sponsor. The Property Manager will perform the day-to-day property management functions of the Properties pursuant to the Property Management Agreement in accordance with this REIT Plan, and the Company's investment strategies. See the section entitled "*Certain Agreements Relating to the Company and the Properties – Property Management Agreement*" in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, the Property Manager will oversee the overall management of, maintenance and repair of the structure of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive (i) 5% of the sum of billed CUSA and aircon charges, and (ii) 1.5% of EBITDA before deducting fees payable to the Fund Manager and the Property Manager but after deducting lease expenses including the interest expense on lease liabilities, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed (the "**Property Management Fee**"). The Property Management Fee is structured to ensure that the Property Manager provides superior service to the Company and the Properties that the Property Manager oversees. For the purpose of calculating the Property Management Fee, CUSA and aircon charges are defined as the reimbursable charges on common area usage and maintenance payable by all tenants pursuant to their lease agreement. In computing the Property Management Fee, the formula to be used shall be:

$$\text{Property Management Fee} = (5\% \text{ of CUSA and aircon charges}) + (1.5\% \times \text{EBITDA before deducting fees payable to the Fund Manager and the Property Manager, but after deducting lease expenses including interest expense on lease liabilities})$$

INVESTOR RELATIONS OFFICE AND COMPLIANCE OFFICER

The Company's Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively, and sufficiently communicating and relating relevant information to the Company's shareholders as well as to the broader investor community.

Patricia Carmen D. Pineda, the Company's Investor Relations Officer ("**IRO**"), will serve as the Company's designated investor relations manager and head of the Company's Investor Relations Office. The IRO will also be responsible for (i) ensuring that the Company's shareholders have timely and uniform access to official announcements, disclosures, and market-sensitive information relating to the Company, (ii) preparing disclosure documents to the Philippine SEC and the PSE, and (iii) disseminating the Manual and conducting the orientation program for the Board and senior management. As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website, and the preparation of the Company's periodic reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Ana Venus A. Mejia will serve as the Company's Chief Compliance Officer to ensure that the Company complies with, and file on a timely basis, all required disclosures and continuing requirements of the Philippine SEC and the PSE.

The Company's Investor Relations Office is located at 23rd Floor, Axis Tower 1, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City.

SUMMARY OF THE OFFER

Company	Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.), a corporation organized under Philippine law. The trading symbol shall be “FILRT”.
Sponsor and Selling Shareholder	Filinvest Land Inc.
Joint Global Coordinators and Bookrunners	BPI Capital Corporation (“ BPI Capital ”) and UBS AG, Singapore Branch (“ UBS ”)
Sole Local Coordinator	BPI Capital
Local Lead Underwriters	BPI Capital and China Bank Capital
Local Co-lead Underwriters	First Metro and SB Capital
International Bookrunner	UBS
Fund Manager	FREIT Fund Managers, Inc.
Property Manager	ProOffice Work Services, Inc.
Offer Shares	The Firm Shares and the Option Shares.
The Offer	Offer of 1,634,187,850 Firm Shares offered by the Selling Shareholder, together with an offer of up to 163,418,785 Option Shares by the Selling Shareholder pursuant to the Over-allotment Option (as described below).
Institutional Offer	1,143,931,450 Firm Shares, or approximately 70% of the Firm Shares, are being offered and sold (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic Investors by the Local Lead Underwriters and the Local Co-lead Underwriters. The Option Shares will form part of the Institutional Offer.
	The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company, the Selling Shareholder, and the Joint Global Coordinators and Bookrunners as well as oversubscription or undersubscription of either or both the Trading Participants and Retail Offer and the Institutional Offer. See “— <i>Reallocation</i> ” below.
Trading Participants and Retail Offer	490,256,400 Firm Shares, or approximately 30% of the Firm Shares, (the “ Trading Participants and Retail Offer Shares ”) are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price.
	326,837,600 Trading Participants and Retail Offer Shares (about 20% of the Firm Shares) (the “ TP Offer Shares ”) are being allocated to all of the Eligible PSE Trading Participants at the Offer Price (the “ Trading Participants Offer ”) and 163,418,800 Trading Participants and Retail Offer Shares (about 10% of the Firm Shares) (the “ Retail Offer Shares ”) are being allocated at the Offer Price to local small investors (“ LSIs ”) (the “ Retail Offer ”).
	Each Eligible PSE Trading Participant shall initially be allocated 2,701,100 Firm Shares. Based on the initial allocation for each Eligible PSE Trading

Participant, there will be a total of 4,500 residual Firm Shares to be allocated as may be determined by the Sole Local Coordinator.

Each LSI applicant must subscribe to a minimum of 1,000 Firm Shares at the Offer Price. The Local Lead Underwriters and the Local Co-lead Underwriters shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer, or otherwise not taken up by the Eligible PSE Trading Participants, clients of the Local Lead Underwriters or the Local Co-lead Underwriters or the general public in the Philippines, pursuant to the terms and conditions of the Domestic Underwriting Agreement.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company, the Selling Shareholder, and the Joint Global Coordinators and Bookrunners as well as oversubscription or undersubscription of either or both the Trading Participants and Retail Offer and the Institutional Offer. See “—*Reallocation*” below.

Eligible Investors The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund, or entity organized under the laws of the Philippines, or licensed to do business in the Philippines, regardless of nationality, subject to the restrictions on ownership, as described below, and the Company’s right to reject an Application or reduce the number of the Firm Shares applied for subscription.

The Institutional Offer Shares are being offered for sale (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic Investors by the Local Lead Underwriters and the Local Co-lead Underwriters.

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

Offer Price..... ₱7.00 per Offer Share. The Offer Price was determined based on a book building process and discussions between the Company, the Selling Shareholder and the Joint Global Coordinators and Bookrunners.

Stabilizing Agent BPI Capital and its affiliates

Over-allotment Option..... Subject to the approval of the Philippine SEC, the Selling Shareholder has granted the Stabilizing Agent an option, exercisable in whole or in part, to purchase the Option Shares to be sold by the Selling Shareholder at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this REIT Plan, and effect price stabilization transactions. The Over-allotment Option is exercisable from and including 30 calendar days after the Listing Date. See the section entitled “*Plan of Distribution – The Over-allotment Option*” in this REIT Plan.

Restriction on Ownership The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership, or trust, regardless of citizenship or nationality, subject to nationality limits under Philippine law.

The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership. As of the date of this REIT Plan, the Company does not own land. Nevertheless, because the Company's Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in the Company may not exceed 40% of the Company's total issued and outstanding capital stock.

For more information relating to restrictions on the ownership of the Shares, please see the sections entitled "*Risk Factors*," "*Business and Properties*," and "*Regulatory and Environmental Matters – Nationality Restriction*" in this REIT Plan.

In the event that foreign ownership of the Company's outstanding capital stock will exceed such allowable maximum percentage, the Company has the right to reject a transfer request by a stockholder to persons other than Philippine Nationals and the right not to record such purchases in the Company's books.

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

Offer Period The Offer Period shall begin at 9:00 a.m. (Manila time) on July 23, 2021 and end at 12:00 noon (Manila time) on August 3, 2021. The Company and the Joint Global Coordinators and Bookrunners reserve the right to extend or shorten the Offer Period, subject to the approval of the PSE and the Philippine SEC.

Applications must be received by the Receiving and Paying Agent not later than 12:00 noon, Manila Time on August 3, 2021 whether filed through a participating Eligible PSE Trading Participant, the Local Lead Underwriters or the Local Co-lead Underwriters or filed directly with the Receiving and Paying Agent or through PSE EASy for LSI applications. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving and Paying Agent, and shall be subject to the terms and conditions of the Offer as stated in this REIT Plan and in the Application. The actual subscription and/or purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE.

Minimum Subscription Each application must be for a minimum of 1,000 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.

Use of Proceeds All proceeds from the Offer will be received by the Selling Shareholder. The Company will not receive any proceeds from the Offer.

The Selling Shareholder shall use the entire proceeds from the Offer Shares in accordance with its reinvestment plan. For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see Annex 1 “*Reinvestment Plan*” of this REIT Plan.

See the section entitled “*Use of Proceeds*” in this REIT Plan for further details.

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

Lock-up The PSE Consolidated Listing and Disclosure Rules (the “**PSE Listing Rules**”) require an applicant company for the Main Board to cause its existing shareholders owning at least 10% of the outstanding shares of the company not to sell, assign, or in any manner dispose of their shares for a period of 180 calendar days after the listing of the shares. In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the commencement of the offer period, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 calendar days from full payment of the aforesaid shares.

The following shall be subject to the 180-day lock-up period:

Shareholder	No. of Common Shares Held before the Offer	% Total of Shareholding before the Offer	No. of Shares Subject to 180-day Lock-up Period*	No. of Shares Subject to 180-day Lock-up Period**
FLI	4,892,777,980	100%	529,246,687	692,665,472

* Assuming full exercise of the Over-allotment Option.

** Assuming no exercise of the Over-allotment Option.

In addition, 2,565,924,658 Shares held by FLI and two (2) Shares held by Maricel Brion-Lirio shall be subject to the 365-day lock up period described above.

FLI’s total shareholding after the Offer will be 63.3%, assuming full exercise of the Over-allotment Option, and 66.6%, assuming no exercise of the Over-allotment Option.

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository (“**PCD**”) participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian

unit of an independent and reputable financial institution. See the sections entitled “Principal Shareholders” and “*Plan of Distribution – Lock-Up*” in this REIT Plan.

The Company and the Selling Shareholder have agreed with the Joint Global Coordinators and Bookrunners that neither the Company nor the Selling Shareholder will, except for the sale of the Offer Shares, issue, offer, sell, contract to sell, pledge, or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any common shares or securities convertible or exchangeable into or exercisable for any common shares or warrants or other rights to purchase common shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 calendar days after the listing of the Shares.

Registration, Listing, and Trading.....

The Company has filed an application with the Philippine SEC for the registration, and an application with the PSE for the listing, of all its outstanding capital stock (including the Offer Shares). The Philippine SEC is expected to issue an Order of Registration and Permit to Sell prior to the commencement of the Offer Period. The PSE Board approved the listing application, subject to compliance with certain listing conditions, and a notice of approval was issued on July 8, 2021.

The Offer Shares are expected to be listed on the PSE Main Board under the symbol “FILRT”, on or about August 12, 2021. Trading of the Company’s issued and outstanding Shares that are not subject to lock-up is expected to commence on the same date.

Dividends.....

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 REIT’s assets that are re-invested in the REIT within one year from the date of the sale) as dividends to its shareholders. Such dividends shall be payable only from the unrestricted retained earnings of the Company, and the income distributable as dividends by the Company shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of the Company’s Board, including the unanimous vote of all the Company’s independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the Philippine SEC within five (5) working days from receipt of the request for approval. If the Philippine SEC does not act on said request within such period, the declaration shall be deemed approved. Please see the section entitled “*Dividends and Dividend Policy*” in this REIT Plan for further details.

Procedure for Application for the Trading Participants and Retail Offer

For Eligible PSE Trading Participants

“Application to Purchase” forms and specimen signature cards (the “**Application**”) may be obtained from any of the Local Lead Underwriters, the Local Co-lead Underwriters and the participating Eligible PSE Trading Participants, and shall be made available for download on the Company website.

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

All Applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed by the applicants themselves or by the authorized signatory(ies) of the applicant (in the case of an applicant that is not a natural person), and accompanied by two completed specimen signature cards, which for applicants other than a natural person, should be authenticated by the corporate secretary (or its equivalent), and the corresponding payment for the Offer Shares covered by the Application and all other required documents.

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

- Two (2) duly executed specimen signature cards, duly authenticated by the Applicant's nominated PDTA participant or the relevant Local Lead Underwriter or relevant Local Co-lead Underwriter (if the Applicant is a client of any of the Local Lead Underwriters or Local Co-lead Underwriters);
- Photocopy of one (1) valid and current government-issued ID (e.g., SSS, GSIS, Driver's License, Passport or PRC) (Note: For joint applications (i.e. multiple Applicants in one Application), one (1) valid and current government-issued ID of each applicant/investor will be required);
- Proof of payment; and
- Such other documents as may be reasonably required by the relevant Local Lead Underwriter or relevant Local Co-lead Underwriter in compliance with its internal policies regarding "knowing your customer", anti-money laundering and combating financing of terrorism.

If the applicant is a corporation, partnership, trust account, or any other juridical entity, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's corporate secretary (or the equivalent corporate officer);
- a certified true copy of the applicant's latest articles of incorporation and by-laws (or the equivalent documents) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- a certified true copy of the applicant's certificate of registration issued by the relevant regulating body of the applicant's country of incorporation or organization duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- a duly notarized corporate secretary's certificate (or the equivalent document) setting forth the resolutions of the applicant's board of directors or equivalent body, namely: (i) authorizing the purchase of the Offer Shares indicated in the Application, (ii) identifying the list of designated signatory(ies) authorized for the purpose

mentioned in (i), including each signatory's specimen signature, and (iii) certifying the percentage of the applicant's capital or capital stock held by Philippine nationals;

- a photocopy of one (1) valid and current government-issued IDs (e.g. SSS, GSIS, Driver's License, Passport or PRC ID) of (a) the authorized signatory/ies, duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation;
- proof of payment; and
- such other documents as may be reasonably required by the relevant Local Lead Underwriter or the Local Co-lead Underwriter in compliance with its internal policies regarding "knowing your customer", anti-money laundering and combating financing of terrorism.

Applicants must represent and warrant, through the Application, that their purchase of the Trading Participants and Retail Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Trading Participants and Retail Offer Shares in the form as set out in the Offer Implementing Guidelines.

Applications may be rejected if (i) the subscription price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonored upon first presentment; (iii) the Applications are not received by the Receiving and Paying Agent or the Local Lead Underwriters, or the Local Co-lead Underwriters on or before the end of the Offer Period; (iv) the number of Offer Shares subscribed is less than the minimum amount of subscription; (v) the Applications do not comply with the terms of the Offer; (vi) the Applications do not have sufficient information as required in the Application to Purchase or are not supported by the required documents; or (vii) as otherwise set out in the Offer Implementing Guidelines.

This should be read in conjunction with the Offer Implementing Guidelines, which will be published on PSE EDGE website prior to the start of the Offer Period.

For Local Small Investors:

Applications to purchase the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. Applications for the Offer Shares must be settled within the Offer Period.

An LSI Applicant should nominate in the Application the Eligible PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted.

In the event that an LSI Applicant does not have an Eligible PSE Trading Participant, the LSI Applicant may open a trade account with the Sole Local Coordinator's affiliated broker, BPI Securities Corporation and nominate said entity as its endorsing Eligible PSE Trading Participant by accomplishing an account opening form and submitting the same (done through <https://www.bpitrade.com> and by clicking on "Open An Account"), together with any required attachments, to the relevant broker prior to submission of the Application.

LSI applications will be processed on a first-come, first-served basis while final allocation of the Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics. This section should be read

in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website.

Payment Terms for the Trading Participants and Retail Offer

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and specimen signature card together with the requisite attachments.

For Eligible PSE Trading Participants, payment for the Offer Shares shall be made through over-the-counter cash or check deposit payment in any BPI branch via Bills Payment under the merchant account “FILRT IPO” or any other mode of payment prescribed by the Receiving and Paying Agent.

For Local Small Investors, payment for the Offer Shares shall be made either by: (i) over-the-counter cash or check deposit payment in any BPI branch under the merchant account “FILRT IPO”, (ii) online payment via BPI internet banking or BPI mobile banking under the merchant account “FILRT IPO” or (iii) any other mode of payment prescribed by the Receiving and Paying Agent. Participating Local Small Investors in the Retail Offer may contact the Receiving and Paying Agent for alternative modes of payment.

For check payments, all checks should be made payable to “FILRT IPO” dated the same date as the date of submission of the Application and crossed “Payee’s Account Only”. Only checks with a clearing period of no more than one (1) banking day from date of receipt will be acceptable.

As applicable, the applications and required documents (including proof of payments) shall be transmitted to the Receiving and Paying Agent by electronic mail at August 3, 2021 on or before the end of the offer period, with the physical copies delivered to the Receiving and Paying Agent’s address at 34-D Rufino Pacific Tower, 6784 Ayala Avenue, Makati City no later than 12:00 noon five (5) business days after the end of the offer period.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer

Applications for the Trading Participants and Retail Offer Shares are subject to confirmation by the Sole Local Coordinator. The Company and the Sole Local Coordinator reserve the right to accept, reject, or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. The Company and the Joint Global Coordinators and Bookrunners have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Joint Global Coordinators and Bookrunners may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and Applications which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any Applications, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares on the PSE.

An application may be accepted, rejected or scaled down for the following reasons:

- It involves the sale of Offer Shares that will result in a violation of the foreign ownership and single entity ownership restrictions;
- The minimum board lot required by the PSE is not met, or the aggregate Offer Shares applied for in the Trading Participants Offer and/or the Retail Offer exceed the total TP Offer Shares and/or Retail Offer Shares allocated to its respective tranche in this REIT Plan;

- There exists a legal restriction prohibiting the acceptance or consummation of the Application;
- The Applications are not received by the Receiving and Paying Agent on or before the end of the Offer Period;
- The number of Offer Shares subscribed is less than the minimum amount of subscription;
- The Application, any required supporting document, or the corresponding payment is not in accordance with the terms and conditions of the Offer;
- The check submitted by the Applicant as payment is for an amount less than the Offer Price corresponding to the number of Offer Shares applied for, or the check submitted by the Applicant is dishonored upon first presentment, or the check is still subject to clearing of over one (1) banking day from date of receipt;
- There is a violation of the terms, conditions, and warranties provided under the Domestic Underwriting Agreement;
- The Company or the Selling Shareholder will suffer actual or potential prejudice if the Application, by itself or together with any other Application, is accepted;
- The underwriting is suspended, terminated or cancelled on or before the Listing Date;
- The Applicant is not an Eligible Investor;
- The Applicant, to the knowledge of any of the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters (i) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or has taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government or regulatory official or employee, including of any government-owned or controlled entity, or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in a violation of any provision of the Anti-Graft and Corrupt Practices Act (Republic Act No. 3019), Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**") or the rules or regulations thereunder, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anticorruption laws; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit;
- The Offer Shares cannot accommodate the aggregate total number of Applications received by the Joint Global Coordinators and

Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters; or

- Absence of a request to the PDTC for the creation of a Name-on Central Depository (NoCD) sub-account for the Applicant on or before 2:00p.m. four (4) banking days prior to the Listing Date.

Refunds for the Trading Participants and Retail Offer

In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the relevant Local Lead Underwriter or the Local Co-lead Underwriter, is less than the number covered by its Application, or if an Application is rejected by the Company, then the Receiving and Paying Agent shall refund, without interest, within five (5) banking days from the end of the Offer Period until thirty (30) days from the end of the Offer Period, all or a portion of the Applicant’s payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving and Paying Agent, at the Applicant’s risk. If such check refunds are not claimed after thirty (30) days following their issuance, such checks shall be mailed to the Applicant’s registered address at the Applicant’s risk.

Registration and Lodgment of Shares with PDTC

The Offer Shares will be in scripless form and are required to be lodged with the PDTC upon listing. Investors may maintain the Offer Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC’s electronic system after the Offer Shares are listed on the PSE.

Tax Considerations

See the section entitled “*Taxation*” in this REIT Plan for information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.

Expected Timetable

The timetable of the Offer is expected to be as follows:

Bookbuild period	July 13 to July 19, 2021
Pricing.....	July 19, 2021
Notice of final Offer Price to the PSE and SEC.....	July 21, 2021
Receipt of Permit to Sell from the SEC.....	July 22, 2021
Offer Period	July 23 to August 3, 2021
Submission of Firm Order and Commitments by Eligible PSE Trading Participants	11:00 a.m. on July 29, 2021
Trading Participants and Retail Offer Settlement Date.....	August 3, 2021
Listing Date and commencement of trading on the PSE	August 12, 2021

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

If, for any reason, any day of the above periods or dates is a not a banking day, then such period or date may be extended or moved, as the case may

be, to the next immediately succeeding banking day, or such other date as may be agreed upon by the Company and the Joint Global Coordinators and Bookrunners. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Stock Transfer Agent	Stock Transfer Service, Inc.
Receiving and Paying Agent..	Stock Transfer Service, Inc.
Escrow Agent.....	BPI Securities Corporation
Philippine Counsel for the Company and the Selling Shareholder.....	Picazo Buyco Tan Fider & Santos
International Counsel for the Company and the Selling Shareholder.....	Milbank LLP
Philippine Counsel for the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and Local Co-lead Underwriters.....	Angara Abello Concepcion Regala & Cruz Law Offices
International Counsel for the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and Local Co-lead Underwriters.....	Latham & Watkins LLP
Independent Auditors	SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited
Risks of Investing	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. These risks are discussed in the section entitled “ <i>Risk Factors</i> ” in this REIT Plan and include: (i) risks relating to the Company’s business; (ii) risks relating to the Philippines; (iii) risks relating to the Company’s Properties; (iv) risks relating to the Offer Shares and an investment in the Company; and (v) risks relating to the presentation of information in this REIT Plan.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables present summary financial information of the Company. This summary should be read in conjunction with the independent auditor's report and with the financial statements of the Company and notes thereto contained in this REIT Plan, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's summary financial information as of and for the years ended December 31, 2018, 2019, and 2020 and as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 was derived from the audited financial statements of the Company prepared in accordance with PFRS.

The Company's summary financial information below should not be considered indicative of the results of future operations.

The Company adopted PFRS 16, Leases, using modified retrospective approach with the initial date of application of January 1, 2019. Amounts presented in the statement of financial position and statement of comprehensive income as at and for the year ended December 31, 2018 are based on PAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Please refer to Note 2 of the Company's audited financial statements, which are included elsewhere in the REIT Plan, for the effect of the adoption of PFRS 16, Leases.

The Company adopted PIC Q&A 2018-12-H, Accounting for Common Usage Service Area (CUSA) charges, retrospectively with the initial date of application of January 1, 2021. The CUSA charges in the statement of comprehensive income for the three months ended March 31, 2021 and 2020 are presented at gross, while CUSA charges for the years ended December 31, 2020, 2019, and 2018 are presented at net of cost and expenses. Please refer to Note 2 of the Company's audited interim financial statements, which are included elsewhere in the REIT Plan, for the effect of the adoption of PIC Q&A 2018-12-H.

The translation of Peso amounts into U.S. dollars as of and for the period ended December 31, 2020 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos as of and for the year ended December 31, 2020 and amounts in Pesos as of and for the three months ended March 31, 2021 were converted to U.S. dollars using the BSP Reference Rate quoted on the BSP's Reference Exchange Rate Bulletin on March 31, 2021 of ₱48.550 = U.S.\$1.00. As of July 19, 2021, the Peso was at ₱50.25 against the U.S. dollar.

Statements of Comprehensive Income

	For the year ended December 31,				
	2017	2018	2019	2020	2020
			₱ millions (Audited)		U.S.\$ million (Unaudited)
Revenues and income					
Rental revenue	1,843.6	2,340.8	2,814.7	2,833.4	58.4
Others.....	86.4	14.6	87.1	274.4	5.7
	1,930.0	2,355.4	2,901.8	3,107.8	64.0
Costs and expenses					
Depreciation and amortization	223.8	274.3	372.2	441.0	9.1
Rental expense	226.9	281.0	305.2	298.0	6.1
Taxes and licenses	18.6	34.1	28.3	63.9	1.3
Manpower cost	12.4	8.6	12.9	34.0	0.7
Service and management fees	7.5	11.9	14.1	7.5	0.2
Advertising and marketing	4.8	14.6	—	—	—
Pension expense.....	0.2	0.8	0.4	0.5	0.0
Others.....	7.2	4.4	2.2	6.3	0.1
	501.4	629.8	735.3	851.1	17.5
Other income (charges)					
Gain on sale of investment property	—	—	—	65.0	1.3
Interest income	26.4	45.9	10.5	3.9	0.1
Interest and other financing charges	(102.5)	(155.1)	(230.5)	(351.4)	(7.2)
Other income (charges) - net.....	—	(0.5)	(2.6)	3.5	0.1
	(76.1)	(109.7)	(222.6)	(278.9)	(5.7)
Income before income tax	1,352.4	1,615.9	1,943.8	1,977.7	40.7
Provision for (benefit from) income tax					
Current	72.0	114.1	189.6	231.2	4.8
Deferred.....	96.9	91.5	119.8	(114.3)	(2.4)
	168.9	205.6	309.4	116.9	2.4
Net income	1,183.5	1,410.3	1,634.4	1,860.8	38.3

Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Remeasurement gain (loss) on retirement plan, net of deferred income tax.....	—	0.2	—	(1.1)	(0.0)
Total comprehensive income	1,183.5	1,410.5	1,634.4	1,859.8	38.4
Basic/Diluted Earnings per Share	₱0.51	₱0.61	₱0.70	₱0.80	N/A

	For the three months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		U.S.\$ million (Unaudited)
Revenues and income			
Rental revenue	762.8	710.1	14.6
Others.....	399.6	358.4	7.4
	<u>1,162.4</u>	<u>1,068.5</u>	<u>22.0</u>
Costs and expenses			
Utilities	192.9	155.2	3.2
Depreciation and amortization	115.1	121.8	2.5
Rental expense	78.7	65.7	1.4
Manpower and service cost	79.0	57.4	1.2
Repairs and maintenance.....	44.2	51.8	1.1
Taxes and licenses	31.5	32.5	0.7
Service and management fees	1.7	8.1	0.2
Insurance.....	1.0	9.2	0.2
Others.....	3.4	2.5	0.1
	<u>547.5</u>	<u>504.4</u>	<u>10.4</u>
Other income (charges)			
Gain on derecognition of lease liabilities.....	—	85.2	1.8
Interest income	2.5	0.7	0.0
Interest and other financing charges	(3.2)	(105.3)	(2.2)
Other income (charges) - net.....	(1.2)	(1.0)	(0.0)
	<u>(1.9)</u>	<u>(20.4)</u>	<u>(0.4)</u>
Income before income tax	<u>613.0</u>	<u>543.7</u>	<u>11.2</u>
Provision for (benefit from) income tax			
Current	51.7	50.7	1.0
Deferred	54.5	(146.1)	(3.0)
	<u>106.2</u>	<u>(95.4)</u>	<u>(2.0)</u>
Net income	<u>506.8</u>	<u>639.1</u>	<u>13.2</u>
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax	—	(0.1)	(0.0)
Total comprehensive income	506.8	639.0	13.2
Basic/Diluted Earnings per Share	₱0.22	0.27	N/A

Statements of Financial Position

	As of December 31,				
	2017	2018	2019	2020	2020
	P millions (Audited)				U.S.\$ million (Unaudited)
Current Assets					
Cash and cash equivalents	1,325.1	717.5	508.9	870.5	17.9
Receivables	1,062.1	527.0	775.5	830.1	17.1
Other current assets	107.9	133.1	981.1	1,171.3	24.1
	2,495.1	1,377.7	2,265.4	2,872.0	59.2
Noncurrent assets held for distribution	—	—	—	6,843.7	141.0
	2,495.1	1,377.7	2,265.4	9,715.7	200.1
Noncurrent Assets					
Advances to contractors	201.8	280.0	436.3	18.4	0.4
Investment properties	12,261.8	13,908.3	16,156.8	11,629.8	239.5
Property and equipment	37.0	39.6	55.0	68.4	1.4
Intangible assets.....	2,437.1	2,557.8	2,889.7	3,408.8	70.2
Other noncurrent assets	839.5	1,119.5	389.4	388.4	8.0
	15,777.2	17,905.3	19,927.2	15,513.8	319.5
Total Assets	18,272.3	19,283.0	22,192.6	25,229.5	519.7
Current Liabilities					
Accounts payable and accrued expenses	1,642.0	2,029.4	1,873.1	1,583.7	32.6
Loans payable – current portion.....	594.7	839.2	1,355.5	744.2	15.3
Lease liabilities – current portion.....	—	—	16.3	92.6	1.9
Security and other deposits – current portion	156.0	164.7	245.8	116.4	2.4
Dividend payable.....	—	—	348.3	6,611.9	136.2
Income tax payable.....	8.2	8.5	0.4	—	—
	2,400.9	3,041.9	3,839.3	9,148.8	188.4
Noncurrent Liabilities					
Loans payable – net of current portion	3,457.6	2,618.4	2,862.9	1,600.0	33.0
Bonds payable	5,936.2	5,948.9	5,961.6	5,974.2	123.1
Lease liabilities – net of current portion	—	—	267.2	2,097.5	43.2
Security and other deposits – net of current portion	480.5	642.4	707.5	732.7	15.1
Deferred tax liability – net	173.3	264.8	384.7	269.9	5.6
Other noncurrent liabilities.....	202.3	47.1	200.9	300.4	6.2
	10,249.8	9,521.6	10,384.6	10,974.7	226.0
Total Liabilities	12,650.7	12,563.5	14,224.0	20,123.5	414.5
Equity					
Capital stock	1,163.4	1,163.4	1,163.4	1,163.4	24.0
Additional paid-in capital.....	102.9	102.9	102.9	102.9	2.1
Deposit for future stock subscription.....	—	—	—	1,889.6	38.9
Appropriated retained earnings	3,500.0	5,000.0	6,300.0	—	—
Unappropriated retained earnings	854.3	452.1	401.2	1,950.1	40.2
Remeasurement gain on retirement plan.....	0.9	1.1	1.1	0.0	0.0
Total Equity	5,621.5	6,719.5	7,968.6	5,106.1	105.2
Total Liabilities and equity	18,272.3	19,283.0	22,192.6	25,229.5	519.7

Note:

- (1) The Company's statement of financial position as of December 31, 2017 was restated to reclassify the noncurrent portion of input VAT amounting to P557.2 million from "Other noncurrent assets". "Intangible assets", "Security and other deposits – current portion" and "Security and other deposits – non-current portion" were also presented as a separate line items to be consistent with the presentation of the Company's statement of financial position as of December 31, 2020.

	As of March 31,	
	2021 P millions (Audited)	2021 U.S.\$ million (Unaudited)
Current Assets		
Cash and cash equivalents	976.2	20.1
Receivables	1,272.7	26.2
Other current assets	1,115.5	23.0
	3,364.4	69.3
Noncurrent assets held for distribution	8,807.0	181.4
	12,171.4	250.7
Noncurrent Assets		
Advances to contractors	20.7	0.4
Investment properties	9,350.1	192.6
Property and equipment	74.6	1.5
Intangible assets.....	1,091.3	22.5
Other noncurrent assets	372.9	7.7
	10,909.5	224.7
Total Assets	23,081.0	475.4
Current Liabilities		
Accounts payable and accrued expenses	1,368.3	28.2
Lease liabilities – current portion.....	1.8	—
Security and other deposits – current portion.....	134.3	2.8
Dividend payable.....	8,302.3	171.0
	9,806.8	202.0
Liabilities directly related to noncurrent assets held for distribution	186.0	3.8
	9,992.8	205.8
Noncurrent Liabilities		
Bonds payable	5,977.4	123.1
Lease liabilities – net of current portion	25.6	0.5
Security and other deposits – net of current portion	723.0	14.9
Deferred tax liability – net	123.9	2.6
Other noncurrent liabilities.....	326.9	6.7
	7,176.8	147.8
Total Liabilities	17,169.6	353.6
Equity		
Capital stock	1,163.4	24.0
Additional paid-in capital	102.9	2.1
Deposit for future stock subscription.....	3,746.3	77.2
Retained earnings	898.8	18.5
Remeasurement gain on retirement plan.....	(0.0)	(0.0)
Total Equity	5,911.3	121.8
Total Liabilities and Equity	23,081.0	475.4

Statements of Cash Flows

	For the year ended December 31,				
	2017	2018	2019	2020	2020
	₱ millions (Audited)				U.S.\$ million (Unaudited)
Cash flows from operating activities					
Income before income tax	1,352.4	1,615.9	1,943.8	1,977.7	40.7
Adjustments for:					
Depreciation and amortization	253.3	311.2	418.8	486.1	10.0
Interest expense and other financing charges	102.5	155.1	230.5	351.4	7.2
Gain on sale of investment property	—	—	—	(65.0)	(1.3)
Gain on derecognition of lease liability	—	—	—	(5.8)	(0.1)
Pension expense.....	0.2	0.8	0.4	0.5	0.0
Interest income	(26.4)	(45.9)	(10.5)	(3.9)	(0.1)
Operating income before changes in operating assets and liabilities	1,682.0	2,037.1	2,583.0	2,740.9	56.5
Changes in operating assets and liabilities					
Decrease (increase) in:					
Receivables	(783.4)	522.6	(248.5)	(54.6)	(1.1)
Other current assets	(170.0)	(149.7)	(210.4)	(200.4)	(4.1)
Increase (decrease) in:					
Accounts payable and accrued expenses	302.0	531.7	(144.9)	(191.2)	(3.9)
Other current liabilities.....	(197.8)	8.7	81.1	(129.3)	(2.7)
Security and other deposits	—	(149.6)	65.1	25.2	0.5
Other noncurrent liabilities.....	246.2	155.8	153.4	97.5	2.0
Net cash generated from operations	1,079.1	2,956.6	2,278.8	2,287.9	47.1
Interest received.....	13.9	58.4	10.5	3.9	0.1
Income tax paid	(74.9)	(113.7)	(197.7)	(231.6)	(4.8)
Net cash provided by operating activities ..	1,018.0	2,901.2	2,091.6	2,060.2	42.4
Cash flows from investing activities					
Proceeds from:					
Sale of investment properties	—	—	—	737.8	15.2
Sale of ProOffice Works Services, Inc.	—	—	—	17.2	0.4
Additions to:					
Investment properties	(1,547.6)	(1,755.5)	(2,163.6)	(1,158.0)	(23.9)
Intangible assets.....	(797.4)	(113.4)	(172.5)	(241.0)	(5.0)
Property and equipment	(1.2)	(6.8)	(39.2)	(16.8)	(0.3)
Decrease (increase) in:					
Advances to contractors	220.9	(78.3)	(156.3)	97.6	2.0
Other noncurrent assets	(9.0)	(155.5)	(32.7)	88.0	1.8
Cash used in investing activities	(2,134.3)	(2,109.5)	(2,564.3)	(475.3)	(9.8)
Cash flows from financing activities					
Proceeds from availment of:					
Loans payable	300.0	—	2,100.0	1,000.0	20.6
Bonds payable	6,000.0	—	—	—	—
Payments of:					
Cash dividends.....	(383.9)	(312.5)	—	(348.3)	(7.2)
Principal portion of lease liability	—	—	(17.3)	(47.6)	(1.0)
Interest and transaction cost	(329.6)	(492.0)	(479.5)	(471.9)	(9.7)
Loans payable.....	(3,233.3)	(594.7)	(1,339.2)	(1,355.5)	(27.9)
Net cash provided by (used in) financing activities.....	2,353.1	(1,399.3)	264.0	(1,223.3)	(25.2)
Net increase (decrease) in cash and cash equivalents	1,236.8	(607.6)	(208.7)	361.7	7.4
Cash and cash equivalents at beginning of year	88.3	1,325.1	717.5	508.9	10.5
Cash and cash equivalents at end of year.....	1,325.1	717.5	508.9	870.5	17.9

	For the three months ended March 31,		
	2020	2021	2021
	P millions (Audited)		U.S.\$ million (Unaudited)
Cash flows from operating activities			
Income before income tax	613.0	543.7	11.2
Adjustments for:			
Depreciation and amortization	115.1	121.8	2.5
Interest expense and other financing charges	3.2	105.3	2.2
Gain on derecognition of lease liabilities.....	—	(85.2)	(1.8)
Interest income	(2.5)	(0.7)	(0.0)
Operating income before changes in operating assets and liabilities	728.7	685.0	14.1
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(103.3)	(31.8)	(0.7)
Other current assets	(151.1)	(51.1)	(1.1)
Increase (decrease) in:			
Accounts payable and accrued expenses	(59.8)	(158.4)	(3.3)
Security and other deposits	11.0	8.3	0.2
Other noncurrent liabilities.....	37.7	26.5	0.5
Net cash generated from operations	463.3	478.5	9.9
Interest received.....	2.5	0.7	0.0
Income tax paid	(13.3)	(50.7)	(1.0)
Net cash provided by operating activities	452.6	428.6	8.8
Cash flows from investing activities			
Additions to:			
Investment properties	(303.3)	(5.0)	(0.1)
Noncurrent asset held for distribution.....	—	(173.8)	(3.6)
Intangible assets.....	(194.7)	(60.4)	(1.2)
Property and equipment	(4.8)	(10.6)	(0.2)
Decrease (increase) in:			
Advances to contractors	29.6	(2.3)	(0.0)
Other noncurrent assets	(16.6)	15.5	0.3
Cash used in investing activities	(489.8)	(236.6)	(4.9)
Cash flows from financing activities			
Proceeds from availment of:			
Loans payable.....	500.0	—	—
Payments of:			
Principal portion of lease liability.....	(6.0)	(14.1)	(0.3)
Interest and transaction cost	(133.5)	(72.2)	(1.5)
Loans payable	(377.5)	—	—
Net cash provided by (used in) financing activities.....	(17.0)	(86.3)	(1.8)
Net increase (decrease) in cash and cash equivalents	(54.2)	105.7	2.2
Cash and cash equivalents at beginning of period	508.9	870.5	17.9
Cash and cash equivalents at end of period.....	454.7	976.2	20.1

Key Financial and Operating Data

Key Financial Figures and Ratios	As of or for the year ended December 31,				
	2017	2018	2019	2020	2020
		Actual			Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	1,843.6	2,340.8	2,814.7	2,833.4	2,474.4
Net Tenant Dues (in ₱ millions).....	57.2	(5.8)	54.8	219.3	254.1
Recurring Income (in ₱ millions) ⁽¹⁾	1,900.8	2,335.0	2,869.5	3,052.7	2,728.5
Gross Revenues	1,930.0	2,355.4	2,901.7	3,107.8	2,783.2
Recurring Income Contribution⁽¹⁾	98.5%	99.1%	98.9%	98.2%	98.0%
Current Assets (in ₱ millions)	2,495.1	1,377.7	2,265.4	9,715.7	2,815.4
Current Liabilities (in ₱ millions)	2,400.9	3,041.9	3,839.3	9,148.8	1,417.0
Current Ratio⁽²⁾	1.04x	0.45x	0.59x	1.06x	1.99x
Loans Payable (in ₱ millions)	4,052.3	3,457.6	4,218.4	2,344.2	—
Bonds Payable (in ₱ millions).....	5,936.2	5,948.9	5,961.6	5,974.2	5,974.2
Lease Liabilities (in ₱ millions)	—	—	283.4	2,190.1	1,801.4
Total Debt (in ₱ millions).....	9,988.5	9,406.6	10,463.4	10,508.5	7,775.6
Total Equity (in ₱ millions)	5,621.5	6,719.5	7,968.6	5,106.1	5,360.0
Debt to Equity⁽³⁾	1.78x	1.40x	1.31x	2.06x	1.45x
Net Income (in ₱ millions).....	1,183.5	1,410.3	1,634.4	1,860.8	1,612.2
Return on Equity⁽⁴⁾	21.1%	21.0%	20.5%	36.4%	30.1%
Total Assets (in ₱ millions).....	18,272.3	19,283.0	22,192.6	25,229.5	15,318.1
Asset to Equity⁽⁵⁾	3.25x	2.87x	2.79x	4.94x	2.86x

Key Financial Figures and Ratios	As of or for the three months ended March 31,		
	2020	2021	2021
	Actual		Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	762.8	710.1	625.4
Net Tenant Dues (in ₱ millions).....	378.3	318.3	288.8
Recurring Income (in ₱ millions) ⁽¹⁾	1,141.1	1,028.4	914.2
Gross Revenues	1,162.4	1,068.5	954.2
Recurring Income Contribution⁽¹⁾	98.2%	96.2%	95.8%
Current Assets (in ₱ millions)	N/A	12,171.4	3,519.4
Current Liabilities (in ₱ millions)	N/A	9,992.8	1,461.6
Current Ratio⁽²⁾	N/A	1.22	2.41
Loans Payable (in ₱ millions)	N/A	—	—
Bonds Payable (in ₱ millions).....	N/A	5,977.4	5,977.4
Lease Liabilities (in ₱ millions).....	N/A	27.4	27.4
Total Debt (in ₱ millions).....	N/A	6,004.8	6,004.8
Total Equity (in ₱ millions)	N/A	5,911.3	5,984.2
Debt to Equity⁽³⁾	N/A	1.02	1.0
Net Income (in ₱ millions).....	506.8	639.1	485.9
Return on Equity⁽⁴⁾	N/A	10.8%	8.1%
Total Assets (in ₱ millions).....	N/A	23,081.0	14,236.3
Asset to Equity⁽⁵⁾	N/A	3.90	2.38

Key Operating Data	As of December 31,			As of March 31,
	2018	2019	2020	2021
Total GLA (sq.m.) of Properties	301,362	301,362	301,362	301,362
Total Occupancy Rate (leased buildings) (%) ⁽⁶⁾	90.6%	98.2%	91.1%	89.7%
Number of unique tenants of the Properties	70	73	67	64

Notes:

- (1) Recurring income is composed of rental revenues plus tenant dues (CUSA and aircon charges). Recurring income contribution measures the stability of the Company's income source and is derived by dividing recurring income by gross revenues.
- (2) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures the Company's ability to pay short-term obligations.

- (3) *Debt to equity ratio is derived by dividing the Company's interest-bearing liabilities (loans payable, bonds payable and lease liabilities) by total equity. Debt to equity ratio measures the degree of the Company's financial leverage.*
- (4) *Return on equity is derived by dividing net income by total equity. On an annualized basis, the return on equity of the Company as of and for the three months ended March 31, 2021 was 43.2%. On an annualized basis, the pro forma return on equity of the Company as of and for the three months ended March 31, 2021 was 32.5%.*
- (5) *Asset to equity ratio is derived by dividing total assets by total equity. Asset to equity ratio measures the Company's financial leverage and long-term solvency.*
- (6) *Calculated based on the ratio of Committed Leases of the Properties which have commenced on the specified lease term to total GLA of the Properties.*
- (7) *See "Presentation of Financial Information" and "Summary of Pro Forma Consolidated Financial Information" elsewhere in this REIT Plan.*

SUMMARY PRO FORMA FINANCIAL INFORMATION

The following tables present summary pro forma financial information for the Company based on the financial statements of the Company, adjusted to give pro forma effect to (i) the property dividend approved by the Company's Board on December 4, 2020 and expected to be approved by the Philippine SEC prior to the issuance of the Permit to Sell, consisting of one building (which has been operational for less than three years) in Northgate Cyberzone (Axis Tower 2), two buildings under construction in Northgate Cyberzone (Axis Tower 3 and Axis Tower 4), and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020 (the "First Property Dividend"), (ii) the property dividend approved by the Company's Board on February 11, 2021 and expected to be approved by the Philippine SEC prior to the issuance of the Permit to Sell, consisting of four existing buildings: Concentrix Building and IT School in Northgate Cyberzone, the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, and Cebu Tower 2 in Filinvest Cyberzone Cebu to stockholders of record as of February 15, 2021 (the "Second Property Dividend", and together with the First Property Dividend, the "Property Dividend", (iii) the transfer of the Company's rights under its BTO arrangement with the Cebu Provincial Government to develop two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor on February 11, 2021 (the "BTO Rights Transfer", and collectively with the Property Dividend, the "Property Disposals"), and (iv) on December 9, 2020, the Company and the Sponsor entered into an agreement, whereby the Company would assign to the Sponsor, its loans payable in the aggregate amount of ₱4,233.8 million to be paid by the Company, which may be converted by the Sponsor into equity of the Company up to a subscription value of ₱3,746.3 million (the "Assignment of Loans") (the increase in the Company's authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock was approved by the Philippine SEC on July 2, 2021), as if these occurred as of January 1, the beginning of each period presented, or as of December 31, 2020 or March 31, 2021, as applicable. This summary should be read in conjunction with the Company's audited financial statements and unaudited pro forma financial information and notes thereto contained in this REIT Plan and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Please also see the "Independent Auditor's Assurance Report on the Compilation of the Pro Forma Consolidated Financial Information included in a Prospectus" elsewhere in this REIT Plan.

The unaudited pro forma financial information has been prepared in accordance with Section 9, Part II of the Revised SRC Rule 68. The unaudited pro forma financial information has not been prepared in accordance with the requirements of Article 11 of Regulation S-X under the U.S. Exchange Act.

The Company's historical financial information have been extracted by the Company's management from the audited financial statements as of and for the year ended December 31, 2020 and as of and for the three months ended March 31, 2021. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The summary pro forma financial information does not purport to represent what the result of operations and financial position of the Company would actually have been had the Property Disposals and Assignment of Loans in fact occurred as of January 1 of each period presented, or December 31, 2020 or March 31, 2021 as applicable, nor do they purport to project results of operations or the financial position of the Company for any future period or date. See "Risk Factors - Risks relating to the Presentation of Information in this REIT Plan - The presentation of financial information, including of pro forma financial information, in this REIT Plan may be of limited use to investors and may not accurately show the Company's financial position or be indicative of future results. "For additional information regarding financial information presented in this REIT Plan, see "Presentation of Financial Information."

Pro Forma Consolidated Statement of Financial Position as of December 31, 2020

	As of December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
ASSETS			
Current Assets			
Cash and cash equivalents	870.5	—	870.5
Receivables	830.1	942.6	1,772.7
Other current assets	1,171.3	(999.2)	172.1
Noncurrent asset held for distribution	6,843.7	(6,843.7)	0.0
Total Current Assets	9,715.7	(6,900.3)	2,815.4
Noncurrent Assets			
Advances to contractors	18.4	(11.4)	7.0

	As of December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
Investment properties	11,629.8	(486.8)	11,143.0
Property and equipment	68.4	(1.9)	66.5
Intangible assets.....	3,408.8	(2,354.4)	1,054.5
Other noncurrent assets	388.4	(156.7)	231.7
Total Noncurrent Assets	15,513.8	(3,011.1)	12,502.7
Total Assets	25,229.5	(9,911.5)	15,318.1
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	1,583.7	(348.6)	1,235.2
Current portion of:			
Loans payable	744.2	(744.2)	—
Lease liabilities	92.6	(23.5)	69.1
Security and other deposits.....	116.4	(3.6)	112.8
Dividends payable	6,611.9	(6,611.9)	0.0
Total Current Liabilities	9,148.8	(7,731.8)	1,417.0
Noncurrent Liabilities			
Loans payable – net of current portion	1,600.0	(1,600.0)	—
Bonds payable	5,974.2	—	5,974.2
Lease liabilities – net of current portion	2,097.5	(365.2)	1,732.3
Security and other deposits – net of current portion	732.7	(96.4)	636.3
Deferred tax liability – net	269.9	(75.5)	194.5
Other noncurrent liabilities.....	300.4	(296.6)	3.8
	10,974.7	(2,433.6)	8,541.0
Total Liabilities	20,123.5	(10,165.4)	9,958.1
Equity			
Capital stock	1,163.4	—	1,163.4
Additional paid-in capital	102.9	—	102.9
Deposit for future subscription.....	1,889.6	1,856.7	3,746.3
Unappropriated retained earnings	1,950.1	(1,602.8)	347.4
Remeasurement gain on retirement plan.....	0.0	—	0.0
Total Equity	5,106.1	253.9	5,360.0
Total liabilities and total equity	25,229.5	(9,911.5)	15,318.1

For the purpose of the Company's pro forma consolidated statement of financial position as of December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred as of December 31, 2020. See the notes to the Company's pro forma consolidated statement of financial position as of December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Financial Position as of March 31, 2021

	As of March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
ASSETS			
Current Assets			
Cash and cash equivalents	976.2	—	976.2
Receivables	1,272.7	1,127.9	2,400.6
Other current assets	1,115.5	(973.0)	142.5
	3,364.4	155.0	3,519.4
Noncurrent asset held for distribution.....	8,807.0	(8,807.0)	—
Total Current Assets	12,171.4	(8,652.1)	3,519.4
Noncurrent Assets			
Advances to contractors	20.7	(11.4)	9.2
Investment properties	9,350.1	(35.1)	9,315.0
Property and equipment	74.6	(1.7)	72.9
Intangible assets.....	1,091.3	—	1,091.3
Other noncurrent assets	372.9	(144.3)	228.6
Total Noncurrent Assets	10,909.5	(192.6)	10,716.9
Total Assets	23,081.0	(8,844.7)	14,236.3
LIABILITIES AND EQUITY			
Current Liabilities			

	As of March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
Accounts payable and accrued expenses	1,368.3	(40.2)	1,328.1
Current portion of:			
Lease liabilities	1.8	—	1.8
Security and other deposits	134.3	(2.7)	131.7
Dividends payable	8,302.3	(8,302.3)	—
	9,806.8	(8,345.2)	1,461.6
Liabilities directly related to noncurrent assets held for distribution.....	186.0	(186.0)	—
Total Current Liabilities	9,992.8	(8,531.2)	1,461.6
Noncurrent Liabilities			
Bonds payable	5,977.4	—	5,977.4
Lease liabilities – net of current portion	25.6	—	25.6
Security and other deposits – net of current portion	723.0	(94.4)	628.6
Deferred tax liability – net	123.9	31.2	155.1
Other noncurrent liabilities.....	326.9	(323.1)	3.8
	7,176.8	(386.3)	6,790.5
Total Liabilities	17,169.6	(8,917.5)	8,252.1
Equity			
Capital stock	1,163.4	—	1,163.4
Additional paid-in capital	102.9	—	102.9
Deposit for future subscription.....	3,746.3	—	3,746.3
Retained earnings	898.8	72.8	971.6
Remeasurement gain on retirement plan.....	(0.0)	—	(0.0)
Total Equity	5,911.3	72.8	5,984.2
Total liabilities and total equity	23,081.0	(8,844.7)	14,236.3

For the purpose of the Company's pro forma consolidated statement of financial position as of March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred as of March 31, 2021. See the notes to the Company's pro forma consolidated statement of financial position as of March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2020

	For the year ended December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
REVENUE			
Rental revenue	2,833.4	(359.0)	2,474.4
Others.....	274.4	34.5	308.8
	3,107.8	(324.5)	2,783.2
COSTS AND EXPENSES			
Depreciation and amortization	441.0	(60.9)	380.1
Rental expense	298.0	(30.0)	268.0
Taxes and licenses	63.9	(16.7)	47.2
Manpower cost	34.0	—	34.0
Service and management fees	7.5	(0.5)	7.0
Pension expenses	0.5	—	0.5
Others.....	6.3	(1.5)	4.8
	851.1	(109.5)	741.7
OTHER INCOME (CHARGES)			
Gain on sale of investment property	65.0	—	65.0
Interest income	3.9	(1.8)	2.1
Interest and other financing charges	(351.4)	152.2	(199.1)
Other financing charges.....	3.5	(1.1)	2.4
	(278.9)	149.3	(129.6)
INCOME BEFORE INCOME TAX	1,977.7	(65.7)	1,912.0
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	231.2	108.0	339.2
Deferred	(114.3)	74.9	(39.4)
	116.9	182.9	299.8
NET INCOME	1,860.8	(248.6)	1,612.2
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain on retirement plan, net of deferred income tax	(1.0)	—	(1.1)
TOTAL COMPREHENSIVE INCOME	1,859.8	(248.6)	1,611.1

For the purpose of the Company's pro forma consolidated statement of comprehensive income for the year ended December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020, which is the beginning of the period presented. The pro forma consolidated statements of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of comprehensive income for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Comprehensive Income for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
REVENUE			
Rental revenue	710.1	(84.7)	625.4
Others.....	358.4	(29.5)	328.8
	1,068.5	(114.3)	954.2
COSTS AND EXPENSES			
Utilities	155.2	(22.4)	132.8
Depreciation and amortization	121.8	(17.2)	104.6
Rental expense	65.7	(6.8)	58.9
Taxes and licenses	32.5	(7.5)	25.0
Manpower and service cost	57.4	(7.6)	49.8
Repairs and maintenance.....	51.8	(7.3)	44.5
Service and management fees	8.1	(0.3)	7.9
Insurance.....	9.2	(0.8)	8.4
Others.....	2.5	(0.3)	2.2
	504.4	(70.3)	434.1
OTHER INCOME (CHARGES)			

For the three months ended March 31, 2021			
Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)	
P millions			
Gain on derecognition of lease liabilities.....	85.2	—	85.2
Interest income	0.7	—	0.7
Interest and other financing charges	(105.3)	4.5	(100.8)
Other financing charges.....	(1.0)	0.3	(0.6)
	(20.4)	4.8	(15.6)
INCOME BEFORE INCOME TAX.....	543.7	(39.2)	504.5
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current.....	50.7	(14.9)	35.8
Deferred.....	(146.1)	128.9	(17.2)
	(95.4)	114.0	18.6
NET INCOME.....	639.1	(153.2)	485.9
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain on retirement plan, net of deferred income tax	(0.1)	—	(0.1)
TOTAL COMPREHENSIVE INCOME.....	639.0	(153.2)	485.9

For the purpose of the Company's pro forma consolidated statement of comprehensive income for the three months ended March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2021, which is the beginning of the period presented. The pro forma consolidated statements of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of comprehensive income for the three months ended March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statement of Cash Flows for the Year Ended December 31, 2020

	For the year ended December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	1,977.7	(65.7)	1,912.0
Adjustment for:			
Depreciation and amortization.....	486.1	(60.9)	425.2
Interest expense and other financing changes	351.4	(152.2)	199.1
Gain on sale of investment properties	(65.0)	—	(65.0)
Gain on derecognition of lease liability.....	(5.8)	—	(5.8)
Pension expense.....	0.5	—	0.5
Interest income.....	(3.9)	1.8	(2.1)
Operating income before changes in operating assets and liabilities	2,740.9	(277.1)	2,463.8
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(54.6)	50.2	(4.5)
Other current assets.....	(200.4)	7.9	(192.5)
Increase (decrease) in:			
Accounts and other payables	(191.2)	174.3	(16.9)
Other current liabilities.....	(129.3)	70.8	(58.5)
Security and other deposits.....	25.2	(3.6)	21.6
Other noncurrent liabilities	97.5	(97.5)	—
Net cash generated from operations	2,287.9	(75.0)	2,212.9
Interest received.....	3.9	(1.8)	2.1
Income tax paid	(231.6)	(108.0)	(339.6)
Net cash provided by operating activities	2,060.2	(184.8)	1,875.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of:			
Investment properties.....	737.8	—	737.8
ProOffice Work Services, Inc.....	17.2	—	17.2
Additions to:			
Investment properties.....	(1,158.0)	1,158.0	—
Intangible assets	(241.0)	241.0	—
Property and equipment.....	(16.8)	—	(16.8)
Decrease in:			
Advances to contractors.....	97.6	—	97.6
Other noncurrent assets.....	88.0	—	88.0
Net cash provided by (used in) investing activities	(475.3)	1,399.1	923.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment of:			
Loans payable	1,000.0	(1,000)	—
Payments of:			
Cash dividends.....	(348.3)	—	(348.3)
Principal portion of lease liability	(47.6)	22.1	(25.5)
Interest and transaction cost.....	(471.9)	210.8	(261.1)
Loans payable	(1,355.5)	1,355.5	—
Net cash provided by financing activities	(1,223.3)	588.3	(635.0)
OTHER PRO FORMA ADJUSTMENTS	—	(1,802.6)	(1,802.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS ...	361.7	—	361.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508.9	—	508.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	870.5	—	870.5

For the purpose of the Company's pro forma consolidated statement of cash flows for the year ended December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020, the beginning of the period presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of cash flows for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	543.7	(39.2)	504.5
Adjustment for:			
Depreciation and amortization.....	121.8	(17.2)	104.6
Interest expense and other financing changes	105.3	(4.5)	100.8
Gain on derecognition of lease liability.....	(85.2)	—	(85.2)
Interest income.....	(0.7)	—	(0.7)
Operating income before changes in operating assets and liabilities	685.0	(60.9)	624.1
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(31.8)	(53.0)	(84.9)
Other current assets.....	(51.1)	47.4	(3.7)
Increase (decrease) in:			
Accounts and other payables	(158.4)	116.8	(41.6)
Security and other deposits.....	8.3	2.0	10.3
Other noncurrent liabilities	26.5	(26.5)	—
Net cash generated from operations	478.5	25.7	504.2
Interest received.....	0.7	0	0.7
Income tax paid	(50.7)	14.9	(35.8)
Net cash provided by operating activities	428.6	40.6	469.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties.....	(5.0)	5.0	—
Noncurrent asset held for distribution	(173.8)	173.8	—
Intangible assets.....	(60.4)	60.4	—
Property and equipment.....	(10.6)	—	(10.6)
Decrease in:			
Advances to contractors.....	(2.3)	—	(2.3)
Other noncurrent assets.....	15.5	—	15.5
Net cash provided by (used in) investing activities	(236.6)	239.2	2.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment of:			
Loans payable	—	—	—
Payments of:			
Principal portion of lease liability	(14.1)	13.5	(0.6)
Interest and transaction cost.....	(72.2)	—	(72.2)
Loans payable	—	—	—
Net cash provided by financing activities	(86.3)	13.5	(72.7)
OTHER PRO FORMA ADJUSTMENTS	—	(293.3)	(293.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	105.7	—	105.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	870.5	—	870.5
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	976.2	—	976.2

For the purpose of the Company's pro forma consolidated statement of cash flows for the three months ended March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2021, the beginning of the period presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of cash flows three months ended March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statements of Changes in Equity for the Year Ended December 31, 2020

	For the year ended December 31, 2020						Total
	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Appropriated Retained Earnings (Unaudited)	Unappropriated Retained Earnings	Remeasurement Gain (Loss) on Retirement Plan	
Balances at January 1, 2020	1,163.4	102.9	—	₱ millions 6,300.0	401.2	1.1	7,968.6
Pro Forma Comprehensive Income							
Pro Forma Net Income.....	—	—	—	—	1,612.2	—	1,612.2
Other Comprehensive Income.....	—	—	—	—	—	(1.1)	(1.1)
Total Pro Forma Comprehensive Income	—	—	—	—	1,612.2	(1.1)	1,611.1
Appropriations.....	—	—	—	(6,300.0)	6,300.0	—	—
Dividends declared.....	—	—	—	—	(6,611.9)	—	(6,611.9)
Deposit for future stock subscription.....	—	—	1,889.6	—	—	—	1,889.6
Pro Forma Adjustment.....	—	—	1,856.7	—	(1,354.1)	—	502.6
Balances at December 31, 2020	1,163.4	102.9	3,746.3	—	347.4	—	5,360.0

For the purpose of the Company's pro forma consolidated statement of changes in equity for the year ended December 31, 2020 the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020 which is the beginning of the period presented. See the notes to the Company's pro forma consolidated statement of changes in equity for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021						Total
	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Appropriated Retained Earnings (Unaudited)	Unappropriated Retained Earnings	Remeasurement Gain (Loss) on Retirement Plan	
Balances at January 1, 2021	1,163.4	102.9	1,889.6	—	1,950.1	—	5,106.1
Pro Forma Comprehensive Income							
Pro Forma Net Income.....	—	—	—	—	485.9	—	485.9
Other Comprehensive Income.....	—	—	—	—	—	(0.1)	(0.1)
Total Pro Forma Comprehensive Income	—	—	—	—	485.9	(0.1)	485.9
Dividends declared	—	—	—	—	(1,690.4)	—	(1,690.4)
Deposit for future stock subscription	—	—	1,856.7	—	—	—	1,856.7
Pro Forma Adjustments.....	—	—	—	—	226.0	—	226.0
Balances at March 31, 2021	1,163.4	102.9	3,746.3	—	971.6	—	5,984.2

For the purpose of the Company's pro forma consolidated statement of changes in equity for the three months ended March 31, 2021 the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020 which is the beginning of the period presented. See the notes to the Company's pro forma consolidated statement of changes in equity or the three months ended March 31, 2021 included in this REIT Plan.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses, rather than profit, may be incurred as a result of buying and selling securities. The Company's past performance is not a guide to the Company's future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

Investors should carefully consider all the information contained in this REIT Plan, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on the Company's business, financial condition, results of operations, the market price of the Offer Shares, and the Company's ability to make dividend distributions to the Company's shareholders. All or part of an investment in the Offer Shares may be lost.

This REIT Plan also contains forward-looking statements and forward-looking financial information (including a profit projection) that involve risks, uncertainties and assumptions. The actual results of the Company could differ materially from those anticipated in these forward-looking statements and forward-looking financial information as a result of certain factors, including the risks faced by the Company as described below and elsewhere in this REIT Plan.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the sections entitled "Business and Properties," "Management's Discussion and Analysis of Financial Condition and Results of Operation," "Board of Directors and Senior Management – Corporate Governance," and "Certain Agreements Relating to The Company and the Properties" in this REIT Plan. See also the industry report of JLL attached to this REIT Plan.

This risk factors discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information on the Company from the Philippine SEC. An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult his or her own counsel, accountant, and other advisers as to the legal, tax, business, financial, and other related aspects of an investment in the Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only.

RISKS RELATING TO THE COMPANY'S BUSINESS

The Company's business is largely affected by the general level of activity and growth in Filinvest City, Alabang, Muntinlupa City in general.

Most of the Company's Properties are located in Northgate Cyberzone, which is in Filinvest City, Alabang, Muntinlupa City and as a result, the continuous growth and development of Filinvest City and the surrounding areas are paramount to the Company's business and future prospects. For the year ended December 31, 2020, ₱2,584.1 million, or 92.8% of the aggregate Gross Revenue of the Company was derived from the Northgate Cyberzone Properties. As of December 31, 2020, the Northgate Cyberzone Properties comprised 280,750 sq.m. of GLA, or 93.2% of the aggregate GLA of the Company. For the three months ended March 31, 2021, ₱888.6 million, or 93.1% of the aggregate Gross Revenue of the Company was derived from the Northgate Cyberzone Properties. As of March 31, 2021, the Northgate Cyberzone Properties comprised 280,750 sq.m. of GLA, or 93.2% of the aggregate GLA of the Company.

Future planned infrastructure projects crucial for the development of Filinvest City may be postponed indefinitely or cancelled. There is no assurance that the drivers expected to facilitate the development of such area and also underlie the Company's business strategies may eventually materialize, such as the continuous growth of the BPO sector that is expected to increase the demand for commercial space and the success of the tourism and recreational-related developments that is expected to increase the value of, and demand for commercial space within Metro Manila, including in Filinvest City and Muntinlupa City generally. Many other factors can also affect the development of Filinvest City, including the state of the national and regional

economies in the Philippines, changes in Government policies leading to changes in market conditions, and political and social developments that may translate into project execution difficulties.

To manage these risks, the Sponsor has programs in place relating to the continued development of Filinvest City such as but not limited to the expansion of the district cooling system (“DCS”) Filinvest City, construction of connector bridges, and a station for the planned MRT line of the Government. However, there can be no assurance that Filinvest City will continue to be a major mixed-use business district within Metro Manila or a lower cost alternative location to other CBDs in Metro Manila such as Makati City, Ortigas, or the Bay Area. See “*Business and Properties—Competitive Strengths—Filinvest City is an attractive PEZA- and LEEDv4 ND-certified district in the strategic Alabang CBD*” and “*Business and Properties—Competitive Strengths—Dominant Grade A office portfolio located in Filinvest City*” on pages 189 and 193, respectively, of this REIT Plan.

Any downturn in business activities in Filinvest City and the broader Muntinlupa City area could result in a decline in rental rates or decreased occupancy rates in such area, hence materially and adversely affecting the business, prospects, results of operations and financial condition of the Company.

The Company is exposed to risks inherent in the Philippine property market (and especially Metro Manila).

The Company expects to derive all of its revenue from its current and future portfolio of commercial properties. The Company is highly dependent on the performance of the Philippine property market since the Company’s Properties are located in the Philippines. As of March 31, 2021, the Company obtained 100% of its revenue from its operations in the Philippines.

Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole. Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles (i.e. when there is a gross imbalance between the supply and demand in the property market causing unusual increase in asset prices followed by a drastic drop in prices when the bubble bursts), increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP’s tightening of policies related to real estate loans. The Philippine property market has in the past been cyclical and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and social developments. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of the Company’s Properties or a decrease in the Company’s rental rates. Additionally, although it is not common for the value of land located in prime urban areas to decline absent any environmental or inherent defect in the land (e.g., land located in flood prone areas or near fault-lines), as most of the Company’s Properties are located in Metro Manila, the Company is subject to the risk of a decline in land or real estate value in Metro Manila specifically.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country’s political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for the Company’s commercial office space. 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. The Company cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

To manage these risks, pursuant to the Company’s investment strategy, properties forming part of the Company’s portfolio are expected to (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, such as Cebu, (2) be primarily (but not exclusively) focused on commercial properties, but may be other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations. See also “*Business and Properties—Business Strategies—Organic growth strategy through pro-active asset management*” and “*Business and Properties—Business Strategies—Fund Manager—Inorganic growth strategy through redevelopment of existing assets and new acquisitions*” on page 202 of this REIT Plan.

The business and operations of the Company have been and will continue to be adversely affected by the global outbreak of COVID-19.

The profitability of the Company depends on the rental of office and retail space of the Properties. Although the Company's revenue for the year ended December 31, 2020 increased by 7.1% year-on-year from 2019, the uncertainty and disruption brought by COVID-19 could adversely affect the demand for the Company's rental space and the ability of the Company to effectively operate. For the three months ended March 31, 2021, the Company's revenue decreased by 6.9% from the same period in 2020 due to pre-termination of leases by certain tenants in the second half of 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 145 in this REIT Plan.

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As at the date of this REIT Plan, the COVID-19 disease has continued to spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially.

Governments and health authorities around the world have imposed sweeping measures designed to contain the pandemic, including, among others, travel restrictions, border closures, curfews, quarantines, prohibition of gatherings and events and closures of universities, schools, restaurants, stores and other business. The economic repercussions of the pandemic and the efforts around the world to contain it have been severe, and include reduced global trade, lower industrial production, broad reductions in general consumption and economic activity and major disruptions to international travel and global air traffic.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020 (at midnight), unless earlier lifted or extended as circumstances may warrant, and imposed an enhanced community quarantine ("**ECQ**") throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended as circumstances may warrant. On March 25, 2020, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act" (the "**Bayanihan Act**"), was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the COVID-19 pandemic. On April 7, 2020, the Office of the President of the Philippines released a memorandum extending the ECQ over the entire Luzon island until April 30, 2020. On May 1, 2020, the Government further extended the ECQ over, among others, certain portions of Luzon, including Metro Manila, until May 15, 2020, while easing restrictions in other parts of the country. On May 11, 2020, the Inter-Agency Task Force of Emerging Infectious Disease ("**IATF**") placed high-risk local government units under modified ECQ ("**MECQ**") from May 16, 2020 until May 31, 2020, where certain industries were allowed to operate under strict compliance with minimum safety standards and protocols. On May 27, 2020, the IATF reclassified various provinces, highly urbanized cities and independent component cities depending on the risk-level. Meanwhile, on May 29, 2020, the Government placed Metro Manila under general community quarantine, allowing for the partial reopening of certain businesses and public transportation while continuing to limit general movements. Because of the spike in COVID-19 cases, on August 4, 2020, the Government again placed Metro Manila under MECQ until August 18, 2020. Starting August 19, 2020, MECQ was lifted and Metro Manila and nearby areas were again placed under general community quarantine. These measures have caused disruption to businesses and economic activities, and their impacts on businesses continue to evolve. On September 11, 2020, the Bayanihan to Recover as One Act (the "**Bayanihan 2 Act**") was signed into law by President Duterte. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. The moratorium on the collection of residential and commercial rents of lessees not permitted to operate or which have temporarily ceased operations under the Bayanihan 2 Act during and after the effectivity of quarantine measures may affect the Company and businesses that transact with it. Until the measures are finalized, its potential effects or duration remain uncertain.

In March 2021, the Philippines, and in particular, Metro Manila experienced another surge of COVID-19 infections, prompting the Philippine Government to reimplement ECQ in Metro Manila and nearby areas from March 29, 2021 to April 11, 2021. From April 12, 2021 to May 14, 2021, the quarantine classification for these areas were downgraded to the MECQ classification. Thereafter, beginning May 15, 2021, the Philippine Government further reclassified the quarantine classification for the same regions to the GCQ classification.

The Philippine Government expects the country's gross domestic product to fall by 5% due to the economic effects of the outbreak, and the resulting domestic shutdowns, reduced tourism, disrupted trade and manufacturing and financial market spillovers. On May 7, 2020, the National Economic Development Authority reported that the Philippine economy had slowed down for the first time in 22 years, contracting 0.2% in the first quarter of 2020, from a 5.6% growth rate in the first quarter of 2019. In early August 2020, the Philippine Statistics Authority revised the first quarter estimates, stating that the economy contracted by 0.7% compared to same period in the prior year, and that GDP for the second quarter of 2020 contracted by 16.5%, bringing the country to a technical recession. In November 2020, the National Economic Development Authority and Philippine Statistics Authority reported that the Philippine economy contracted by 11.5% year-on-year in the third quarter of 2020, resulting in a nine month contraction of 10% compared to the previous year. According to JLL, while the Philippine's GDP growth contracted by 9.5% in 2020, it is expected to recover and grow by 6.5% to 7.5% in 2021 and by 8.0% to 10.0% in 2022. The extent of the impact of COVID-19 on the Philippine economy and the speed and certainty of any economic recovery cannot be predicted for certain, and any new surge in infections may result in stricter quarantine or lockdown measures across provinces, cities and municipalities may lead to further contraction of the Philippine economy, closure of businesses, and rise in unemployment rates.

The outbreak of COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Company's business, financial condition and results of operations. These may include, temporary closures of the Company's Properties, or cause the hospitalization or quarantine of the Company's or its property managers' employees, delay or suspension of supplies from the Company's suppliers, disruptions or suspension of the Company's operational activities. The disruption to business may also cause tenants to miss lease payments or downsize or not renew their leases. Although the Company has taken certain measures to try and minimize the negative effect of COVID-19 on the Company's operations, there is no certainty that such measures will be sufficient or that the Company will not be required to incur additional expense to address the effect of COVID-19 on its operations. See "*Business and Properties – Recent Developments*" for measures taken by the Company to address the effect of COVID-19 on its operations.

Further, under the Bayanihan Act, lessors, such as the Company, were required to extend rent deferrals to small and medium enterprises that requested for such concessions during the imposition of ECQ and MECQ in Metro Manila. Although the Company did not provide any rental abatements or waivers to its commercial office tenants during the imposition of ECQ in Metro Manila or Cebu, the Company offered deferred rental payments without interest or penalties to its micro, small and medium enterprise ("**MSME**") tenants for the duration of the implementation of ECQ and MECQ, and may do so in the future if required by law or regulation. The Company has also granted requests of certain commercial office tenants to defer or stagger rental payments. As of March 31, 2021, the Company has collected a majority of the receivables arising out of such rent deferrals and is coordinating closely with tenants for the payment of outstanding receivables.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Company's business, financial condition and results of operations.

The duration of border controls, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the business of the Company, whether any further restrictions will be imposed by the Government in response to COVID-19, and the recovery trajectory for the Company remains uncertain. Even when restrictions are lifted, there may be a period of significantly reduced economic activity, increased unemployment and reduced consumer spending. Should this be the case, this will continue to affect the Company's business operations, financial condition, results of operations and prospects.

To manage these risks, the Company intends to maintain and focus its leasing strategy on top multinational global firms including BPO, IT, and traditional companies and headquarters of companies and to continue offering fixed rates and lease terms ranging from three to five years. The Company has also implemented various measures for the safety of its customers, tenants, suppliers, service providers and employees in compliance with the World Health Organization's and the Department of Health's guidelines on COVID-19. See "*Business and Properties—Recent Developments—Impact of COVID-19*" on page 206 of this REIT Plan.

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

The Sponsor, its Subsidiaries, and Affiliates are engaged in the investment in, and the development of, properties in the Philippines. The Fund Manager and the Property Manager are wholly owned Subsidiaries of the Sponsor. Certain executive officers of the Company, the Fund Manager and the Property Manager are also compensated by the Sponsor. The Sponsor will also remain as the single largest shareholder of the Company after the Offering, and certain members of management and the Board of Directors of the Company will continue to remain as part of the management and the board of directors of the Sponsor. As a result, the strategy and activities of the Company, the Fund Manager or the Property Manager may be influenced by the overall interests of the Sponsor. See “*The Fund Manager and the Property Manager—The Fund Manager of the Company—Conflict of Interest*” and “*The Fund Manager and the Property Manager—The Property Manager of the Company—Conflict of Interest*” on pages 287 and 292, respectively, of this REIT Plan.

While the Company’s investment plan allows the acquisition of assets from third parties, the Fund Manager may give preference and/or recommend that the Company acquire other assets from the Sponsor or parties related to the Sponsor in the future.

To manage such risks, the Fund Manager is required to obtain valuations from independent property valuers and to comply with all other requirements applicable to such transactions under the REIT Law. Pursuant to the Company’s investment strategy, such property will (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, such as Cebu, (2) be primarily (but not exclusively) focused on commercial properties, but may be other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations. See the section entitled “*Business and Properties – Investment Policy*” on page 207 of this REIT Plan.

There may be direct competition between the Company and the Company’s Sponsor.

The Sponsor and its Subsidiaries are engaged in, among other things, the investment in, and the development of, properties in the Philippines, including commercial, residential, hospitality, and industrial developments. As a result, there may be circumstances where the Company competes directly with the Sponsor for property acquisitions and tenants, which could lead to lower occupancy levels, lower rental rates, or both for the Properties and could adversely affect distributions to the Company’s Shareholders. There can be no assurance that the interests of the Company will not conflict with, or be subordinated to, those of the Sponsor in such circumstances. See “*Business and Properties—Competitive Strengths—Sponsored by a leading Philippines full-range property developer with strong track record of commercial developments, particularly in Alabang*” and “*Business and Properties—Competitive Strengths—Sponsor’s extensive CBD land bank in three major BPO hubs and deep portfolio*” on pages 188 and 200, respectively, of this REIT Plan.

In addition, the Company has engaged FREIT Fund Managers, Inc., an entity incorporated in 2021, as the Company’s Fund Manager and ProOffice Work Services, Inc. as the Company’s Property Manager to assist it in the property management of the properties held by the Company. Each of the Property Manager and the Fund Manager is a wholly owned Subsidiary of the Sponsor. In the future, the Company may decide to engage a different fund manager or property manager for the Properties and any future properties acquired by the Company. This potential fund manager and property manager may also be related to the Sponsor. There can be no assurance that the Fund Manager or the Property Manager or a potential future fund manager or property manager related to the Sponsor will not favor properties that the Sponsor has retained in its own property portfolio over those owned by the Company when providing such services to the Company.

To manage such risks, each of the Fund Manager and the Property Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including the Company. See *The Fund Manager and the Property Manager – The Fund Manager—Conflict of Interest*” and “*The Fund Manager and the Property Manager – The Property Manager – Conflict of Interest*” on pages 287 and 292, respectively, of this REIT Plan.

The Fund Manager is a new entity without any prior operating history relating to the management of REITs, and the Property Manager has a limited operating history.

The Fund Manager is a wholly owned Subsidiary of the Sponsor, and was incorporated on April 13, 2021. The Fund Manager, as of the date of this REIT Plan, has had no operating history relating to management of REITs.

There can be no assurance that the Company, under the direction of the Fund Manager, will be able to generate sufficient revenue from operations to make distributions at expected levels to Shareholders.

The Property Manager was incorporated on March 18, 2019, and has had a limited operating history by which its past performance may be judged. The Property Manager's limited operating history may make it more difficult for investors to assess the likely future performance of the Property Manager, and in turn, the Company's likely future performance.

The Company believes that it is able to manage the foregoing risks through the support of the Sponsor which has significant experience in corporate finance matters. Further, many of the directors and officers of the Fund Manager have extensive experience working in the real estate industry. FAI and the Sponsor also have had significant experience in property management, and many of the directors and officers of the Property Manager have gained valuable property management experience working with the Filinvest Group. Please see the section entitled "*The Fund Manager and the Property Manager – The Fund Manager of the Company – Directors and Executive Officers of the Fund Manager*" on page 287 of this REIT Plan and "*The Fund Manager and the Property Manager – The Property Manager of the Company – Directors and Executive Officers of the Property Manager*" on page 293 of this REIT Plan.

The Fund Manager may not successfully implement the Company's investment policies.

Certain aspects of the Company's activities, including investments and acquisitions, will be determined by the Fund Manager in accordance with this REIT Plan and the investment strategy of the Company. See the section entitled "*Business and Properties – Investment Policy*" on page 207 of this REIT Plan. While the Fund Manager intends to focus on investments in commercial real estate in the Philippines, the Fund Management Agreement gives the Fund Manager wide powers to invest in other types of assets, including investment of corporate funds in money market instruments, subject to compliance with the requirements on allowable investments of a REIT under the REIT Law. See the section entitled "*Business and Properties – Investment Policy – Investment Limitations*" on page 208 of this REIT Plan. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves, as well as risks and uncertainties in the compliance by the Company and the Fund Manager of the requirements of the REIT Law.

The Company believes that it is able to manage the foregoing risks through the support of the Sponsor which has significant experience in corporate finance matters. Further, many of the directors and officers of the Fund Manager have extensive experience working in the real estate industry. Further, the Fund Manager has the legal obligation to act on behalf of and in the best interest of the Company. The fees of the Fund Manager are also structured to align the interests of the Fund Manager and the Company. See "*Business and Properties—Business Strategies—Fund Manager*" on page 202 of this REIT Plan.

The Fund Manager may not be able to successfully execute the Company's stated strategy.

The Company's investment strategy is primarily to invest in income-generating assets in the Philippines either through acquisitions or own developments to the extent allowed by the REIT Law. The Fund Manager intends to help the Company produce secure and growing income that provides a competitive return to investors. See the section entitled "*Business and Properties – Investment Policy*" on page 207 of this REIT Plan. No assurance can be given that the Company will achieve successful results or that the Company's portfolio will expand at all, or at any specified rate or to any specified size. The Fund Manager may not be able to make investments or acquisitions on desired terms in a desired time frame since the liquidity of commercial real estate markets generally is low. The Company's strategy to invest in commercial real estate is also dependent on the Company's ability to appropriately fund such investments. The Company may rely on external sources of funding to expand the Company's portfolio, which may not be available on favorable terms or at all. Even if the Company was able to successfully complete additional property investments, there can be no assurance that the Company will achieve its intended return on investments. See "*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*" and "*Certain Agreements relating to the Company and the Properties—Fund Management Agreement*" on pages 202 and 307, respectively, of this REIT Plan.

One of the Company's strategies for growth is to increase yields and total returns through a combination of the optimization of leasable space in the Properties, the acquisition of additional properties to the Company's portfolio, and operational efficiency. In connection with any such development, the Company and the Fund Manager will incur risks associated with any such property renovation or acquisition activities. These risks include

the risk that renovation or acquisition opportunities explored by the Fund Manager may be abandoned; the risk that the costs of undertaking such a project may exceed original estimates, possibly making the project uneconomical; and the risk that occupancy levels and rents of a completed project will not be sufficient to make the project profitable. In case of an unsuccessful project, the Company's loss could exceed its investment in the project. The Company's strategy is also dependent on the Company's ability to appropriately fund such investments and external sources of funding may not be available on favorable terms or at all.

The Company believes that it is able to manage the foregoing risks through the support of the Sponsor which has significant experience in corporate finance matters. Further, many of the directors and officers of the Fund Manager have extensive experience working in the real estate industry. Further, the Fund Manager has the legal obligation to act on behalf of and in the best interest of the Company. The fees of the Fund Manager are also structured to align the interests of the Fund Manager and the Company. The Company also has the ability to replace the Fund Manager, in the event of the occurrence of certain grounds for termination, and procure the services of other licensed asset management services providers as may be allowed under the REIT Law and the Fund Management Agreement. See "*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*" on page 202 of this REIT Plan and "*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*" on page 307 of this REIT Plan.

The Company faces litigation risks and regulatory disputes in the course of the Company's business.

In the ordinary course of the Company's business, claims and disputes involving the Fund Manager, the Property Manager, lessees, business partners, and regulatory authorities such as the BIR may be brought against or by the Company in connection with its contracts or business. Claims may be brought against the Company for breach of contract, law, or regulation, as well as claims relating to taxes, among others. If found to be liable, the Company would have to incur a charge against earnings to the extent a reserve had not been established for the matter in the Company's accounts, or to the extent the claims were not sufficiently covered by the Company's insurance. Although the Company has not received any assessments from the BIR as of the date of this REIT Plan, the Company may also engage in disputes with regulatory authorities, including the BIR, on tax-related matters in connection with its business and operations.

To manage these risks, as a policy, the Company seeks to maintain good relationships with the Fund Manager, the Property Manager, lessees, regulators and other parties whom the Company regularly deals with and to resolve disputes early and amicably, when appropriate, both claims brought against or by the Company. However, if not resolved through negotiation, claims are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realized from claims by the Company could differ from the balances included in its financial statements. Such claims could therefore have an adverse impact on the Company's business, financial condition and results of operations. As of the date of this REIT Plan, the Company is not involved in any material litigation, nor, to the Company's knowledge, is any material litigation currently threatened against it. See also "*Business—Legal Proceedings*" on page 277 of this REIT Plan for more information.

The Company will continue to be controlled by the Gotianun Family and their interests may differ significantly from the interests of other shareholders.

After the Offering (and assuming the Over-allotment Option is fully exercised), the Sponsor shall continue to hold 63.3% of the Shares of the Company. The Sponsor is wholly owned by FDC, which is controlled by members of the Gotianun Family, who either individually or collectively have controlled FDC and its subsidiaries since the inception of FDC. As of March 31, 2021, members of the Gotianun Family were the beneficial and record owner of approximately 60% of the Sponsor's issued and outstanding shares. There is also no non-compete agreement or other formal arrangement in place to prevent other companies that are also controlled by the Gotianun Family from engaging in activities that compete directly with the Company's businesses or activities, which could have a negative impact on the Company. Neither can there be any assurance that the Gotianun Family will not take advantage of business opportunities that may otherwise be attractive to the Company. The interests of the Gotianun Family may therefore differ significantly from or compete with the Company's interests or the interests of other shareholders, and the Gotianun Family may direct the voting of the Sponsor's Shares in a manner that is contrary to the interests of the Company or the Company's other shareholders. There can be no assurance that the Gotianun Family will exercise influence over the Company in a manner that is in the best interests of the Company or its other shareholders.

The Company believes that this risk is managed through good relations and continuing support from the Sponsor, which will remain as the largest shareholder of the Company after the Offering. The Company has also established a Related Party Transactions Committee to review related party transactions entered into by the Company. Further, the Fund Manager and Property Manager are required to establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including the Company. See “*Related Party Transactions*”, “*The Fund Manager and the Property Manager – The Fund Manager—Conflict of Interest*” and “*The Fund Manager and the Property Manager – The Property Manager—Conflict of Interest*” on pages 338, 287 and 292, respectively, of this REIT Plan.

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 and certain services provided by the Filinvest Group.

As part of its transition to a REIT, the Company will not have any employees moving forward. As such, the Company will be dependent on the expertise and experience of the Fund Manager’s and the Property Manager’s directors, senior management, and other key employees for the success of the Company’s business. Most of these individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience. See the sections entitled “*Board of Directors and Senior Management*,” “*The Fund Manager and the Property Manager – The Fund Manager of the Company – Directors and Executive Officers of the Fund Manager*” and “*The Fund Manager and the Property Manager – The Property Manager of the Company – Directors and Executive Officers of the Property Manager*” on pages 330, 287 and 293, respectively, of this REIT Plan. 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 is also dependent on certain services provided by the Filinvest Group, such as corporate services provided by Filinvest Cyberparks, Inc. (“**FCI**”), human-resources related services and billing services provided by FAI, IT services provided by Corporate Technologies, Inc. (“**CTI**”), DCS operations of Philippine DCS Development Corporation (“**PDDC**”), and technical maintenance services provided by Professional Operations and Maintenance Experts Incorporated (“**PROMEI**”). See “*Related Party Transactions*” on page 338 of this REIT Plan.

The Company believes that it is able to manage the foregoing risks through the support of the Sponsor which has significant experience in corporate finance matters. Further, many of the directors and officers of the Fund Manager have extensive experience working in the real estate industry. FAI and the Sponsor also have had significant experience in property management, and many of the directors and officers of the Property Manager have gained valuable property management experience working with the Filinvest Group. Please see the section entitled “*The Fund Manager and the Property Manager – The Fund Manager of the Company – Directors and Executive Officers of the Fund Manager*” on page 287 of this REIT Plan and “*The Fund Manager and the Property Manager – The Property Manager of the Company – Directors and Executive Officers of the Property Manager*” on page 293 of this REIT Plan.

The Company is party to a number of related party transactions.

In the ordinary course of the Company’s business, it has transactions with related parties. In particular, such related parties include members of the Filinvest Group such as FAI, FCI and Filinvest Asia Corp. (“**FAC**”), CTI, PDDC, and PROMEI among others. These agreements and the Company’s other related party transactions are described in greater detail under the section entitled “*Related Party Transactions*” in this REIT Plan and the notes to the Company’s financial statements appearing elsewhere in this REIT Plan. Such interdependence may mean that any material adverse changes in the operations or financial condition of related parties could adversely affect the Company’s results of operations.

The Company’ related party transactions have been entered into on an arm’s length basis, including (i) the lease contracts with the Sponsor, with respect to the land where the Northgate Cyberzone Properties are located, and engagement of ProOffice Work Services, Inc. for property management services relating to the Northgate Cyberzone Properties and currently as Property Manager of the Properties, (ii) the Company’s leases of certain parking spaces from FAI under management of Parking Pro, Inc., an affiliate of the Company, (iii) the leasing out by the Company of office space to the Sponsor and other affiliates, such as FAI, CTI, Filinvest Hospitality

Corporation, Chroma Hospitality Inc, and Festival Supermall Inc., (iv) the build-operate-transfer agreement between the Company and PDDC in respect of the DCS for Northgate Cyberzone, (v) general management services provided to FAC, (vi) the IT services provided by CTI to the Company, and (vii) the technical maintenance services provided to the Company by PROMEI. See “*Related Party Transactions*” on page 338 of this REIT Plan for more information.

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

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

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

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

There is no assurance if the BIR will view these transactions as arm’s length on the basis of the Transfer Pricing Guidelines. There can be no assurance that the Company’s level of related party transactions, if questioned, will not have an adverse effect on the Company’s business or results of operations.

The Company believes that the corporate governance provisions and related party transaction policies adopted by the Company, the Fund Manager and the Property Manager would help the Company manage the risk of conflicts of interest relating to related party transactions. See the sections entitled “*The Fund Manager and the Property Manager—Related Party Transactions*” and “*Board of Directors and Senior Management*” on pages 296 and 330 of this REIT Plan.

The Company is exposed to risks relating to the leasing business.

As part of the Company’s office and retail businesses, the Company has leased and will lease space to various third parties and affiliates, including commercial office space to BPOs, traditional offices and headquarters, and POGOs, and retail space to boutiques, operators of food kiosks and food stalls. As of March 31, 2021, the WALE of the Properties was 3.8 years and as of April 30, 2021, the WALE of the Properties was 3.9 years. The Company’s ability to lease out its Properties in a timely manner and collect rent at profitable rates, or at all, are affected by certain factors, including the following:

- untimely expiration of leases and vacancies of tenants;

- delays in the payment of rent due to a tenant’s declining sales or slow turnover;
- tenants seeking the protection of bankruptcy laws that could result in delays in the Company’s receipt of rental payments;
- the Company’s inability to collect rental payments due to bankruptcy of tenants or otherwise, or the early termination of a tenant’s lease;
- tenants that do not comply with the general terms of the lease;
- the national and international economic climate;
- competition for tenants;
- changes in market rental rates;
- the need to periodically renovate, repair and re-let space and the costs thereof;
- the quality and strategy of management, including the Property Manager and the Fund Manager;
- the Company’s ability to provide adequate maintenance and insurance coverage;
- changes in laws and government regulations relating to real estate, including those governing usage, zoning, taxes and government charges that could lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance; and

changes in demand caused by policies affecting call centers, POGOs and other BPO operations in the Philippines and worldwide, including the relative cost of operating BPOs and POGOs in the Philippines as compared to other markets (such as India), which depends in part on the continued favorable regulations and fiscal incentive regimes with respect to such industries and the Government’s general policy with respect to investments and industries from China. The occurrence of events with widespread macroeconomic impact such as COVID-19 may significantly and accelerate change in the demand for office space, such as reduced demand for co-working spaces and increasing work-from-home arrangements which would dampen demand for large office spaces. Further, COVID-19 and the travel restrictions imposed as a result of the pandemic have led POGOs to pre-terminate leases in the Philippines resulting in high vacancy rates in Metro Manila.

Any unfavorable developments with respect to the Company’s tenants could have an adverse effect on the Company’s business, financial condition and results of operations.

To manage these risks, the Company’s leasing policies include screening applicants carefully (such as requiring the submission of copies of Philippine SEC incorporation documents and by-laws and three-year financial statements) and securing appropriate mix of tenants with respect to its retail spaces, both in terms of the nature of their business and their size. See “*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*”, “*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*” and “*Business and Properties—Business Strategies—Fund Manager—Inorganic growth strategy through redevelopment of existing assets and new acquisitions*” on page 202 of this REIT Plan.

The Company’s operations are covered by certain tax exemptions and incentives, the loss of which could increase the Company’s tax liability and decrease any net income the Company might have in the future.

The Company benefits from certain tax incentives. In particular, the Company enjoys the benefit of the 5% special tax on gross income on PEZA-registered information technology buildings for all of the Properties. If the Company’s tax exemptions or incentives related to PEZA-registered assets are revoked or repealed, the Company’s income from these sources will be subject to the corporate income tax rate, which is currently fixed at 25% of net taxable income, and the Company’s tax expense would increase, reducing its profitability and adversely affecting its net income. The 5% special tax on gross income has allowed the Company to offer competitive rental rates without sacrificing its margins. A change of the Company’s tax rate to the corporate income tax rate may make its low rental rates unsustainable. Any such increase in rental rates may have an adverse effect on the Company’s

competitive strength as an offeror of low rental rates for commercial and office spaces in Metro Manila or Cebu. There is no assurance that Company will be able to sustain preferential tax rates for its Properties or obtain similar tax incentives for future projects. See “*Business and Properties—Competitive Strengths—Filinvest City is an attractive PEZA- and LEEDv4 ND-certified district in the strategic Alabang CBD*” and “*Business and Properties—Business Strategies—Property Manager—Active property management*” starting on pages 189 and 203, respectively, of this REIT Plan.

Further, PEZA-registered BPO and information technology companies who lease office space from the Company in Northgate Cyberzone, or in Cebu Tower 1 also enjoy the benefit of the 5% special tax on gross income (which is imposed in lieu of all national and local taxes (except real property taxes on machineries)). The implementation of any tax reforms that would result in the loss of the 5% special tax on gross income enjoyed by certain PEZA-registered entities could increase the Company’s tax liability and decrease any net income the Company might have in the future, including indirectly through any negative impact such tax reforms would have on BPO companies. See “*Risks Relating to the Philippines—The implementation of tax reform may have a negative effect on BPO companies*” on page 90 of this REIT Plan.

The real estate market is highly competitive, and any inability to effectively compete could limit the Company’s ability to maintain or increase its market share and profitability.

The Company is subject to significant competition in its business. With respect to its office rental properties, the Company competes for tenants primarily based on quality and location, reputation of the building’s owner, quality of support services provided by the property manager, and rental and other charges. If tenants of the Company’s office properties relocate to other spaces and do not renew their leases with the Company, the Company may find it difficult to source replacement tenants in a timely manner, or at all, and may be compelled to reduce rental rates or leave spaces vacant. Should any of these happen, the Company may face a decline in its recurring income from these investment properties. Furthermore, due to the high vacancy rates in Metro Manila, the Company may have to provide tenant improvement allowances or fit out allowances to multinational BPOs to entice them to lease spaces. Although such costs can be recovered by the Company throughout the life of the lease by adding the cost to the rent, the Company will have to provide such allowances upfront. As such, there is a risk that the tenant who has been granted a fit out allowance will not be able to complete its lease term due to bankruptcy, closure or for any other reason, which may have a negative effect on the Company’s results of operations particularly if the vacated space has no immediate replacement tenant. In addition, attracting and retaining tenants often involves additional expenditures on the Company’s part, including expenditures related to marketing. These expenditures may not result in new or retained tenants, which may have a negative effect on the Company’s results of operations.

The Company believes that the reputation and experience of the Sponsor, the location and quality of the Properties in Alabang and Cebu, the continued maintenance and repair of the Properties, and the market share of the Filinvest Group in such areas, among others, will enable the Company to compete effectively. See “*Business and Properties—Competitive strengths*” and “*Business and Properties—Business strategies*” on pages 187 and 201, respectively, of this REIT Plan.

The interests of joint venture partners may differ from the Company’s and such partners may take actions that adversely affect the Company.

The Company has entered into, and may enter into, joint venture agreements or public-private partnerships or similar types of arrangements as part of its business strategy. Under the usual terms of such agreements, the Company takes responsibility for project development while its joint venture partner typically owns and supplies the land on which such developments are situated. Disputes between the Company and its partners could arise after significant capital investments in a project have been made, which in turn could result in the loss of some or all of the Company’s investment in such project. The Company’s reliance on such arrangements could therefore have a material adverse effect on the Company’s business, financial condition and results of operations.

For example, the Company has entered into a build-transfer-operate (“**BTO**”) arrangement with the Cebu Provincial Government for the development of Filinvest Cyberzone Cebu where Cebu Tower 1 is located. Under the terms of the BTO arrangement, the Company will be able to operate Cebu Tower 1 for an initial period of 30 years commencing in 2013 (i.e., 25-year initial term, as extended by a subsequent memorandum of agreement), subject to a renewal option of an additional 25 years, while the Cebu Provincial Government retains ownership of the buildings (including Cebu Tower 1) and the land on which they are situated within Filinvest Cyberzone Cebu. As of March 31, 2021, there are 22.7 years left in the initial period of the arrangement. Such arrangement carries

additional political and regulatory risks. Any legal disputes involving joint venture agreements with government entities may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes it is able to manage this risk through contractual remedies and safeguards in its contracts. See "*Business and Properties – Filinvest Cyberzone Cebu*" on page 262 of this REIT Plan for more details on the Cebu Tower 1 and the BTO arrangement.

Damage to, or other potential losses involving, the Company's assets may not be covered by insurance.

Design, construction or other latent property or equipment defects or deficiencies in the Company's properties (including with respect to the Company's older Properties) may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties that may not be covered by insurance. In addition, certain types of losses such as terrorist acts, the outbreak of infectious disease or any resulting losses, may be uninsurable or the required insurance premiums may be too expensive to justify obtaining insurance. In addition, in the event of a substantial loss, the insurance coverage the Company carries may not be sufficient to pay the full market value or replacement cost of the Company's lost investment or that of the Company's tenants or in some cases could result in certain losses being uninsured. Accordingly, the Company could lose some or all of the capital it has invested in a property, as well as the anticipated future revenue from that property, and the Company could remain obligated for guarantees, debt, or other financial obligations related to such property.

Moreover, the scope of insurance coverage that the Company can obtain or the Company's ability to obtain such coverage at reasonable rates may be limited and the Company's insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect the Company's business, financial condition and results of operations.

To manage this risk, the Company and the Fund Manager intend to work together to ensure that the Company's insurance coverage complies with the Company's risk management policies, industry standards and the REIT Law. See "*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*" on page 307 of this REIT Plan. The Company maintains comprehensive property and liability insurance policies with coverage features and insured limits that the Company believes are consistent with market practice in the commercial and retail leasing industries in the Philippines. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" on page 203 of this REIT Plan.

The Company may fail to fulfill the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration.

The Company is required to maintain business licenses, permits and other authorizations, including those relating to certain construction activities for its operating Properties and its properties under construction, and is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards. The Company's licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Company fails to meet the terms and conditions of any of its licenses, permits or other authorizations necessary for the Company's operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of properties, suspension of construction activities or other adverse consequences. In addition, there is no certainty that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

There can be no assurance that the Company will continue to be able to renew the necessary licenses, permits and other authorizations for its properties as necessary or that such licenses, permits and other authorizations will not be revoked. If the Company is unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the Company's business, financial condition and results of operations.

To manage this risk, the Company and the Property Manager intend to work together to ensure that the Company's licenses and permits are renewed on time, and that the Company complies with the terms and conditions of its licenses and permits. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" on page 203 of this REIT Plan.

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

While the Company, through the Property Manager, has an in-house marketing and leasing sales team, it also markets and presents all its office and retail space for lease to third-party multinational brokerage firms and brokers for the purpose of leasing such properties. The Company in particular relies on third-party multinational brokerage firms that are engaged as BPO / tenant representative by multinational BPO firms. These third-party multinational brokerage firms typically have pre-existing tenant representative agreements with most multinational BPO firms and multinational headquarters through such brokerage firms' offices in Asia Pacific. Although such third-party multinational brokerage firms may have different teams which act as tenant representatives, such brokerage firms may also send requests for proposals ("RFPs") on behalf of the tenant they represent to other developers in the same markets in which the Company operates, and there can be no assurance that they will not favor the interests of their clients or such other developers over the interests of the Company in lease opportunities, or otherwise act in the best interests of the Company. Some of the Company's competitors engage, on an exclusive basis, different teams within the same multinational brokerage firms on a per project or building basis as landlord representative. The Company has, in the past, likewise engaged landlord representatives for its buildings in Filinvest Cyberzone Cebu. If such third-party brokers engaged by the Company were to terminate or breach their brokerage agreements, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers. This could disrupt the Company's business and have a material adverse effect on its business, financial condition and results of operations.

The Company believes that the Property Manager will be able to manage the foregoing risk through active property management, including replacing or finding new third-party brokers to assist with marketing and leasing activities, and through its active tenancy and leasing management and customer services strategies. See "*Business and Properties—Business Strategies—Property Manager—Active property management*", "*Business and Properties—Business Strategies—Property Manager—Active tenancy and leasing management*", and "*Business and Properties—Business Strategies—Property Manager—Excellent customer service*" on pages 203 and 204, respectively of this REIT Plan.

The Company may face risks associated with debt financing and refinancing activities (including the risk of default), in relation to its existing ₱5,977.4 million bonds due January 7, 2023 and in the event the Company incurs additional debt in the future.

As of March 31, 2021, the Company had ₱5,977.4 million in outstanding indebtedness comprising 5.05% 5.5 year Peso-dominated bonds due January 7, 2023. The Company is also compliant with all its financial covenants under its financing agreements. See the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness*" on page 173 in this REIT Plan and "*Presentation of Financial Information*" and "*Summary Pro Forma Financial Information*" on pages xiii and 57, respectively, of this REIT Plan for a discussion on the Assignment of Loans of the Company. In the future, the Company may require additional debt financing to achieve the Fund Manager's asset enhancement strategies or for the purchase of additional assets, but in doing so, will always observe the maximum amount of leverage as provided under the REIT Implementing Rules and Regulations.

The Company may be subject to risks normally associated with debt financing, including the risk that its cash flow will be insufficient to pay distributions at expected levels and meet required payments of principal and interest under such financing. The Company may also not be able to refinance its existing or future indebtedness or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. In addition, the Company may be subject to certain covenants in connection with its borrowings that may limit or otherwise adversely affect its operations and ability to make distributions to Shareholders.

Although the Company intends to repay and refinance its existing bonds on maturity through a mix of internally generated funds and/or refinancing through the issuance of new bonds and/or bank loans, there is no assurance that the Company will be able to refinance such bonds or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. Further, in the event the Company continues to refinance its existing, future or additional indebtedness, the Company will continue to hold indebtedness on its balance sheet and continue to make interest repayments which will reduce the amount of Distributable Income that may be paid to Shareholders. In addition, if the Company is unable to refinance or obtain support from the Sponsor with respect to the repayment of its existing or additional indebtedness (including in relation to its Peso-denominated bonds or any refinancing

thereof) upon maturity, the Company will default on such indebtedness. This may cause the Company to dispose of assets to repay, or cause lenders (including bondholders or any trustee) to enforce such repayment obligations, which may include attachment of the Company's properties and receivables, which may reduce the income-generating assets of the Company, and which will materially and adversely affect the Company's results of operations and financial condition.

To manage these risks, the Company intends to repay its Peso-denominated bonds due January 7, 2023 through internally generated funds and/or to refinance such bonds in whole or in part through the issuance of new bonds and/or obtaining bank loans. However, there is no assurance that the Company will be able to refinance such bonds or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. Moreover, its internally generated cash may be inadequate to cover or pay the new bonds or bank loans even if the Company is required to establish a bond sinking fund or an amortizing schedule of loan payments.

In the event of difficulty in refinancing, the Sponsor will also cooperate to provide support, to the extent permitted under its existing debt covenants, directly or indirectly, to enable the Company to perform its payment obligations relating to the Company's Peso-denominated bonds due January 7, 2023. The REIT Law also permits REITs to leverage debt up to 35% of Deposited Property Value. As of the date of this REIT Plan, the Company is compliant with such requirements. See "*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*" on page 202 of this REIT Plan.

The incurrence by the Company of additional debt or any increase in its interest (including in relation to its bonds or refinancing thereof) will reduce the Distributable Income payable to its Shareholders, and the requirement for REITs to distribute at least 90% of its Distributable Income will limit the amount of internally generated funds available to the Company to pay its existing indebtedness (including its bonds) or additional indebtedness in the future.

The incurrence by the Company of additional debt or any increase in its interest (including in relation to its bonds or refinancing thereof) will reduce the Distributable Income payable to its Shareholders. This is because the interest payments by the Company to its creditors are recorded as expenses in the income statement of the Company, which in turn decreases the net income earned by the Company. Thus, in effect, the incurrence by the Company of additional debt or any increase in its interest will reduce its Distributable Income, 90% of which must be distributed to the Shareholders as required by the REIT Law. The Company has already factored in the interest on its existing bonds payable in its profit forecast and profit projection included in this REIT Plan. See "*Profit Forecast and Profit Projection*" on page 108 of this REIT Plan.

Further, the requirement for the Company to distribute at least 90% of its Distributable Income under the REIT Law will limit the amount of internally generated funds that the Company will be able to set aside and allocate to repay its existing bonds upon maturity or any additional debt it may incur in the future. As such, the Company will have to seek to refinance its Peso-denominated bonds due January 7, 2023 upon maturity.

The Company intends to repay and refinance its existing bonds on maturity through a mix of internally generated funds and/or refinancing through the issuance of new bonds and/or bank loans.

Based on the forecast and projected statements of comprehensive income and distribution in the "*Profit Forecast and Profit Projection*" section in this REIT Plan, the Company's Distributable Income will amount to ₱858.3 million and ₱1,878.1 million for July 1, 2021 to December 31, 2021, and for the year ending December 31, 2022, respectively. Assuming the Company distributes 90% of its Distributable Income to shareholders for July 1, 2021 to December 31, 2021, and for the year ending December 31, 2022, the Company will retain cash or other assets amounting to a total of ₱85.8 million and ₱187.8 million for such periods, respectively. After deducting its dividend distributions, the Company will be left with ₱2,331.4 million of net current assets and retained cash on December 31, 2022, based on the Pro Forma Consolidated Statement of Financial Position as of March 31, 2021 in the "*Selected Pro Forma Consolidated Financial Information*" section in this REIT Plan. Accordingly, the Company will be short of ₱3,668.6 million to pay its ₱6 billion bonds maturing on January 7, 2023. The Company will thus have insufficient internally generated cash to settle its new debt obligation.

Refinancing through the issuance of new bonds and new loans are subject to the approval of the Philippine SEC and the consent and participation of banks and financial institutions.

In the event the Company is unable to procure facilities to refinance its Peso-denominated bonds and the Company be unable to set aside and allocate to repay its existing bonds, or any additional indebtedness upon maturity, the

Company may be at risk of default on such indebtedness. This may cause the Company to dispose of assets to repay, or cause lenders (including bondholders or any trustee) to enforce such repayment obligations, which may include attachment of the Company's properties and receivables, which may reduce the income-generating assets of the Company, and which will materially and adversely affect the Company's results of operations and financial condition, revenue capacity and Distributable Income payable to Shareholders.

Perpetual or permanent debt may remain on the Company's balance sheet unless the Company is able to settle its debt obligations by accumulating retained cash equal to the principal amount of its outstanding debt.

In the event that the Company faces any difficulty in refinancing its debt, the Sponsor will cooperate to provide support, to the extent permitted under its existing debt covenants, directly or indirectly, to enable the Company to perform its payment obligations relating to the Company's Peso-denominated bonds due January 7, 2023. The REIT Law also establishes an aggregate leverage limit on REITs of total borrowings and deferred payments equal 35% of their respective Deposited Property Value. As of the date of this REIT Plan, the Company is compliant with such limit.

See also "*The Company may face risks associated with debt financing and refinancing activities (including the risk of default), in relation to its existing ₱5,977.4 million bonds due January 7, 2023 and in the event the Company incurs additional debt in the future*" for more details, including on how the Company intends to manage these risks.

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

Maintaining the reputation of the Company's brand names and trademarks is critical to its success. The Company relies on the strength of these brand names and trademarks to, among other things, attract tenants to its Properties, increase retail footfall, and attract third parties to partner with. Substantial erosion in the value of these brand names and trademarks due to construction delays or defects, customer complaints, adverse publicity, legal action, third party challenges or other factors may have an adverse effect on the Company's business, financial condition and results of operations.

To manage this risk, the Company's trademark has been registered in the Philippines (see "*Business—Intellectual Property*"), however certain trademarks relating to the zones where the Properties are located are owned by the Sponsor and the Company cannot be certain that the steps that have been taken by the Sponsor to secure such trademarks, or other intellectual property will be sufficient or that third parties will not infringe or challenge such rights. In particular, the Sponsor's application for the registration of "Filinvest Cyberzone" with the Intellectual Property Office of the Philippines has been challenged by a third party, and the Sponsor's appeal with the Intellectual Property Office of the Philippines is currently pending as of the date of this REIT Plan. There is no assurance that the Company will be able to use those intellectual property rights in case the challenge is successful.

RISKS RELATING TO THE COMPANY'S PROPERTIES

Some Properties have only been recently completed and have a limited track record of operations.

Some of the Properties have a limited operating history. For example, Axis Tower 1 in Northgate Cyberzone commenced operations in August 2018 and was completed in March 2018. As a result of the limited operating track record of some of the Properties, it may be challenging for investors to assess and evaluate the past performance of the Properties and the value of an investment in the Shares. The limited historical data of some of the Properties may also make it more difficult for investors to assess the future performance of the Company and the Properties. There can be no assurance that the Company will be able to continue to generate sufficient revenue from operations of the Properties to meet the Company's and the Fund Manager's forecasts and projections or to make distributions at expected levels to the Company's Shareholders.

To manage these risks, the Company believes that the active property management of the Property Manager, and the active tenancy and leasing management and customer service strategies of the Property Manager will help stabilize and increase the income of the Company's newer properties. See "*Business and Properties—Business Strategies—Property Manager—Active property management*", "*Business and Properties—Business Strategies—Property Manager—Active tenancy and leasing management*", and "*Business and Properties—Business Strategies—Property Manager—Excellent customer service*" on pages 203 to 204 of this REIT Plan.

The loss of Anchor Locators or key tenants or a downturn in the business of these tenants could have an adverse effect on the Company's financial condition and results of operations.

As of March 31, 2021, the 20 largest tenants of the Properties in terms of GLA accounted for approximately 79.2% of the total GLA of the Properties. For the year ended December 31, 2020 and for the three months ended March 31, 2021, the 20 largest tenants of the Properties in terms of GLA accounted for 79.8% and 82.9%, respectively, of the total Rental Revenues of the Properties. Further, the Company's most significant tenant, Capital One, accounted for 12.7% of the total GLA of the Properties as of March 31, 2021, and accounted for 13.9% of the total Rental Revenues of the Properties for the three months ended March 31, 2021.

Accordingly, the Company's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy or insolvency, or a downturn in the business, of its Anchor Locators or key tenants. In addition, if an Anchor Locator or key tenant decides not to renew its lease or to terminate its lease before it expires, while subject to considerable pre-termination payments due to the Company, the Company's financial condition and results of operations and ability to make distributions may be adversely affected. The loss of any of the Properties' Anchor Locators or key tenants could result in periods of vacancy which could adversely affect the Company's Rental Revenues.

The Company believes that its Properties are well-suited to attract diverse tenants, including multinational BPOs and headquarters, and that the Property Manager will be able to support the Company's tenant mix for the Properties. Further, the Property Manager intends to actively communicate with tenants to ensure that the Company is able to continue to provide and improve its leasing services, and the Property Manager intends to continue to maintain and improve customer experiences in the Properties. See "*Business and Properties*" on page 176 of the REIT Plan for more information on the tenants of the Company's Properties. See also "*Business and Properties—Business Strategies—Property Manager—Active tenancy and leasing management*" on page 203 of this REIT Plan, and "*Business and Properties—Business Strategies—Property Manager—Excellent customer service*" on page 204 of this REIT Plan.

Delays or defaults in payment from the Company's building tenants may affect the Company's revenues.

The Company's lease contracts for office space in its Properties generally range from three to ten years, and require BPO and traditional offices and headquarters tenants to pay an advance rental deposit equivalent to three months of rent and a security deposit equivalent to three months of rent upfront, with the regular lease payments paid in advance before the due date specified in the contracts of lease signed by the tenants. The Company relies on the cash flow generated by such leases, and the timely and full payment of rent from such tenants. Any delay or default by these tenants could adversely affect the Company's cash flows, and results of operations. To manage these risks, the Company as a general policy initially collects advance rentals equivalent to three months' rent to be applied for the first three months of the lease term and requires tenants to pay a security deposit equal to three months' rent. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" on page 203 of this REIT Plan and "*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*" on page 202 of this REIT Plan.

There have been no material defaults by the tenants of the Properties as of the date of this REIT Plan. However, since the Company's leases are generally from three to five years long, there is no assurance that the Company's tenants will not default on their payments, would pay their rent on time, and would not become insolvent or bankrupt in the future. Further, there is no assurance that the Company's Rental Revenues will be appropriately adjusted to keep up with any rising inflation rates in the future. Any occurrence of the foregoing resulting in a negative impact on the Company's cash flow, return on capital, and net income, and will materially and adversely affect the Company's business, financial condition, and results of operations.

To manage these risks, the Company's leasing policies include screening applicants carefully (such as requiring the submission of copies of Philippine SEC incorporation documents and by-laws and three-year financial statements) and securing appropriate mix of tenants with respect to its retail spaces, both in terms of the nature of their business and their size. See "*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*", "*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*" and "*Business and Properties—Business Strategies—Fund Manager—Inorganic growth strategy through redevelopment of existing assets and new acquisitions*" on page 202 of this REIT Plan.

A substantial percentage of the Properties' leases in terms of GLA will expire in the next three years, which may expose the Properties to reduced Occupancy Rates in the future.

As of March 31, 2021, the Company expects leases covering approximately 10.7%, 11.2%, and 18.1% of the Company's total occupied GLA, to expire in 2021, 2022 and 2023. Although the Company has been successful in renewing leases with existing, high-quality tenants at rental rates in line with current market rates, there is no assurance that any of such leases will be renewed upon or that the Company will be able to replace such leases on market or the same terms, or at all. Any decrease in occupancy levels will adversely affect the Company's Gross Revenue. In particular, if a large number of tenants do not renew their leases in a year with a high rate of lease expiries, it would have a material adverse effect on the relevant Property and could affect the Company's total Gross Revenue. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" on page 203 of this REIT Plan and "*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*" on page 202 of this REIT Plan.

Further, any downsizing of local operations for multinational corporations as well as a prolonged downturn in demand for BPO services in the medium to long-term may affect the businesses of the tenants, occupancy levels, tenants' ability to comply with the terms of their leases, and the terms achievable on lease renewals and new leases. The value of the Company's investments and the yields on the Shares may be affected negatively by any of these events.

To manage these risks, the Fund Manager intends to work with the Property Manager towards growing the Net Operating Income earned through pursuing an active leasing strategy. The Fund Manager expects to implement its strategy in two principal ways: first, the Company will maintain the fixed increases in the rental rates of tenants during the course of their lease terms. Second, the Company will attempt to negotiate increased rental rates when current leases with below-market rents expire. As leases expire, the Company will have the opportunity to bring rental rates in line with current market rates, and to reconfigure or expand tenant spaces. For the Company's retail space, the Property Manager may negotiate to expand a successful retailer's space or to take back space from an underperforming retailer or may seek to obtain commitments from new retailers for existing available space or planned expansions. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" and "*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*" on pages 203 and 202 of this REIT Plan.

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

The Company's Properties cater primarily to large, multinational corporations and BPO companies. The Properties are currently designed with traditional office space, and the Company's leases with tenants are typically long-term, between three and ten years in duration. The long-term nature of the Company's leases and the nature of the Company's tenants has helped the Company reach its goal of stable occupancy and Rental Revenues.

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 desire short-term leases. 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 also prefer different types of office space and rental arrangements. Further, as result of COVID-19, many businesses have adopted flexible work arrangements, including work-from-home arrangements for their employees for the foreseeable future which may dampen the demand and necessity for large working spaces. Some of these were the result of issuances by the Philippine government to manage the COVID-19 pandemic.

Several BPO companies are registered with the PEZA as Ecozone Information Technology ("**I.T.**") Enterprises. The PEZA has issued several memorandum circulars to assist such PEZA-registered I.T. Enterprises in their operations during the COVID-19 pandemic and to facilitate the continued ease in movement of the I.T. equipment and other assets of such BPO companies for the purpose of setting up work-from-home operations and other work arrangements outside the PEZA-registered I.T. center facilities. On March 5, 2020, the PEZA issued Memorandum Circular No. 2020-11 allowing such PEZA-registered I.T. Enterprises to undertake courses of action, without securing a prior letter of authority from the PEZA, such as: (a) work-from-home arrangements by certain employees as identified in such circular; (b) re-assignment/redistribution of employees to other PEZA-registered facilities; (c) assignment of employees to work in facilities/buildings that are not PEZA-registered; (d) increase in the number of employees in the letter of authority for a business continuity plan previously issued by

the PEZA to the I.T. Enterprise; and (e) other justifiable and reasonable courses of action, subject to compliance with certain conditions post-implementation of the authorized course of action. Initially valid only until July 31, 2020, the assistance provided under the said circular was extended several times by the PEZA. On January 8, 2021, the PEZA issued Memorandum Circular No. 2021-004 extended such assistance until September 12, 2021 or until the PEZA issues the work-from-home guidelines and application forms.

Further, BPO companies also need to comply with regulations of the IATF depending on the applicable community quarantine in force. Based on the IATF's Omnibus Guidelines on the Implementation of Community Quarantine in the Philippines as of January 21, 2021, in an ECQ, BPO companies may employ a skeleton workforce, if such companies have work-from-home, on-site or near site accommodation, or point-to-point shuttling arrangements. For this purpose, BPOs shall be allowed to install, transport and maintain the necessary on-site and work-from-home equipment, deploy their workers under on-site or near-site accommodation arrangements, or provide point-to-point shuttle services from their near-site accommodations to their offices. BPO companies are allowed to operate at full operational capacity if the ECQ is downgraded to an MECQ.

These guidelines may affect the demand for 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, it would have a material adverse effect on the Rental Revenues generated by the Company's Properties and could affect the Company's financial condition and results of operations and ability to make distributions to its Shareholders.

To manage this risk, as part of the Property Manager's active property management strategy, the Company believes it will be flexible in catering to the needs of its tenants. The Company also believes that through the support of the Sponsor and the Fund Manager, it will be able to actively monitor the real estate market in the Philippines to assess market trends and to respond to changing needs. See "*Business and Properties—Business Strategies—Fund Manager—Inorganic growth strategy through redevelopment of existing assets and new acquisitions*" on page 202 of this REIT Plan.

The appraised values of the Company's Properties may be different from the actual realizable value and are subject to change.

The appraised values of the Company's Properties as contained in the valuation certificates attached to this REIT Plan were prepared by Asian Appraisal and are based on multiple assumptions containing elements of subjectivity and uncertainty.

As a result of these assumptions, the appraised values of the Company's properties may differ materially from the price that the Company could receive in an actual lease or sale of the Properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the Company's Properties, as well as national and local economic conditions, may affect their value. In particular, the valuation of the Company's properties could stagnate or even decrease if the market for comparable properties in the Philippines experiences a downturn whether as a result of Government policies directed to the property sector or changing market conditions due to the ongoing COVID-19 pandemic or otherwise.

Further, while property prices in Northgate Cyberzone and Filinvest Cyberzone Cebu have been on the rise in recent years as the areas continue to develop, property prices may stabilize in the future, which could result in lower changes in the appraised value of the Company's Properties. If the fair value of the Properties cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, at which time any difference between the fair value and the carrying amount will be recognized in profit or loss for that period. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The valuer uses the income approach, and particularly, a discounted cash flow analysis. The fair value of the Company's investment properties may have been higher or lower if the valuer had used a different valuation methodology or if the valuation had been conducted by other qualified independent professional valuers using a different valuation methodology. In addition, upward revaluation adjustments reflecting unrealized capital gains on the Company's investment properties as of the relevant statement of financial position dates are not profit generated from the sales or rentals of the Company's investment properties and do not generate any cash inflow to the Company until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may decrease or increase.

To manage these risks, the Company, together with the Fund Manager and the Property Manager, intend to continue to maintain and improve the Properties and to continue leasing office space to quality tenants at market rates. See “*Business and Properties—Business Strategies—Property Manager—Active property management*” and “*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through proactive asset management*” on pages 203 and 202 of this REIT Plan.

The Company does not own the land on which the Properties are located and titles over such land leased by the Company may be contested by third parties.

The Properties are situated on lands owned by other parties. In the case of the Northgate Cyberzone Properties, the land is owned by the Sponsor and in the case of Cebu Tower 1, the building and the land occupied by the building is owned by the Cebu Provincial Government. This exposes the Company to risks over the ownership of these lands. If the Company's operations are affected by any issues regarding the land on which the Properties are situated the Company could be in breach of its lease agreements with its lessees and may have to settle reparations with the affected parties. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations.

The Sponsor owns the parcels of land on which the Northgate Cyberzone Properties are situated. The lease agreements between the Sponsor and the Company have an average remaining lease term (weighted by GLA) of 74.9 as of March 31, 2021, unless earlier terminated according to the provisions set out therein. Each of the long-term lease contracts may only be renewed upon the mutual agreement of the parties in writing.

The Cebu Provincial Government owns the land on which Cebu Tower 1 is situated, under the BTO arrangement between the Cebu Provincial Government and the Company. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent memorandum of agreement (“MOA”), renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021.

Upon the cancellation or termination of the leases with the Sponsor, the Company must immediately vacate the leased premises and deliver possession of the leased property to the Sponsor. In the case of Cebu Tower 1, the Company is required to turn over the building and the land on which it is located to the Cebu Provincial Government at no cost.

If the lease agreements with either the Sponsor or the Cebu Provincial Government are amended, terminated or cancelled, the Company could face a substantial disruption to its operations and such circumstances would have a material adverse effect on the Company's business, financial condition and results of operations, including on the Company's ability to make distributions. Similarly, the non-renewal of the lease agreements upon expiration thereof may have a material adverse effect on the Company's business, financial condition and results of operations. See “*Certain Agreements Relating to the Company and the Properties – Land Lease Agreements*” on page 305 of this REIT Plan.

To manage these risks, the Company has registered its BTO arrangement with the relevant land registries in the Philippines to protect its rights against third parties. The Company believes it is also able to manage this risk through contractual remedies and safeguards in its contracts.

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

The Properties are Grade A, PEZA-accredited buildings that offer competitive amenities and the latest technologies to the Company's lessees. If the PEZA-accreditation of the Properties is lost or revoked (whether by industry-wide regulations or otherwise), the Company's tenants may find the Properties (or the Philippines in general) as a less desirable or less compelling venue or destination for the operations, and may decide not to renew their leases at the Properties. Similarly, potential tenants may decide not to lease at all. The loss of the Properties' PEZA-accreditation may have a material adverse effect on the Company's business, financial condition and results of operations. See also “*Risks Relating to the Company's Business—The Company's operations are covered by certain tax exemptions and incentives, the loss of which could increase the Company's tax liability and decrease any net income the Company might have in the future*” on page 75 of this REIT Plan.

To manage this risk, the Company and the Property Manager intend to work together to ensure that the Company's licenses and permits are renewed on time, and that the Company complies with the terms and conditions of its

licenses and permits. See “*Business and Properties—Business Strategies—Property Manager—Active property management*” on page 203 of this REIT Plan.

The Company may be unable to maintain sufficient operating cash for maintenance and other similar costs, and the Company’s operating cash may be insufficient to cover necessary costs.

Over the course of the useful life of the Properties, the Property Manager will maintain the Properties. The Company endeavors to keep the Properties in good working order, subject to high commercial standards and acceptable to both the Company’s current and prospective tenants. Accordingly, the Company may from time to time need to expend funds to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances such as typhoons, earthquake, or floods or from other unforeseen events.

To manage this risk, the Company has, in the past, and expects to, in the future, fund such necessary maintenance with cash sourced through CUSA fees paid by its tenants. The Company limits its capital expenditure to 3% of Gross Rental Revenues, which is funded directly from the Company’s operating cash. This amount is based on the Company’s experience of the capital expenditures required to fund reasonable maintenance and refurbishment of the Properties’ facilities and equipment. See “*Business and Properties—Business Strategies—Property Manager—Active property management*”, “*Business and Properties—Business Strategies—Property Manager—Cost efficiency*” and “*Business and Properties—Business Strategies—Property Manager—Reduction of operating expense through energy efficiency management together with Engie*” on pages 203-204 of this REIT Plan.

However, there can be no guarantee that the Company will be able to maintain operating cash at the desired level or that the Company’s operating cash will be sufficient to cover maintenance and other similar costs in the event of an extraordinary occurrence. Insufficient operating cash may have an adverse effect on the Company’s business, financial condition, and results of operations.

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

Historically, the Company has budgeted for major maintenance and repairs on an annual basis. The Properties may, in the future, require substantial maintenance and upkeep or upgrades and refurbishment to keep current tenants and attract new tenants. Such maintenance may include modernization of elevators, upgrading chilled water systems, maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades.

Under the Property Management Agreement, the Property Manager is fully responsible for the formulation and implementation of policies and programs in respect of building management, maintenance, and improvement of the Properties for and on behalf of the Company. If the Property Manager, or any other person appointed by the Property Manager to assist with managing the Properties fails to provide adequate maintenance services for the Properties, the value of the Properties might be adversely affected and may also result in a loss of tenants, thereby adversely affecting the ability of the Company to make distributions regularly or at expected levels. In addition, if the Property Management Agreement is terminated and the Company is unable to obtain property management services from an alternative service provider in a timely manner or on competitive terms, the Company could face a substantial disruption in ongoing or planned maintenance operations.

To manage the foregoing risks, the Company intends to work together with the Property Manager to actively manage the Properties. Further, in the event that the Property Manager is unable to provide the necessary services to the Company, the Company has the ability to replace its Property Manager and procure other property management services. See “*Business and Properties—Business Strategies—Property Manager—Active property management*” and “*Certain Agreements Relating to the Company and the Properties—Property Management Agreement*” on pages 203 and 308, respectively, of this REIT Plan.

The Company may face increased competition from other commercial properties.

At least 280,750 sq.m. of the GLA of the Northgate Cyberzone Properties, and 20,612 sq.m. of the GLA of Cebu Tower 1, are dedicated to office and retail use. The Properties compete with properties of a similar type and similar quality in Metro Manila (with respect to the Northgate Cyberzone Properties) and Cebu (with respect to Cebu

Tower 1). Although the Company believes it is able to offer competitive office leasing services, increased competition from such nearby properties could adversely affect income from, and the market value of, the Properties. See “*Business and Properties – Competition*” on page 265 of this REIT Plan.

Further, the historical operating results of the Properties may not be indicative of future operating results and historical market values of the Properties may not be indicative of the future market values of the Properties. The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other commercial properties in the area in attracting and retaining tenants. Important factors that affect the ability of commercial properties to attract or retain tenants include the quality of the building’s existing tenants, the quality of the building’s property manager, and the attractiveness of the building and the surrounding area to prospective tenants and their customers or clients. Attracting and retaining tenants often involves re-fitting, repairing, or making improvements to mechanical, electrical, and technical systems and outward appearance.

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

If competing properties of a similar type are built in the areas where the Properties are located or similar properties in the vicinity of the Properties are substantially updated and refurbished, the value of and Gross Revenue generated by the Properties could be reduced and the business, financial condition and results of operations of the Company may be materially and adversely affected.

The Company believes that the reputation and experience of the Sponsor, the location and quality of the Properties in Alabang and Cebu, the continued maintenance and repair of the Properties, and the market share of the Filinvest Group in such areas, among others, will enable the Company to compete effectively. See “*Business and Properties—Competitive strengths*” and “*Business and Properties—Business strategies*” starting on pages 187 and 201, respectively, of this REIT Plan.

The Company may be unable to implement its investment and acquisition growth strategy.

The Company may not be able to successfully implement its investment and acquisition growth strategy, and expand the Company’s building portfolio at any specified rate or to any specified size, or make acquisitions or investments on favorable terms or within a desired time frame.

The acquisition of any additional property will be subject to customary closing conditions, and there can be no assurance that the Company will be able to agree to acceptable terms for the acquisition or that the closing will occur on a timely basis or at all. Although the Company, through the support of the Sponsor, is able to access a viable property inventory, if the Company’s intended acquisition of additional properties is not completed for any reason, the Company’s investment strategy and expected revenue growth will be adversely affected.

Further, the Company faces active competition in acquiring suitable and attractive properties which meet the Company’s financial and strategic investment criteria, including from property development companies and private investment funds. There is no assurance that the Company will be able to compete effectively against such entities and the Company’s ability to make acquisitions under its acquisition growth strategy or acquisitions that are accretive may be adversely affected. Even if the Company were able to successfully acquire properties or other investments, there is no assurance that such acquisitions will achieve the intended return on such acquisitions or investments.

The real estate industry in which the Company operates is capital intensive and the Company may from time to time require significant amounts of capital for purposes such as acquisitions or redevelopment. Since the amount of borrowings that the Company can incur to finance acquisitions is limited by the REIT Law, such future acquisitions may be dependent on the Company’s ability to raise other forms of capital, including through additional equity issuances which may result in a dilution of investors’ shareholdings. The uncertainty of raising equity capital and protracted timetable to raise such capital may be viewed negatively by potential vendors of properties, which may limit the selection pool of the Company for attractive commercial properties.

To manage the foregoing risks, the Company will work together with the Property Manager and Fund Manager to build on the Company’s strengths, including its opportunity to acquire properties from the Sponsor’s pipelines,

and its growth strategies, including redevelopment of existing assets and new acquisitions. See “*Business and Properties—Competitive Strengths—Strong organic growth from fixed rental escalations, and inorganic growth from Sponsor pipeline*” on page 199 of this REIT Plan, “*Business and Properties—Business Strategies—Fund Manager—Inorganic growth strategy through redevelopment of existing assets and new acquisitions*” on page 202 of this REIT Plan, and “*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*” on page 202 of this REIT Plan.

The exit of POGOs from the Philippines may materially and adversely affect the Company’s business and operations.

The Company’s tenants include POGOs. As of March 31, 2021, the Company’s POGO tenants accounted for under 2.8% of the occupied GLA of the Properties.

The Philippine Department of Finance has indicated that they will continue to investigate and strictly require all POGOs to pay all applicable taxes, including franchise taxes, and that only POGOs that have paid their taxes and been cleared by PAGCOR may continue operations. Additionally, Philippine government officials have called for closure or increased taxation or regulation of POGO operations. Measures to increase government revenue from this sector have been included in the provisions of the Bayanihan 2 Act that was approved on September 11, 2020. Such provisions have reportedly caused some POGOs to close or consider reducing their operations in the Philippines. Any such governmental action may adversely affect these tenants of the Properties.

Among the Bayanihan 2 Act’s revenue raising measures include the imposition of a 5% franchise tax based on the higher of gross bets or turnovers or the agreed pre-determined minimum monthly revenues from POGO licensees, including gaming operators, gaming agents, service providers and gaming support providers. The Bayanihan 2 Act also sought to fund the government’s subsidy and stimulus measures to address the COVID-19 pandemic from income tax, value added tax and other applicable taxes from non-gaming operations earned by offshore gaming licensees, operators, agents, service providers and support providers. Prior to the Bayanihan 2 Act, the 5% franchise tax was dependent on winnings, as the tax was imposed on the higher of gross gaming receipts or earnings, or the agreed or pre-determined minimum monthly revenues or income. Accordingly, basing the calculation of the 5% franchise tax on the higher of gross bets or turnovers is expected to effectively increase tax liabilities of covered businesses, as the value of the bet itself considered as part of the tax base. The Bayanihan 2 Act further provides that all taxes currently imposed on POGOs must be computed based on the prevailing official exchange rate at the time of payment. The use of any other rate is considered fraudulent constituting under-declaration, which is penalized by interest, fines and penalties under the National Internal Revenue Code. The Bayanihan 2 Act also directs the BIR to implement closure orders against POGOs who fail to pay such taxes. By its terms, the Bayanihan 2 Act revenue raising measures are effective (unless extended by Congress) until the earlier of the lapse of two years or upon a determination that COVID-19 has been successfully contained or abated.

In a proceeding before the Philippine Supreme Court recorded as Marco Polo Enterprises Limited, et al vs. Secretary of Finance and Commissioner of Internal Revenue (GR No. 254102), the petitioners questioned the constitutionality of the Bayanihan 2 Act and applied for and obtained a temporary restraining order that enjoins the Secretary of Finance and the Commissioner of Internal Revenue from implementing the provisions of the Bayanihan 2 Act referred to above. On January 5, 2021, the Philippine Supreme Court issued a temporary restraining order (with one Justice dissenting) that prevents the government from implementing the revenue measures in the Bayanihan 2 Act described above. The order was effective on the date of its issuance and continues in effect until further orders from the Supreme Court. The Supreme Court has yet to make a final ruling on the legality of the relevant provisions of the Bayanihan 2 Act.

The reduction, closure of or prohibition of the business of POGOs in or from the Philippines, may materially and negatively affect the demand for office property in Metro Manila. For example, in December 2020, news reports cited Colliers’ fourth quarter property report which indicated that the net take-up of office space in 2020 decreased by 120%, and vacancy in Metro Manila reached 9.1%, primarily attributable to POGOs vacating 154,000 sq.m. of office space in aggregate during the same period, and the downsizing or pre-termination of co-working space providers over and above the expected new office supply of more than 886,000 sq.m. There is no certainty that any of such tenants may not be subject to increased or new governmental regulation, taxation or enforcement action in the future that may materially disrupt the Company’s operations and materially and adversely affect its financial condition and results of operations.

To manage such risks, the Company’s lease contracts with POGO tenants generally provide that such leases may be pre-terminated following a change in the laws or rules governing POGOs, which results in: (i) cancellation or

suspension of the tenant's license; (ii) immediate stoppage of the operations or services the tenant is providing; (iii) contravening laws or interpretation and enforcement of law resulting in the inability of the tenant to operate its business and service in the Philippines. The Company also requires its POGO tenants to pay security deposits to cover three to six months of rent and to pay six-months' in advance rent (applied at the end of the lease term) payable upfront upon the handover of the leased premises and none of the Company's POGO tenants have been forced to close because of non-payment of taxes or accreditation fees. The Company believes that its Properties are well-suited to attract diverse tenants, including multinational BPOs and headquarters, and that the Property Manager will be able to support the Company's tenant mix for the Properties. See "*Business and Properties—Business Strategies—Property Manager—Active property management*" and "*Business and Properties—Business Strategies—Fund Manager—Organic growth strategy through pro-active asset management*" on pages 203 and 202 of this REIT Plan.

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

Real estate investments, particularly investments in high value properties such as commercial buildings, are relatively illiquid. Such illiquidity may affect the Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market, or other conditions, which could materially and adversely affect the Company's financial condition and results of operations, and its ability to make distributions to Shareholders.

To manage the foregoing risk, the Company, together with the Fund Manager, will actively manage its capital structure and intend to implement a well-balanced risk management strategy. The Company also has the ability to obtain debt financing if necessary pursuant to and in accordance with the REIT Law. See "*Business and Properties—Business Strategies—Fund Manager—Active management of capital structure and well-balanced risk management strategy*" on page 202 of this REIT Plan.

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

The Company's ability to make distributions to shareholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs. Factors which could increase operating and other costs include:

- increases in the rate of inflation;
- increases in payroll expenses and energy costs;
- increases in property taxes and other statutory charges;
- changes in statutory laws, regulations or government policy which increase the cost of compliance with such laws, regulations or policies;
- increases in sub-contracted service costs;
- increases in insurance premiums; and
- defects affecting the properties which need to be rectified, leading to unforeseen capital expenditure.

Any unexpected or significant increase in operating expenses will decrease the Company's Net Operating Income and will materially and adversely affect its results of operations and amount of dividends to be paid out.

To manage the foregoing risks, the Company, together with the Property Manager and the Fund Manager endeavor to optimize operating costs including through active property management, achieving cost efficiencies, and energy efficiency management. See "*Business and Properties—Business Strategies—Property Manager—Active property management*", "*Business and Properties—Business Strategies—Property Manager—Cost efficiency*" and "*Business and Properties—Business Strategies—Property Manager—Reduction of operating expense through energy efficiency management together with Engie*" on pages 203-204 of this REIT Plan.

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

Upon completion of the Offer, the Sponsor will continue to be a majority Shareholder in the Company, with a direct shareholding of at 63.3%, (assuming the Over-allotment Option is fully exercised). If the Sponsor were to divest its ownership in the Company, the ability of the Company to grow would be affected because the relationship with the Sponsor provides the Company with access to other prime properties for potential acquisition and inclusion in its property portfolio. To manage this risk, the Company continues to maintain a close relationship with the Sponsor who intends to maintain ownership of at least a majority of the capital stock of the Company. In the unlikely event of divestment, the Company expects to be self-sufficient and would continue to pursue its investment strategies.

RISKS RELATING TO THE PHILIPPINES

Risks relating to the Philippines are systemic in nature and outside the Company's control. However, the Company intends to continue to maintain appropriate financial and operational controls and policies within the context of the prevailing business, economic and political environment taking into consideration the interests of its shareholders, customers, and other stakeholders.

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

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

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

Other factors that may adversely affect the Philippine economy include:

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

- other regulatory, political or economic developments in or affecting the Philippines.

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

The implementation of tax reforms may have a negative effect on BPO companies.

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

- (a) Those enjoying the income tax holiday (ITH) are allowed to continue the available incentive for the remaining period of the ITH as specified in the terms of their registration;
- (b) Those granted ITH but have not yet availed of the incentive may use the ITH for the period as specified in the terms of their registration;
- (c) Those granted ITH and are entitled to the 5% tax on gross income earned may be allowed to avail of the 5% tax provided the 5% tax shall be allowed only for 10 years; and
- (d) Those availing of the 5% tax on gross income earned shall be allowed to continue to avail of the incentive for 10 years.

Therefore, BPO companies, which may be PEZA-registered information technology enterprises, will lose the benefit of the 5% special tax on gross income (which is imposed in lieu of all national and local taxes, except real property taxes on machineries) after 10 years and will instead be subjected to the corporate income tax rate of regular corporations. As a result, BPO companies may find it less feasible to conduct their business in the Philippines, and this may adversely affect the demand for Grade A buildings.

Moreover, the BIR has recently issued Revenue Regulations No. 9-2021 (“**RR 9-2021**”), which impose the collection of 12% VAT on transactions which were previously taxed at 0% VAT, with such transactions including, among others, the sale of services and the use or lease of properties under subparagraphs (1) and (5) of Section 108(B) of the Tax Code of 1997, as follows:

- Processing, manufacturing or repacking foods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP; and
- Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of the total annual production.

RR 9-2021 implements the imposition of 12% VAT on certain transactions that were previously taxed at 0% VAT after satisfaction of the conditions set forth in the TRAIN Law. Based on the issuance of RR 9-2021, suppliers are now imposing a 12% VAT on their sale of goods or services to export-oriented enterprises such as BPO companies, including lease rentals and utilities. The PEZA issued a letter dated July 6, 2021 stating its position that RR 9-2021 is contrary to the provisions of CREATE, as well as the separate customs territory principle provided under R.A. No. 7916 or the PEZA Law and certain Philippine jurisprudence. The PEZA has requested

the Department of Finance and the BIR for the deferment of the implementation of RR 9-2021. However, until such deferment is approved by the Department of Finance and the BIR, the PEZA has resolved to implement RR 9-2021 in the economic zones.

These tax reforms may affect the overall competitiveness of doing business in the Philippines, thereby affecting the number of BPO companies that wish to continue their operations in the country.

As of March 31, 2021, 88.4% of the Properties' occupied GLA is leased to well-known global tenants in the BPO sector. Implementation of tax reforms may affect overall demand for office leasing space in the Philippines, including that for the Company's Properties. It may also prompt existing BPO tenants to cease their operations, and terminate or not renew their leases with the Company. Any of these events may have a material and adverse effect on the Company's business, results of operations and financial condition.

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

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso depreciated from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. This may negatively affect the general economic conditions and business environment in the Philippines, as well as tenants of the Company's Properties whose businesses involve foreign currency exposure, which, in turn, could have a material and adverse impact on the Company's business, financial position and financial performance. On July 19, 2021, the BSP reference rate quoted on the BSP Reference Exchange Rate Bulletin was U.S.\$1.00 = ₱50.25.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence.

In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and a chief justice of the Supreme Court of the Philippines, the removal of another chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous and current administrations. In addition, a number of officials of the Philippine Government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery or usurpation of authority.

On February 11, 2020, upon order of President Rodrigo Duterte, through Executive Secretary Salvador Medialdea, Department of Foreign Affairs Secretary Teodoro Locsin, Jr. signed the notice of termination of the Visiting Forces Agreement ("VFA"). The notice was received by the Deputy Chief of Mission of the Embassy of the United States in the Philippines on the same date. It is believed that this was caused by the revocation of the U.S. Visa of Senator Ronald "Bato" dela Rosa, one of President Duterte's allies. As former Chief of the Philippine National Police ("PNP"), Senator dela Rosa led the anti-drug campaign of President Duterte which resulted in thousands of deaths of Filipinos suspected of involvement in illegal drugs. According to a U.S. State Department report, a high level of extra-judicial killings was recorded specifically during dela Rosa's term as PNP Chief. The termination of the VFA was also believed to have been caused by President Duterte's pursuit of an independent foreign policy which seeks to distance the Philippines and the United States, reach out to Russia for closer ties and create diplomatic and economic relations with China in the midst of the latter's encroachment of the Philippines' exclusive economic zone in the West Philippine Sea. The VFA was signed by the Philippines and the United States in 1998. It provides access to the Philippines for U.S. service members on official business, and procedures on resolving issues that may arise as a result of U.S. forces' presence in the Philippines. The VFA is also seen as a symbol of the U.S. - Philippines alliance, which is believed to deter China from encroaching on Philippine sovereignty.

In June 2020, journalist Maria Ressa was convicted by the Regional Trial Court for violations of anti-dummy law and cyber libel. Her conviction elicited concern from the international community and has been criticized by various groups as an attempt by the government to silence critical press coverage against President Rodrigo Duterte and his administration. In December 2018, Senator Antonio Trillanes III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her term as Secretary of the Department of Justice (“DOJ”) from 2010 to 2015. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court of the Philippines ousted Chief Justice Maria Lourdes Sereno by ruling in a quo warranto proceeding that her appointment was invalid. The removal of Chief Justice Sereno became controversial because it was not coursed through the constitutionally mandated process of impeachment. On June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking, among other offenses. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and users have been killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes. In addition, the Philippine legislature passed the Anti-Terrorism Act of 2020 (approved by President Duterte in June 2020), which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which they believe may be used to target government critics.

Currently, the Duterte administration is pushing for a shift to a federal form of government. For this purpose, the President created a consultative committee to review the 1987 Constitution and draft a federal constitution. Such discussions on proposed amendments or revisions to the 1987 Constitution (“charter change”) are once again alive as lawmakers and loyal allies of President Duterte push for charter change a year before the campaign period for the 2022 presidential elections officially commences.

House of Representatives Speaker Lord Allan Velasco and Senators Ronald “Bato” dela Rosa and Francis Tolentino are justifying charter change by limiting the proposed amendments to the economic provisions of the Constitution, arguing that easing constitutional restrictions on foreign ownership, through a constituent assembly, would help cushion the blow of the effects of the COVID-19 pandemic on the Philippine economy. However, authorities on constitutional law have expressed that the creation of a Constituent Assembly may potentially open the floodgates for the amendment and revision of any provision or even the entirety of the Constitution, and thus potentially allowing the revision of the Constitution to create a federal government. In addition, the Constitution is silent on whether the House and Senate should be voting jointly or separately as a constituent assembly – an issue that has led to disagreement in past attempts for charter change, and is expected to become an issue based on current circumstances, considering the popular opposition to the Duterte administration and its policies. President Duterte has also expressed his support for charter change in order to further intensify the government’s efforts against leftist party-list groups, a matter which may, based on the current political climate, attract considerable opposition and cause political instability.

In the 2019 midterm Senate election, the opposition fielded the *Otso Diretso* coalition, while the administration fielded their slate under the *Hugpong ng Pagbabago* banner. *Hugpong* won 9 of the 12 seats contested, while *Otso Diretso* won no seats. *Hugpong*, which was launched by Davao City Mayor and President Duterte’s daughter, Sara Duterte, won in the Davao Region. The Commission on Elections aims to publish the official list of candidates for the 2022 presidential elections in January 2022. As of date, no one has declared their intentions to run for president or vice-president. However, as usual with Philippine politics, both the administration and the opposition already have potential candidates and are expected to field the same through their respective political parties.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

There is no assurance that the political environment in the Philippines will be stable or that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment for the telecommunications and other companies. An unstable political or social environment in the Philippines could negatively affect the general

economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on the Company's business, financial position and financial performance.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Company's business, financial position and results of operations.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("ISIS"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to the Company's business and materially and adversely affect the Company's financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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

The Philippines, which is located along the Pacific Ring of Fire and a typhoon belt, has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. In January 2020, the Taal Volcano entered into a period of intense unrest beginning with phreatic or steam-driven activity in several points inside the Main Crater that progressed into magmatic eruption. The Philippine Institute of Volcanology and Seismology ("PHILVOCS") raised the alert level to Alert Level 4 on January 12, 2020. Pursuant to such events, PHILVOCS ordered the total evacuation of the Volcano Island and high-risk areas within a 14-kilometre radius from the Taal Main Crater. Although PHILVOLCS has since lowered the Alert Level covering Taal to Level 1, there can be no assurance that the Taal Volcano will not increase seismic activity or erupt in the future. In November 2020, 2 typhoons, Super Typhoon Rolly/Goni and Typhoon Ulysses/Vamco, brought strong winds and rain to the country. These back-to-back weather disturbances caused major destruction to property and massive flooding in various parts of the Philippines. Natural catastrophes, such as any renewed eruption of the Taal Volcano or strong typhoons, Natural catastrophes, such as any renewed eruption of the Taal Volcano, may cause damage to the terminals and materially disrupt and adversely affect the business, operations, and financial condition of the Company. There is no assurance that the insurance coverage the Company maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural catastrophes. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Public health epidemics, outbreaks of diseases and the ongoing COVID-19 pandemic, and measures intended to prevent its spread could have a material adverse effect on the Company's business, results of operations, cash flows and financial condition.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization ("WHO")

declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. That month, a Filipino seaman in Togo was quarantined for exhibiting symptoms of Ebola virus infection but was later released after testing negative for the disease. While still Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of overseas Filipino workers in the Ebola-hit West African countries; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of WHO terminated the *Public Health Emergency of International Concern on the Ebola Virus Disease* outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for the MERS-CoV (i.e., the Middle East Respiratory Syndrome-Corona virus). She was quarantined, received medical treatment, and later discharged and cleared of the disease by the *Department of Health*. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the country once again free of an active case of the disease.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometer radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

In September 2019, the Department of Health confirmed that Polio re-emerged in the Philippines, nineteen years after the country was declared polio-free by the WHO in 2000. As of November 25, 2019, the total number of confirmed polio cases is eight (8).

In late 2019, COVID-19, an infectious disease that was first reported to have been transmitted to humans in 2019 has spread globally over the course of 2020, and in March 2020, it was declared as a pandemic by the World Health Organization. Please also refer to the discussion under the risk factor entitled “*The business and operations of the Company have been and will continue to be adversely affected by the global outbreak of COVID-19.*”

The extent of the impact of COVID-19 on the Philippine economy and the speed and certainty of any economic recovery cannot be predicted for certain, and any new surge in infections may result in stricter quarantine or lockdown measures across provinces, cities and municipalities and may lead to further contraction of the Philippine economy, closure of businesses, and rise in unemployment rates.

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu, polio, COVID-19, or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company’s business, financial condition and results of operations.

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes arising from competing and overlapping claims over certain islands and features in the West Philippine Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called “nine-dash line” and in recent years dramatically expanded its military presence in the sea which has raised tension in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the internal arbitration tribunal based at The Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the Permanent Court of Arbitration rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the “nine-dash line” claim of China is invalid. The

Philippine Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. On June 9, 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

There is no guarantee that the territorial dispute between the Philippine and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial position and financial performance.

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

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

Investors may face difficulties enforcing judgments against the Company.

Considering that the Company is organized under the laws of the Republic of the Philippines and a significant portion of its operating assets are located in the Philippines, it may be difficult for investors to enforce judgments against the Company obtained outside of the Philippines. In addition, all of the directors and officers of Company are residents of the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Award. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction in accordance with its jurisdictional rules; (ii) the party against whom enforcement is sought did not receive notice of the proceedings; (iii) judgment was obtained by collusion, fraud, or on the basis of a clear mistake of law or fact; or (iv) the judgment is contrary to the laws, public policy, customs or public order of the Philippines.

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

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

Moody's affirmed its rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt. On July 12, 2021, Fitch affirmed its rating of Philippines' long-term foreign currency-denominated debt to BBB, but revised the outlook to negative, to reflect the increasing risks to the credit profile from the impact of the COVID-19 pandemic and its aftermath on policy-making.

The Philippine Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, the ability of the Philippine Government and Philippine companies, including the Company, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

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

The Philippine real estate industry is subject to extensive government regulation. See "*Regulatory and Environmental Matters*" in this REIT Plan. The Company must comply with the various requirements of the Government, including local governmental authorities in the areas in which the Company's Properties are located, and the regulations of the Philippine Competition Commission (the "PCC"). The Government influences the property sector by imposing industry policies and economic measures, including those that affect the classification of land available for property development, foreign exchange restrictions, property financing, taxation, acquisition and development, and foreign investment. Property laws and regulations, including relevant judicial decisions, are at times ambiguous and may be subject to inconsistent and contradictory interpretations. Further, such laws and regulations are constantly evolving and therefore consistent interpretations of such regulations are difficult to anticipate. New laws and regulations or modifications may also be passed, which would impose more stringent and complex requirements on the Company, thereby adversely affecting the Company's business, financial condition, and results of operations.

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

In addition, government regulations strictly mandate compliance with environmental laws. The Company incurs expenses for the purpose of complying with environmental laws and regulations, which costs consist primarily of payments for Government regulatory fees.

RISKS RELATING TO THE OFFER SHARES AND AN INVESTMENT IN THE COMPANY

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

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

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

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

In accordance with the requirements of the Philippine SEC, the Company has prepared projected financial information which are included in this REIT Plan, including forward-looking statements and forward-looking financial information regarding, among others, forecast and projected dividend yields for Forecast Period 2021 and Projection Year 2022 (the “**Projections**”) (see “*Forward-Looking Statements*” and “*Profit Forecast and Profit Projection – Assumptions*” in this REIT Plan). The Company’s revenue and profit are dependent on a number of factors, including the receipt of rental income from the Properties and applicable laws and regulations. This may adversely affect the Company’s ability to achieve the forecast and projected dividends as events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not anticipated. In particular, the Projections do not factor in BIR’s Revenue Regulations No. 9-2021 (“**RR 9-2021**”) issued on June 9, 2021. The Company believes that the implementation of RR 9-2021 will not have any material impact on its Projections. See “*Risks Relating to the Company’s Properties—The implementation of tax reforms may have a negative effect on BPO companies.*” No assurance is given that the assumptions will be realized and the actual dividends will be as forecasted and projected in the section entitled “*Profit Forecast and Profit Projection*” of this REIT Plan.

The Company does not, as a matter of course, make public projections as to future financial or operational results due to the inherent unreliability of such projections. The Company has prepared the Projections solely for the purpose of complying with requirements of the Philippine SEC and the Company’s independent auditor, SGV & Co., has examined the Profit Forecast and Profit Projection of the Company in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, *The Examination of Prospective Financial Information*. However, there can be no assurance that the Projections and the assumptions used in preparing them are reasonable or that they can or will be achieved. All information and assumptions used in the preparation of the Projections are as of December 31, 2020 and do not reflect the actual results of the Company or events following such date. There can be no assurance that since the date of the Projections, there has not been, and will not be, any change, development, event or circumstance that has arisen which may cause the actual financial and operational results of the Company to differ significantly from the Projections. The forecasts contained in the Projections are subject to significant business, macroeconomic and competitive uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the Company’s control. Depending upon operating, macroeconomic and other business conditions, the Company may adapt or vary its operating, financing and other business decisions in ways which could cause the Company’s actual financial results to materially vary from those set out in the Projections. The Company’s business involves a significant number of risks, uncertainties, contingencies and other factors that could cause its future performance, financial condition and results of operations to vary significantly from the Projections and therefore the Company cannot provide any assurance that the Projections will accurately reflect its future results. The Company has no obligation to update the Projections even in the event of material changes to the Company’s operational and financial outlook or to the assumptions used in the Projections. None of the Company, any of its advisors, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters or the Local Co-lead Underwriters accepts any responsibility for the information contained in the Projections. As a result, investors should not rely on the Projections when making a decision to invest in the Shares.

In addition, the commissioned industry report prepared by JLL on the office real estate market of Metro Manila and Metro Cebu attached to this REIT Plan, reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is not indicative of future economic and market conditions applicable to the Company.

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

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

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

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

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

The Company is required by the REIT Law to distribute annually a total of at least 90% of its Distributable Income as dividends to its Shareholders. If the required pay out from the Company's Distributable Income is greater than its cash flows from operations, it may have to borrow in order to comply with the REIT Law. Should there be any change in tax law or policy which results in certain expenses of the Company ceasing to be adjustable, the impact may be to cause the Company's required payout from the Distributable Income to exceed its cash flows from operations. If the Company fails to distribute dividends as required under the REIT Law, the Company may be subject to increased tax liability and potential tax penalties. The failure to cure such a breach within 30 days from the time of the occurrence of the event will subject the Company to income tax on its taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of its taxable net income as defined in the REIT Law. As such, dividends distributed by the Company may be disallowed as a deduction for purposes of determining taxable net income. See the section entitled "*Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs*" in this REIT Plan for additional details. In addition, a violation of the REIT Law may obligate the Company to pay a fine or cause the imprisonment of the officers of the Company. Under the REIT Law, a fine of not less than ₱200,000 nor more than ₱5 million or imprisonment of not less than six years and one day nor more than 21 years, or both at the discretion of the court, shall be imposed upon any person, association, partnership or corporation, its officer, employee or agent, who acting alone or in connivance with others, violates any of the provisions of the REIT Law. If the offender is a corporation, partnership or association or other juridical entity, the penalty may, at the discretion of the court, be imposed upon such juridical entity and/or upon the officer or officers of the corporation, partnership, association or entity responsible for the violation, and if such officer is an alien, he shall in addition to the penalties prescribed, be deported without further proceedings after service of sentence. Such prosecution and conviction of the offender under the REIT Law and the imposition of the above penalties shall be without prejudice to the administrative, civil and criminal liabilities of the offender under the SRC.

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

Distributions will be based on the Company's Distributable Income. The taxable net income of the Company as initially computed for purposes of determining the amount to be distributed to Shareholders (the "**initial taxable net income**") may, however, be different from the taxable net income as may be determined by the BIR (the "**adjusted taxable net income**"). The difference between the initial taxable net income and the adjusted taxable net income will be added to or subtracted from, as applicable, the taxable income available for distribution in subsequent periods to the Shareholders. Similarly, if the Company distributes gains on the sale of properties held by the Company and such gains are subsequently assessed for unpaid taxes, the Distributable Income for subsequent periods will be reduced for such unpaid taxes and the Shareholders in such subsequent distribution periods may receive reduced dividends. See the sections entitled "*Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs*" and "*Taxation*" in this REIT Plan for further details.

There can be no guarantee that the Offer Shares will be listed on the PSE, or that there will be no regulatory action that could delay or affect the Offer.

Purchasers of the Trading Participants and Retail Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on or about August 3, 2021 and purchasers of the Institutional Offer Shares will be required to pay on the Institutional Offer settlement date, which is expected to be on or about August 11, 2021. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares

will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline.

The market price of the Company's Shares may be affected by multiple factors, including:

- volatility in stock market prices and volume;
- fluctuations in the Company's revenue, cash flow, and earnings;
- general market, political, and economic conditions;
- differences between the Company's actual financial and operating results and those expected by investors and financial analysts;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks in general and other stocks in similar industries;
- the market value of the Company's assets;
- market news and rumors;
- changes to government policies, legislation, or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this REIT Plan could adversely affect the market price of the Company's Shares.

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

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

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

The Shares are subject to Philippine foreign ownership limitations.

According to the REIT Law, if a REIT owns land located in the Philippines, it must comply with foreign ownership limitations imposed under Philippine law. In connection with the ownership of private land, Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

As of the date of this REIT Plan, the Company does not own land in the Philippines. Nevertheless, because the Company's Articles of Incorporation authorizes it to acquire land, which may include land in the Philippines, the Company's foreign shareholdings may not exceed 40% of its total issued and outstanding capital stock.

As such, the Company will be unable to allow the issuance or transfer the Company's Shares to persons other than Philippine Nationals, and will be unable to record transfers in the Company's books, if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. In addition, if the Company's foreign ownership exceeds 40% of the Company's outstanding capital stock, foreign shareholders may be required to divest ownership or may be diluted to comply with the foreign ownership restrictions. For more information, please refer to the section entitled and "Regulatory and Environmental Matters – Nationality Restriction" in this REIT Plan.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its business, the merits and risks of investing in the Offer Shares, and the information contained in this REIT Plan;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on his or her overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;
- understand and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate, and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Company's corporate affairs are governed by its Articles of Incorporation and By-Laws and Republic Act No. 11232 or the Philippine Revised Corporation Code of the Philippines ("**Philippine Revised Corporation Code**"). The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of more developed countries. Such differences may mean that the Company's minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

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

RISKS RELATING TO THE PRESENTATION OF INFORMATION IN THIS REIT PLAN

Certain information contained herein is derived from unofficial publications.

Certain information in this REIT Plan relating to the Philippines, the industry in which the Company competes, and the market in which the Company operates, including statistics relating to market size, is derived from various Government and private publications. This REIT Plan also contains industry information prepared from available public sources and independent market research conducted by JLL to provide an overview of the real estate industry and office real estate markets in which the Company operates. The information contained in that section might not be consistent with other information regarding the Philippine real estate industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Company, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, the Local Co-lead Underwriters nor any of their respective Affiliates or advisers, and might not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. In particular, the section entitled “*Industry*” in this REIT Plan does not present the opinions of the Company, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, the Local Co-lead Underwriters or any of their respective Affiliates. Prospective investors are cautioned accordingly.

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

The presentation of financial information in this REIT Plan comprises historical consolidated financial information for the Company as of and for the years ended December 31, 2018, 2019 and 2020 and as of March 31, 2021 and for the three months ended March 31, 2021 and 2020. With the Property Disposals and Assignment of Loans coming into effect subsequent to March 31, 2021, the historical financial information presented may be of limited use to investors moving forward. While the presentation of historical financial results of the Company included in this REIT Plan may provide a reference to investors in relation to the Company’s financial performance and financial position in prior periods, there is no assurance that such presentation will accurately depict the Company’s financial results had the Property Disposals and Assignment of Loans been effected earlier, nor would such presentation be indicative of future results of operations or financial position, and should not be relied upon as being so indicative.

Further, the Company may opt, in the future, to account for its investment properties using the fair value model, subject to the evaluation of its management and Fund Manager. If the Company changes its accounting policy for investment properties to the fair value model, such policy will be applied retroactively. As a result, the historical financial information included in this REIT Plan may not be comparable to the Company’s financial information post-adoption of the fair value model. The fair value model of accounting for investment properties, should there be no losses from fair value changes, is expected to be beneficial to the investors, as it will allow the Company to declare higher dividends, and prevent the “trapped cash” brought by recording non-cash expense like depreciation, which reduces eventually the retained earnings. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation—Fair Value Accounting for Investment Properties*” on page 151 of this REIT Plan for more details on the impact of the change in accounting policy to the Company’s financial statements.

In addition, the Company has included its pro forma financial information elsewhere in this REIT Plan because it believes that such information is important to an investor’s understanding of the expected presentation of the results of operations and financial position of the Company had the Property Disposals and Assignment of Loans occurred at January 1 of each of the periods presented, or December 31, 2020 or March 31, 2021, respectively. The pro forma results of operations and financial position of the Company included herein are necessarily based on certain assumptions, and such information is not necessarily indicative of the operating results or financial position that would have been achieved had these transactions been completed prior to such periods, nor is it indicative of future results of operations or financial position, and should not be relied upon as being so indicative.

USE OF PROCEEDS

The Selling Shareholder will receive all of the proceeds from the sale of the Offer Shares in the Offer. The Company will not receive any proceeds from the Offer. Taxes and issue management, underwriting and selling fees and certain other fees and expenses pertaining to the Offer will be paid by the Selling Shareholder.

The Selling Shareholder estimates that the net proceeds from the Offer of the Firm Shares after deducting expenses, will be approximately ₱10,972.3 million, and that the net proceeds from the Offer assuming full exercise of the Overallotment Option after deducting expenses, will be approximately ₱12,083.8 million, estimated as follows:

	Estimated Amounts (₱ millions)	
	Firm Shares	Firm Shares and Option Shares (assuming full exercise of Overallotment Option)
Estimated total proceeds from the offer of the Selling Shareholder's Shares	11,439.3	12,583.2
Estimated Expenses:		
Underwriting, selling and TP fees ¹	273.4	298.5
SEC registration fees	4.7	4.7
PSE listing and processing fee.....	31.1	31.1
Estimated other professional fees (including legal, accounting, industry consultant, stock transfer agent and receiving and paying agent fees).....	65.0	65.0
Estimated other expenses (including marketing, roadshow, printing costs and miscellaneous expenses)	2.5	2.5
Crossing charges ²	21.6	22.1
Stock transaction tax.....	68.6	75.5
Total estimated expenses from the offer of the Selling Shareholder's Shares	467.0	499.4
Estimated net proceeds from the offer of the Selling Shareholder's Shares	10,972.3	12,083.8

¹ The 1.00% selling commission of Trading Participants on the final take-up shall be paid directly by the Selling Shareholder, through the Receiving and Paying Agent, and will not form part of the underwriting and selling fees. The selling commission of Trading Participants shall be inclusive of VAT. Estimated selling agent fees are based on the assumption that the Eligible PSE Trading Participants take up the 20% tranche allocated to them in the Offer.

² Crossing charges and brokerage fees related to the sale of the Offer Shares.

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

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

The entire proceeds from the Offer will be used by the Selling Shareholder in accordance with its reinvestment plan. In accordance with the Revised REIT IRR, the proceeds from the Offer may be reinvested in income-generating assets in the Philippines within one year from the receipt thereof. Thus, pending the use or disbursement of such proceeds, the Selling Shareholder may invest the net proceeds in short-term liquid investments including but not limited to short-term government securities, bank deposits and money market

placements which are expected to earn interest at prevailing market rates subject to compliance with and as permitted by the REIT Law. For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see Annex 1 “*Reinvestment Plan*” of this REIT Plan.

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

DIVIDENDS AND DIVIDEND POLICY

REIT Law Distribution Requirements

The REIT Law provides that a REIT, to be entitled to the tax benefits under the REIT Law and to maintain its status as a public company, is directed to distribute annually a total of at least 90% of its distributable net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are re-invested in the REIT within one year from the date of the sale) ("**Distributable Income**") as dividends to its shareholders. Such distribution must be no later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT subject to the following, as provided under Section 7 of the REIT Law and Section 4 of the Revised REIT IRR:

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

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

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

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

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

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

- Unrealized foreign exchange gains, except those attributable to cash and cash equivalents;
- Fair value adjustment or the gains arising from marked-to-market valuation which are not yet realized;
- If and when applicable, fair value adjustment of investment property resulting to gain;
- The amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized;
- Adjustment due to a deviation from any of the prescribed accounting standard which results to gain; and

- Other unrealized gains or adjustments to the income as a result of certain transactions accounted for under the PFRS.
- Non-actual expenses/losses that are allowed to be added back to distributable income shall be limited to the following items:
 - Depreciation on revaluation increment (after tax);
 - Adjustment due to any of the prescribed accounting standard which results to a loss; and
 - if and when applicable, loss on fair value adjustment of investment property (after tax).

Record Date

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

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

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

The Company's Dividend Policy

As of the date of this REIT Plan, the Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders may be entitled to receive at least 90% of the Company's annual Distributable Income. The Company intends to declare and pay out dividends on a quarterly basis each year.

From 2017 to 2019, the Company declared and distributed dividends to its shareholders as follows:

	Cash Dividends (millions)	Prior Year Net Income (millions)	% of Dividends
2017.....	₱383.9	₱1,347.68	28.5%
2018.....	₱312.5	₱1,183.48	26.4%
2019.....	₱348.3	₱1,410.28	24.7%

The Company did not declare any cash dividends in 2020. On December 4, 2020, the Company's Board approved the declaration of the First Property Dividend, and on February 11, 2021, the Company's Board also approved the declaration of the Second Property Dividend. The Philippine SEC's approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell. See "*Presentation of Financial Information*" elsewhere in this REIT Plan.

Dividends were declared in accordance with the provisions of Section 42 of the Philippine Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

Following the Offer, the Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law and the Revised REIT IRR, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among

others, the terms and conditions of the Company's outstanding loan facilities in the event the Company incurs indebtedness, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, when there is need for special reserve for probable contingencies. The Company intends to declare and pay out dividends on a quarterly basis each year.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by the Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

EXCHANGE RATES

Fluctuations in the exchange rates between the peso and the U.S. dollar and other foreign currencies will affect the equivalent in U.S. dollars or other foreign currencies of the Peso price of the Offer Shares on the PSE, of dividends distributed in Pesos by the Company, if any, and of the Peso proceeds received by investors on a sale of the Offer Shares on the PSE, if any. Fluctuations in such exchange rates will also affect the peso value of the Company's assets and liabilities which are denominated in currencies other than Pesos.

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

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

Notes:

- (1) Average exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period
- (2) Highest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period
- (3) Lowest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period

On July 19, 2021, the BSP reference rate quoted on the BSP Reference Exchange Rate Bulletin was U.S.\$1.00 = ₱50.25.

PROFIT FORECAST AND PROFIT PROJECTION

This section contains forward-looking statements, which are based on the assumptions set forth in this section of the REIT Plan and are subject to certain risks and uncertainties which could cause actual results to differ materially from estimates, forecasts and projections. Under no circumstances should the inclusion of such information herein be regarded as a representation, guarantee, warranty or prediction with respect to the accuracy of the underlying assumptions by any of the Company, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, the Local Co-lead Underwriters, the Sponsor or any other party involved in the Offer, or that these results will be achieved or are likely to be achieved (see “Forward-looking Statements” and “Risk Factors” for further details). Investors in the Shares are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this REIT Plan.

The projections are based upon a number of assumptions and forecasts that are subject to significant business, macroeconomic and competitive uncertainties and contingencies, many of which are beyond the Company’s control. Depending upon operating, macroeconomic and other business conditions, the Company may adopt or vary its operating, financing and other business decisions in ways which could cause the Company’s actual financial results, taken on a consolidated basis, to materially vary from those set out in this section.

The Company’s business involves a significant number of risks, uncertainties and other factors that could cause its future performance, financial condition and results of operation to vary significantly from the projections forecasts and therefore the Company cannot provide any assurance that the projections forecasts will accurately reflect its future results. In consideration of these risks and uncertainties associated with the projections and forecasts, any investor who views the projections and forecasts at or about the time that such investor is making an investment decision with respect to any of the Company’s securities should not rely upon projections or forecasts in making such investment decision.

These projections and forecasts do not, under any circumstances, create any implication that the information and assumptions used herein are correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date. See “Risk Factors - Risks relating to the Presentation of Information in this REIT Plan - The presentation of financial information, including of pro forma financial information, in this REIT Plan may be of limited use to investors and may not accurately show the Company’s financial position or be indicative of future results.”

As used herein, references to “rental income”, “gross rental income” or “gross rent” mean rental revenue.

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

None of the Company, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters, the Local Co-lead Underwriters, the Sponsor, or any other party involved in the Offer guarantee the performance of the Company, the repayment of capital or the payment of any distributions, or any particular return on the Shares. The forecast and projected yields stated in the following table are calculated based on:

- *The Offer Price; and*
- *The assumption that the date of the sale of the Offer Shares is July 1, 2021.*

*Such yields will vary accordingly if the date of the sale of the Offer Shares is not July 1, 2021, or for investors who purchase Shares in the secondary market at a market price that differs from the Offer Price. For the avoidance of doubt, Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. The following table shows the Company’s projected statements of comprehensive income and distribution for the six month period commencing on July 1, 2021 and ending on December 31, 2021 (the “**Forecast Period 2021**”), and the year 2022 (the “**Projection Year 2022**”). The financial year end of the Company is December 31. The projected profit for Forecast Period 2021 (the “**Profit Forecast**”) and Projection Year 2022 (the “**Profit Projection**”) may be different to the extent that the actual date of sale of Shares is other than July 1, 2021, being the assumed date of the sale of the Offer Shares. The Company is solely responsible for the Profit Forecast and Profit Projection, including the assumptions set out on in this REIT Plan.*

SGV & Co. has examined the Profit Forecast and Profit Projection, excluding certain non-PFRS measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (“AFFO”), AFFO payout ratio, dividend payout ratio, dividends, offer price, dividend yield, net operating income and capital expenditure which have been prepared on the basis of the assumptions set out in this section of the REIT Plan, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, The Examination of Prospective Financial Information. This section should be read together with SGV & Co.’s report titled “Independent Auditor’s Report on Examination of the Profit Forecast and Profit Projection” set out in Annex 4 of this REIT Plan.

FORECAST AND PROJECTED STATEMENTS OF COMPREHENSIVE INCOME AND DISTRIBUTION

The Profit Forecast and Profit Projection are set forth below:

	Forecast Period 2021 ⁽¹⁾ (July 1 to December 31, 2021)	Projection Year 2022 ⁽¹⁾ (Full Year from January 1 to December 31, 2022)
	(Unaudited)	
	₱ millions, except for dividends per share and offer price	
REVENUE AND INCOME		
Rental revenue.....	1,336.1	2,822.6
Tenant dues ⁽²⁾	644.6	1,453.0
	1,980.7	4,275.6
COST AND EXPENSES		
Utilities	282.1	685.0
Depreciation and amortization	209.5	405.4
Rental expense	144.6	305.5
Services	113.8	234.4
Repairs and maintenance.....	73.5	151.1
Fund management fee	53.9	110.3
Property management fee.....	46.7	102.9
Taxes and licenses.....	12.6	28.1
Insurance	2.1	4.3
Service and management fees	2.0	4.2
Others	25.6	61.2
	966.4	2,092.2
FINANCE INCOME (CHARGES)		
Interest income	4.4	12.8
Interest and other financing charges.....	(160.3)	(318.1)
	(155.9)	(305.3)
BENEFIT FROM INCOME TAX		
Current	—	—
Benefit from income tax ⁽³⁾	177.7	—
NET INCOME	1,036.1	1,878.1
Distribution adjustments ⁽³⁾	(177.7)	—
DISTRIBUTABLE INCOME	858.3	1,878.1
Dividend payout ratio (%) ⁽⁴⁾	125.1%	120.7%
Dividends ⁽⁵⁾	1,074.0	2,266.8
No. of outstanding shares ⁽⁶⁾	4,892.8	4,892.8
Dividends per share	₱0.2195	₱0.4633
Offer Price	7.0	7.0
Dividend yield (%) ⁽⁷⁾	6.3%	6.6%

Notes:

(1) The Profit Forecast and Profit Projection prepared by the Company pertain to the 17 Properties.

- (2) Beginning January 1, 2021, the Company adopted PIC Q&A 2018A-12H Accounting for CUSA charges, as described in this REIT Plan. As a result, recoveries from tenants for the usage of common area and utilities are presented gross of related expenses.
- (3) Benefit from income tax arises from the derecognition of net deferred tax liabilities due to the change in applicable tax regime after the Listing Date. This amount was treated as a distribution adjustment for the Forecast Period 2021.
- (4) Dividend payout ratio is derived by dividing dividends by full year distributable income.
- (5) The dividends for the period from July 1 to December 31, 2021 will be distributed to Shareholders, including investors in the Offering. Forecasted and projected dividends are based on adjusted funds from operations (“AFFO”). Refer to the discussion in the “Dividends” section below for the reconciliation of net income in accordance with PFRSs to AFFO.
- (6) No. of outstanding shares is the existing 4,892,777,994 common shares as of June 30, 2021.
- (7) Dividend yield is derived by dividing dividends per share by the offer price per share. For Forecast Period 2021, dividend yield is annualized by multiplying the dividend per share by two. Number of outstanding shares at the end of both Forecast Period 2021 and Projection Year 2022 is equal to 4,892,777,994.

ASSUMPTIONS

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

Revenue and Net Operating Income Contribution of Each Property

The forecast and projected contributions of each of the Properties to the Company’s gross revenue are as follows:

Gross revenue	Forecast Period 2021 (Unaudited)		Projection Year 2022 (Unaudited)	
	(₱ millions)	(%)	(₱ millions)	(%)
Axis Tower 1	292.6	14.8%	624.8	14.6%
Filinvest One	118.8	6.0%	250.3	5.9%
Filinvest Two	163.7	8.3%	338.0	7.9%
Filinvest Three	132.1	6.7%	327.6	7.7%
Vector One	110.3	5.6%	246.8	5.8%
Vector Two	123.2	6.2%	257.8	6.0%
Vector Three	239.3	12.1%	531.2	12.4%
Plaza A	79.1	4.0%	163.1	3.8%
Plaza B	48.5	2.4%	105.5	2.5%
Plaza C	45.5	2.3%	95.1	2.2%
Plaza D	75.8	2.8%	160.1	3.7%
Plaza E	111.9	5.6%	230.5	5.4%
iHub1	46.1	2.3%	129.7	3.0%
iHub2	99.5	5.0%	208.4	4.9%
5132 Building	67.5	3.4%	139.2	3.3%
Capital One	97.4	4.9%	195.7	4.6%
Cebu Tower 1	129.2	6.5%	272.0	6.4%
Total	1,980.7	100.0%	4,275.6	100.0%

Cost and Expenses (excluding Depreciation and Amortization)	Forecast Period 2021 (Unaudited)		Projection Year 2022 (Unaudited)	
	(₱ millions)	(%)	(₱ millions)	(%)
Axis Tower 1	117.9	15.6%	268.7	15.9%
Filinvest One	40.0	5.3%	84.2	5.0%
Filinvest Two	64.1	8.5%	134.8	8.0%
Filinvest Three	52.8	7.0%	130.6	7.7%
Vector One	43.6	5.8%	96.5	5.7%
Vector Two	44.8	5.9%	95.0	5.6%
Vector Three	91.6	12.1%	219.8	13.0%
Plaza A	34.5	4.6%	74.4	4.4%
Plaza B	20.5	2.7%	44.9	2.7%
Plaza C	20.8	2.7%	45.3	2.7%
Plaza D	29.0	3.8%	62.7	3.7%
Plaza E	42.1	5.6%	94.7	5.6%
iHub1	21.2	2.8%	56.3	3.3%
iHub2	38.4	5.1%	81.4	4.8%

5132 Building.....	29.6	3.9%	62.2	3.7%
Capital One.....	20.9	2.8%	41.6	2.5%
Cebu Tower 1.....	45.2	6.0%	93.5	5.5%
Total.....	756.9	100.0%	1,686.6	100.0%

The forecast and projected contributions of each of the Properties to the Company's Net Operating Income are set forth in the table below. "Net Operating Income" is calculated as revenue and income less costs and expenses (excluding depreciation and amortization).

Contribution to Net Operating Income	Forecast Period 2021 (Unaudited)		Projection Year 2022 (Unaudited)	
	(P millions)	(%)	(P millions)	(%)
Axis Tower 1	174.6	14.3%	356.1	13.8%
Filinvest One	78.8	6.4%	166.0	6.4%
Filinvest Two.....	99.6	8.1%	203.1	7.9%
Filinvest Three.....	79.3	6.5%	197.0	7.6%
Vector One.....	66.8	5.5%	150.3	5.8%
Vector Two.....	78.4	6.4%	162.7	6.3%
Vector Three.....	147.7	12.1%	311.4	12.0%
Plaza A.....	44.6	3.6%	88.7	3.4%
Plaza B.....	28.0	2.3%	60.6	2.3%
Plaza C.....	24.8	2.0%	49.8	1.9%
Plaza D.....	46.8	3.8%	97.3	3.8%
Plaza E.....	69.8	5.7%	135.8	5.2%
iHub1	25.0	2.0%	73.4	2.8%
iHub2	61.1	5.0%	127.0	4.9%
5132 Building.....	37.9	3.1%	76.9	3.0%
Capital One.....	76.5	6.3%	154.1	6.0%
Cebu Tower 1	84.0	6.9%	178.6	6.9%
Total.....	1,223.8	100.0%	2,589.0	100.0%

REVENUES AND INCOME

Revenue and income comprise:

- Rental revenue from office, retail and parking components of the Properties; and
- Tenant dues which are reimbursements from tenants, gross of chargeable expenses, for the usage of common area, aircon and utilities.

Rental revenue

The forecast and projected rental and parking revenues for the Properties are as follows:

Contribution to revenue (excluding revenue not related to the Properties)	Forecast Period 2021 (Unaudited)		Projection Year 2022 (Unaudited)	
	(P millions)	(%)	(P millions)	(%)
Axis Tower 1	206.5	15.5%	439.8	15.6%
Filinvest One	89.5	6.7%	185.0	6.6%
Filinvest Two.....	104.9	7.9%	209.8	7.4%
Filinvest Three.....	81.9	6.1%	196.8	7.0%
Vector One.....	71.9	5.4%	158.1	5.6%
Vector Two.....	81.7	6.1%	167.2	5.9%
Vector Three.....	157.6	11.8%	338.1	12.0%
Plaza A.....	49.8	3.7%	99.7	3.5%
Plaza B.....	31.5	2.4%	67.2	2.4%
Plaza C.....	27.9	2.1%	56.9	2.0%
Plaza D.....	50.1	3.8%	103.4	3.7%
Plaza E.....	73.1	5.5%	146.3	5.2%
iHub1	28.5	2.1%	83.4	3.0%
iHub2	62.7	4.7%	128.4	4.6%
5132 Building.....	43.0	3.2%	86.0	3.0%
Capital One.....	93.4	7.0%	186.8	6.6%
Cebu Tower 1	82.1	6.1%	169.8	6.0%
Total.....	1,336.1	100.0%	2,822.6	100.0%

The following assumptions have been made by the Company to forecast and project rental revenue:

- Rental revenue presented above includes the effect of straight-line basis of accounting over the lease term, in compliance with PFRS 16, *Leases*. For the Forecast Period 2021, the Company recognized adjustments from the straight-line method of recognizing revenue, amounting to a ₱61.6 million increase in rental revenues. For Projection Year 2022, the Company recognized an increase in rental revenues of ₱86.5 million.
- 92% and 88% of rental revenues (inclusive of straight-line rent) for the Forecast Period 2021 and Projection Year 2022, respectively, are based on executed contract of leases as of December 31, 2020. Existing contract of leases for the Company's Properties normally have tenancy periods of between three and ten years. Most lease terms for commercial spaces are renewable within one year, except for anchor tenants with leases ranging from five to 15 years. Rental escalation provision are built into the Company's existing leases, and generally are at 5% per year, starting on the third year from date of effectivity of contract of lease.
- The remaining balance of 8% and 12% of rental revenues for Forecast Period 2021 and Projection Year 2022, respectively, as based on new leases which are assumed to include provisions that provide for rental escalation commencing on the third year of the lease. Renewals of existing leases are based on historical occupancy rates of the properties and future market condition. The Company targets to have 100% occupancy by December 31, 2022 at market rental rates.

Tenant Dues

Tenant dues are recognized when related services are rendered. Common area and fixed aircon charges are computed based on rates stated on the executed contracts of lease multiplied by the gross leasable area occupied by the tenant. Common area and fixed aircon rates for 2021 are assumed to be the same as in 2020, while for 2022, a 10% escalation rate was assumed to cover increases in chargeable expenses and major repairs. Tenant dues also include utilities recoveries computed based on historical consumptions of tenants multiplied by historical recovery rates.

COST AND EXPENSES

Cost and expenses consist of direct operating expenses and general and administrative expenses.

	Forecast Period 2021	Projection Year 2022
	(Unaudited)	
	₱ millions	
Utilities.....	282.1	685.0
Depreciation and amortization	209.5	405.4
Rental expense	144.6	305.5
Services.....	113.8	234.4
Repairs and maintenance.....	73.5	151.1
Fund management fee	53.9	110.3
Property management fee.....	46.7	102.9
Taxes and licenses.....	12.6	28.1
Insurance	2.1	4.3
Service and management fees	2.0	4.2
Others	25.6	61.2
	966.4	2,092.2

Assumptions considered in calculating the direct operating expenses are as follows:

Utilities

For the Forecast Period 2021 and Projection Year 2022, utilities expenses are computed using historical consumption of tenants depending on the nature of their business including whether such tenants conduct 24/7

operations. Utility rates are assumed to increase by an average of 3% per annum, while consumption is assumed to be proportionate to the occupancy of the relevant property.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of investment properties of 15 to 40 years, intangible assets of 25 years, and property and equipment of three to five years. Broker's commissions incurred directly attributable to arranging the lease are capitalized also as part of the book value of the investment properties and are amortized over its lease term of three to 10 years.

Rental Expense

Rental expense pertains to the land lease where the Properties are located. This is computed based on the terms stated in the land lease agreement for the Properties. Rent is payable to FLI for Properties located in Northgate Cyberzone, and to the Cebu Provincial Government for Cebu Tower 1. Rent is based on a percentage of gross rental income from parking, retail, and office tenants. The rental rate for Properties located in Northgate Cyberzone ranges from 10% to 15% of gross rental revenues which considers among others, each Property's floor-to-area ratio (FAR) and for property located in Cebu, rental rate is at least 2% of gross revenues.

	Lessor	Rental rate (% of rental revenue)
Axis Tower 1	FLI	10%
Filinvest One	FLI	10%
Filinvest Two.....	FLI	10%
Filinvest Three.....	FLI	10%
Vector One	FLI	10%
Vector Two.....	FLI	10%
Vector Three.....	FLI	10%
Plaza A	FLI	15%
Plaza B.....	FLI	15%
Plaza C.....	FLI	15%
Plaza D	FLI	15%
Plaza E.....	FLI	10%
iHub1	FLI	15%
iHub2.....	FLI	10%
5132 Building.....	FLI	15%
Capital One.....	FLI	15%
Cebu Tower 1*	Cebu Provincial Government	2%

* The Company pays the Cebu Provincial Government a fixed fee of ₱50 per sq.m. per month. In addition to the fixed fee, ₱500,000, 2 % of gross revenues, or 2% of 90% of revenues as submitted during the bid will be paid by the Company to the Cebu Provincial Government, whichever is higher. The fixed fee escalates by 5% annually starting on the sixth year.

Services

Services are calculated based on historical expenses, with provisions also for possible expected wage increases for security and janitorial services. These are also adjusted for inflation at a rate of 3% per annum.

Repairs and maintenance

Repairs and maintenance expenses are estimated based on historical expense and is adjusted for inflation at a rate of 3% per annum. Majority of expenses are recurring and necessary for the maintenance of machineries and equipment.

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive equivalent to one tenth of 1% (0.1%) of the Deposited Property Value plus 2.5% of the EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease expenses, including the interest on lease liabilities, exclusive of value-added taxes (the “**Management Fee**”).

The Fund Manager shall likewise be entitled to (i) an acquisition fee of 1.0% of the acquisition price of every acquisition made, exclusive of value-added taxes, and (ii) a divestment fee of 0.5% of the sales price for every property divested by it on behalf of the Company, exclusive of value-added taxes. The total amount of the Management Fee, acquisition fee, and divestment fee, paid to the Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, acquisition fee, and divestment fee shall be collectively referred to as “**Fund Management Fee**”).

The Fund Management Fee is structured to align the interests of the Fund Manager and the Shareholders. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company’s assets reflecting the fair market value of the total assets held by the Company and managed by the Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = (0.1% of Deposited Property Value)

+ (2.5% x EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease related expenses, including the interest expense on lease liabilities)

+ (1.0% x acquisition price, for every acquisition, if applicable)

+ (0.5% x sales price for every property divested, if applicable)

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive (i) 5% of the sum of billed CUSA and aircon charges, and (ii) 1.5% of EBITDA before deducting fees payable to the Fund Manager and the Property Manager but after deducting lease expenses including the interest expense on lease liabilities, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed (the “**Property Management Fee**”). The Property Management Fee is structured to ensure that the Property Manager provides superior service to the Company and the Properties that the Property Manager oversees. For the purpose of calculating the Property Management Fee, CUSA and aircon charges are defined as the reimbursable charges on common area usage and maintenance payable by all tenants pursuant to their lease agreement. In computing the Property Management Fee, the formula to be used shall be:

Property Management Fee = (5% of CUSA and aircon charges) + (1.5% x EBITDA before deducting fees payable to the Fund Manager and the Property Manager, but after deducting lease expenses including interest expense on lease liabilities)

Taxes and Licenses

Taxes and licenses pertain mainly to business taxes and real property taxes. These are paid to the municipality where the Properties are located. Business taxes are computed as 1% to 2% of gross revenues derived from non-PEZA Properties. PEZA-registered buildings are exempt from business tax. Real property taxes are computed based on prevailing market value per tax declarations multiplied by applicable tax rates as defined by the municipality where the Properties are located. Properties which are enjoying PEZA incentives are exempted from real property tax. The Company however pays for land property tax on behalf of the lessor, pursuant to the land lease agreement between the Company and FLI.

Insurance

Insurance pertains to commercial all risks insurance coverage on the Properties, including fire and other perils, business interruption, and general liability, among others. The forecast and projections are computed based on historical costs and adjusted for inflation at a rate of 3% per annum.

Service and management fees

Service and management fees pertain to average monthly service and management fees payable to third parties whether affiliates or non-affiliates, in exchange for general administrative and support services, and professional fees such as annual audit fees. The forecast and projections are computed using historical fees and are adjusted for inflation at a rate of 3% per annum.

Others

This mainly consists of service fees to parking managers, parking related maintenance and other chargeable operating expenses. The forecast and projections are computed using historical costs and are adjusted for inflation at a rate of 3% per annum.

OTHER INCOME (CHARGES)

Interest income

Interest income consists of interest earned from cash and cash equivalents based on an assumed 1% interest rate.

Interest expense and other financing charges

Interest expense pertains to interest on bonds payable and accretion of lease liabilities. Interest expense on bonds is calculated based on a fixed rate of 5.05% per annum. Interest expense on accretion of lease liabilities pertains to the BTO arrangement with the Cebu Provincial Government, based on 8.35% effective interest rate. Other financing charges mainly pertains to amortization of financing cost of bonds which will mature on 2023. The lease liabilities for the Northgate Cyberzone Properties were closed out pursuant to the amended lease contract between the Company and FLI effective March 1, 2021.

PROVISION FOR (BENEFIT FROM) INCOME TAX

For Forecast Period 2021 and Projection Year 2022, there is no provision for income tax considering that the Company will be able to deduct dividend distributions from its taxable income pursuant to the implementing rules and regulations of the REIT Law. Please see “*Regulatory and Environmental Matters*” for more information.

CAPITAL EXPENDITURE

Capital expenditure incurred is expected to be capitalized as part of the Deposited Property. The following table sets out the expected capital expenditure for Forecast Period 2021 and Projection Year 2022:

Capital expenditure	Forecast Period 2021 (Unaudited)	Projection Year 2022 (Unaudited)
	₱ millions	
Axis Tower 1	6.2	13.2
Filinvest One	2.7	5.6
Filinvest Two	3.1	6.3
Filinvest Three	2.5	5.9
Vector One	2.2	4.7
Vector Two	2.5	5.0
Vector Three	4.7	10.1
Plaza A	1.5	3.0
Plaza B	0.9	2.0
Plaza C	0.8	1.7
Plaza D	1.5	3.1
Plaza E	2.2	4.4
iHub1	0.9	2.5
iHub2	1.9	3.9
5132 Building	1.3	2.6
Capital One	2.8	5.6
Cebu Tower 1	2.5	5.1
Total	40.1	84.7

Capital expenditures have been forecasted and projected based on the Property Manager's and maintenance team's assessments and reports presented to the Company's management team. These are estimated based on 3% of gross rent for all Properties. These capital expenditures will upkeep, upgrade and refurbish the Company's Properties. These will be funded through the Company's cash from operating activities.

DIVIDENDS

Funds from operations ("FFO") is equal to net income, excluding gains or losses from sales of property, and adjusted by adding back non-cash expenses such as depreciation and amortization on investment property and intangible assets. Adjusted funds from operations ("AFFO") is calculated by (i) subtracting from FFO the recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company's properties and its revenue stream and (ii) adding to or deducting from FFO any adjustments related to the straight-line method of recognizing revenue. "Recurring capital expenditure" comprises capital expenditures required for maintenance including major repairs, overhauls, and major replacement parts for equipment. Capital expenditures are spending for acquisition or major maintenance that will preserve, improve or prolong the useful life of an existing asset.

The Company believes that the use of FFO and AFFO, combined with the required PFRS presentations, improves the understanding of the Company's operating results among investors. AFFO is an important measurement because the Company's leases generally have contractual escalations of base rents that are not directly observable in the Company's statements of comprehensive income due to application of straight-line method of recognizing Rental Revenues. Non-cash expenses such as depreciation on investment properties and intangible assets are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, the Company believes that AFFO provides a better measure of its dividend-paying capability.

AFFO should not be considered as an alternative to cash flows from operating activities (calculated pursuant to PFRS) as an indicator of the Company's liquidity.

	Forecast Period 2021 ⁽¹⁾ (Unaudited)	Projection Year 2022 ⁽¹⁾ (Unaudited)
	(P millions)	(P millions)
Net income	1,036.1	1,878.1
Distribution adjustments ⁽²⁾	(177.7)	—
Distributable Income	858.3	1,878.1
Depreciation and amortization ⁽³⁾	194.2	386.9
Funds from operations (FFO)	1,052.5	2,265.0
Capital expenditures on existing investment properties and intangible assets	(40.1)	(84.7)
Straight-line rent adjustments.....	61.6	86.5
Adjusted funds from operations (AFFO)	1,074.0	2,266.8

	Forecast Period 2021 ⁽¹⁾ (Unaudited)	Projection Year 2022 (Unaudited)
	(P millions except %)	(P millions except %)
AFFO	1,074.0	2,266.8
AFFO payout ratio	100.0%	100.0%
Dividends⁽⁴⁾	1,074.0	2,266.8
Distributable Income	858.3	1,878.1
In excess of Distributable Income.....	215.6	388.8
Dividends as a percentage of Distributable Income⁽⁵⁾	125.1%	120.7%

Notes:

(1) Forecast period 2021 assumes that the Company is listed starting July 1, 2021.

- (2) *Distribution adjustments refer to the benefit from income tax arising from derecognition of net deferred tax liabilities due to the change in applicable tax regime after the Listing Date.*
- (3) *Depreciation and amortization is exclusive of amortization of prepaid commission recognized as part of investment properties which is considered as a cash transaction.*
- (4) *Dividends are derived by multiplying AFFO by their respective payout ratio which is 100%*
- (5) *Dividends as percentage of Distributable Income are derived by dividing dividends by Distributable Income.*

The REIT Law expects a REIT to distribute annually a total of at least 90% of its Distributable Income. For avoidance of doubt, the Company will declare the dividends for the financial year 2021 after the Listing Date. Shareholders, including investors in the Offering, will be entitled to dividends that have accrued as of the record date of the dividend declaration, provided that such Shareholders remain shareholders of record as of such date.

ACCOUNTING STANDARDS

The Company has adopted the Philippine Financial Reporting Standards (“**PFRS**”).

The Company assumes that the change in applicable accounting standards or other financial reporting requirement will not have a material effect on the Profit Forecast and Profit Projection. Significant accounting policies adopted by the Company in the preparation of the Profit Forecast and Profit Projection are set out in the audited financial statements of the Company as of and for the year ended December 31, 2020.

OTHER ASSUMPTIONS

The Company has made the following additional assumptions in preparing the Profit Forecast and Profit Projection:

- For Forecast Period 2021, the Company assumed that it released as property dividends the following properties from January to June 2021: Filinvest Building at EDSA, Wack, Mandaluyong City (FLI Edsa), Concentrix Building and IT School in Northgate Cyberzone, and Cebu Tower 2 in Filinvest Cyberzone Cebu. The Company has also assumed that the Company’s rights under the BTO arrangement with the Cebu Provincial Government in respect of Cebu Tower 3 and Cebu Tower 4 were transferred to FLI at book value in March 2021.
- For the Forecast Period 2021 and Projected Period 2022, the Company used the terms and conditions of its land lease contract with FLI dated May 31, 2000, as amended on July 1, 2020, and further amended on March 1, 2021. Under such contract, rental rates for the land where the Northgate Cyberzone Properties are located range from 10% to 15% of gross revenues. Payments for Cebu Tower 1 are made in accordance with the Company’s BTO agreement with the Cebu Provincial Government.
- The Company did not assume acquisition of new property for the Forecast Period 2021 and Projection Year 2022.
- The fair values of the property portfolio which are computed using the income approach and remain unchanged for the Forecast Period 2021 and Projection Year 2022.
- The Company assumed an increase in the authorized capital stock of the Company, the subscription to which was paid for by way of conversion of advances into equity in the Company. The amount subscribed and paid up amounts to ₱3,746,250,000.
- There will be no pre-termination of any committed leases (unless notice has already been given);
- There will be no change in the applicable tax legislation, other applicable legislation, or regulatory or juridical interpretation of the same for Forecast Period 2021 and Projection Year 2022, except as disclosed. The Profit Forecast and Profit Projection has not factored in the effects of BIR’s Revenue Regulations No. 9-2021 (“**RR 9-2021**”) issued on June 9, 2021, although the Company does not believe that the implementation of such regulations will have a material impact on the Profit Forecast and Profit Projection.

- All leases and licenses are enforceable and will be performed in accordance with their terms during the Forecast Period 2021 and Projection Year 2022.

SENSITIVITY ANALYSIS

The forecast and projected distributions included in this REIT Plan are based on a number of assumptions that have been outlined above. The forecast and projected distributions are also subject to a number of risks as outlined in the section “Risk Factors”.

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast or projected in this REIT Plan are to be expected. To assist investors in assessing the impact of these assumptions on the Profit Forecast and Profit Projection, a series of tables demonstrating the sensitivity of the distribution yield to changes in the principal assumptions are set out below.

The sensitivity analyses are intended only as a guide. Variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown. The results of the sensitivity analyses below are based on an assumed Offer Price of ₱7.00 per share.

Rental Revenues

Changes in Rental Revenues will impact the net income of the Company and consequently, the dividend yield. The assumptions for Rental Revenues have been set out earlier in this section. The effect of variations in Rental Revenues on the dividend yield is set out below:

	Dividend yield pursuant to changes in Rental Revenues	
	Forecast Period	Projection Year
	2021*	2022
	(%)	(%)
5.0% above base case.....	6.7%	7.0%
Base case.....	6.3%	6.6%
5.0% below base case.....	5.9%	6.2%

* Dividend yield for Forecast Period 2021 is annualized by multiplying dividend for the period from July 1 to December 31, 2021 by two.

Costs and Expenses

Changes in costs and expenses will impact the net income of the Company and consequently, the dividend yield. The assumptions for costs and expenses have been set out earlier in this section. The effect of variations in the costs and expenses on the dividend yield is set out below:

	Dividend yield pursuant to changes in Cost and Expenses	
	Forecast Period	Projection Year
	2021*	2022
	(%)	(%)
5.0% above base case.....	6.0%	6.3%
Base case.....	6.3%	6.6%
5.0% below base case.....	6.6%	6.9%

* Dividend yield for Forecast Period 2021 is annualized by multiplying dividend for the period from July 1 to December 31, 2021 by two.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱7.00 per Offer Share. The Offer Price was determined through a bookbuilding process and discussions among the Company and the Joint Global Coordinators and Bookrunners. Since the Shares have not been listed on any stock exchange, there has been no market price for Shares derived from day-to-day trading.

The factors considered in determining the Offer Price included, among others, the Company's ability to generate earnings and cash flow, the Company's short-and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer, and the market price of comparable listed companies, and the dividend yields of comparable listed REIT companies in the Philippines. The Offer Price does not have any correlation to the book value of the Offer Shares.

CAPITALIZATION

The following table sets out the Company's capitalization and indebtedness as of March 31, 2021 on an actual basis, and (i) as adjusted to give pro forma effect to the Property Disposals and assignment of loans on December 9, 2020, and (ii) as adjusted to give effect to the Offer. The table should be read in conjunction with the Company's audited financial statements, unaudited pro forma financial information, and the notes thereto included in this REIT Plan. Other than as described below, there has been no material change in the Company's capitalization since March 31, 2021.

	As of March 31, 2021					
	Actual		As adjusted to give effect to the Property Disposals and Assignment of Loans ⁽³⁾		As adjusted to give effect to the Property Disposals, Assignment of Loans ⁽³⁾ and the Offer	
	₱	U.S.\$ ⁽¹⁾	₱	U.S.\$ ⁽¹⁾	₱	U.S.\$ ⁽¹⁾
	(in millions)					
	(Audited)	(Unaudited)	(Unaudited)			
INDEBTEDNESS						
Bonds payable	5,977.4	124.3	5,977.4	124.3	5,977.4	124.3
Total Indebtedness	5,977.4	124.3	5,977.4	124.3	5,977.4	124.3
EQUITY						
Capital stock	1,163.4	24.0	1,163.4	24.0	1,163.4	24.0
Additional Paid-in Capital	102.9	2.1	102.9	2.1	102.9	2.1
Deposit for Future Subscription	3,746.3	77.2	3,746.3	77.2	3,746.3	77.2
Retained earnings	898.8	18.5	971.6	20.0	971.6	20.0
Total Equity	5,911.3	121.8	5,984.2	123.3	5,984.2	123.3
TOTAL CAPITALIZATION⁽²⁾	11,888.7	244.9	11,961.5	246.4	11,961.5	246.4

Notes:

- (1) The translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Daily Reference Exchange Rate as of March 31, 2021 of U.S.\$1.00=₱48.550. See "Exchange Rates."
- (2) Total capitalization is calculated as the sum of total indebtedness and total equity.
- (3) Pertains to the assignment of loans on December 9, 2020. See "Presentation of Financial Information" for more information.

The Offer will not result in any change in the capitalization as all Offer Shares are existing Shares that are being sold by the Selling Shareholder, including those in relation to any exercise of the Over-allotment Option.

NET ASSET VALUE

The following table shows the Company's computation of (i) the Net Asset Value per share, (ii) the Net Asset Value per share as adjusted to give effect to the Property Disposals and Assignment of Loans, and (iii) the Net Asset Value after giving effect to the Property Disposals, Assignment of Loans and the Offer. The Net Asset Value is computed by reflecting the fair market values of total assets and investible funds held by the Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of the Company. The table should be read in conjunction with the Company's audited financial statements, unaudited pro forma financial information, and the notes thereto included in this REIT Plan.

	As of March 31, 2021 ⁽¹⁾		
	Actual	As adjusted to give effect to the Property Disposals and Assignment of Loans	As adjusted to give effect to the Property Disposals, Assignment of Loans and the Offer
	(₱ millions, except number of shares and per share value)		
	(Unaudited)		
Cash and cash equivalents.....	976.2	976.2	976.2
Receivables.....	1,272.7	2,400.6	2,400.6
Other current assets.....	1,115.5	142.5	142.5
Noncurrent assets held for distribution.....	8,807.0	—	—
Advances to contractors.....	20.7	9.2	9.2
Investment properties.....	9,350.1	9,315.0	45,429.7
Property and equipment.....	74.6	72.9	72.9
Intangible assets.....	1,091.3	1,091.3	3,117.7
Other noncurrent assets.....	372.9	228.6	228.6
Total Assets	23,081.0	14,236.3	52,377.4
Accounts payable and accrued expenses.....	1,368.3	1,328.1	1,328.1
Lease Liabilities – current portion.....	1.8	—	1.8
Security Deposits – current portion.....	134.3	—	131.6
Dividends payable.....	8,302.3	—	—
Loans payable, current and non-current portions.....	—	—	—
Bonds payable.....	5,977.4	5,977.4	5,977.4
Income tax payable.....	—	—	—
Deferred tax liabilities ⁽³⁾	123.9	155.1	155.1
Total Liabilities	17,169.6	8,252.1	8,252.1
Net Asset Value	5,911.3	5,984.2	44,125.3
Issued and outstanding Common Shares	1,163,426,668	4,892,777,994	4,892,777,994
Net asset value per share	₱ 5.08	₱ 1.22	₱ 9.02

Notes:

- (1) Figures are based on the audited financial statements of the Company as of March 31, 2021.
- (2) This figure is calculated based on the fair value of the Company's investment properties, determined based on the appraised value by Asian Appraisal as of March 31, 2021.
- (3) Post-listing the Company will derecognize the net deferred tax liabilities.
- (4) The lease liability for Northgate properties was derecognized pursuant to the land lease contract entered into by the company with the Sponsor on March 1, 2021.

DILUTION

The Offer will not result in any dilution on a per Share basis, as all Offer Shares are being offered by the Selling Shareholder. As of March 31, 2021, the net asset value per Share of the Company was ₱5.08, while the Offer Price per Offer Share is ₱7.00.

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

	Number of Shares	%
Existing shareholders	3,095,171,359	63.26%
New investors	1,797,606,635	36.74%
Total	4,892,777,994	100.00%

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

	Number of Shares	%
Existing shareholders	3,258,590,144	66.60%
New investors	1,634,187,850	33.40%
Total	4,892,777,994	100.00%

See “Risk Factors – Risks Relating to the Offer Shares and an Investment in the Company – Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings” in this REIT Plan.

EFFECTS OF THE CHANGE IN PAR VALUE AND CONVERSION OF LOANS PAYABLE INTO EQUITY ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

On June 25, 2021, the Company's shareholders, approved amendments to its Articles of Incorporation which included a reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share, resulting in a stock split whereby every existing common share with a par value of ₱1.00 would become two common shares with a par value of ₱0.50. The Company's shareholders also approved an amendment of the Articles of Incorporation to increase the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. The reduction in the par value of its Shares and the increase in the Company's authorized capital stock were approved by the Philippine SEC on July 2, 2021.

The change in par value of the Company's Shares from ₱1.00 per common share to ₱0.50 per common share will have no impact in the financial position and income generation of the Company. The assets, liabilities, equity and income statements will remain the same in terms of absolute Peso values. The impact of the change in par value will be on metrics that are computed on a per share basis, such as book value per share and earnings per share, as illustrated in the table below. The table below should be read together with the Company's financial statements as of December 31, 2020 and as of March 31, 2021, included in this REIT Plan.

	As of December 31, 2020					
	Original Par Value of ₱1.00		As Adjusted to Give Effect to the Stock Split reducing the Par Value to ₱0.50		As Further Adjusted to Give Effect to the Increase in Capital Stock	
	No. of Shares	Amount (₱)	No. of Shares	Amount (₱)	No. of Shares	Amount (₱)
Authorized capital stock	2,000,000,000	2,000,000,000	4,000,000,000	2,000,000,000	14,263,698,000	7,131,849,000
Issued and outstanding capital stock	1,163,426,668	1,163,426,668	2,326,853,336	1,163,426,668	2,326,853,336	1,163,426,668
Additional subscription	-	-	-	-	2,565,924,658	1,282,962,329
Total subscribed capital stock ..	<u>1,163,426,668</u>	<u>1,163,426,668</u>	<u>2,326,853,336</u>	<u>1,163,426,668</u>	<u>4,892,777,994</u>	<u>2,446,388,997</u>
Stockholders' equity	N/A	5,106,064,860	N/A	5,106,064,860	N/A	5,106,064,860
Book value per share ⁽¹⁾	N/A	4.39	N/A	2.19	N/A	1.04
Net income	N/A	1,860,841,789	N/A	1,860,841,789	N/A	1,860,841,789
Basic earnings per share ⁽²⁾	N/A	1.60	N/A	0.80	N/A	0.38

	As of March 31, 2021					
	Original Par Value of ₱1.00		As Adjusted to Give Effect to the Stock Split reducing the Par Value to ₱0.50		As Further Adjusted to Give Effect to the Increase in Capital Stock	
	No. of Shares	Amount (₱)	No. of Shares	Amount (₱)	No. of Shares	Amount (₱)
Authorized capital stock	2,000,000,000	2,000,000,000	4,000,000,000	2,000,000,000	14,263,698,000	7,131,849,000
Issued and outstanding capital stock	1,163,426,668	1,163,426,668	2,326,853,336	1,163,426,668	2,326,853,336	1,163,426,668
Additional subscription	-	-	-	-	2,565,924,658	1,282,962,329
Total subscribed capital stock ..	<u>1,163,426,668</u>	<u>1,163,426,668</u>	<u>2,326,853,336</u>	<u>1,163,426,668</u>	<u>4,892,777,994</u>	<u>2,446,388,997</u>
Stockholders' equity	N/A	5,911,349,029	N/A	5,911,349,029	N/A	5,911,349,029
Book value per share ⁽¹⁾	N/A	5.08	N/A	2.54	N/A	1.21
Net income	N/A	639,107,292	N/A	639,107,292	N/A	639,107,292
Basic earnings per share ⁽²⁾	N/A	0.55	N/A	0.27	N/A	0.13

Notes:

- (1) Book value per share is computed by dividing stockholders' equity by total subscribed capital shares of stock.
- (2) Basic earnings per share is computed by dividing net income by total subscribed capital shares of stock.

Of the total increase in capital stock of 10,263,698,000 common shares at par value of ₱0.50 (or ₱5,131.9 million), the Sponsor subscribed to 2,565,924,658 Shares at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million in consideration for the assignment by the Company of its loans payable to the Sponsor as of November 30, 2020. The payment for the subscription was recorded as deposit for future subscription as of March 31, 2021. The Philippine SEC approved the application for the increase in authorized capital stock on July 2, 2021 after which the said deposit for future subscription was converted into capital stock thereby increasing the

Sponsor's shareholdings in the Company from 2,326,853,322 common shares with a par value of ₱0.50 per common share to 4,892,777,980 common shares with a par value of ₱0.50 per common share.

The effect of the assignment by the Company of its loans payable to the Sponsor in exchange for the Sponsor's subscription as described above, increased the Company's equity by ₱3,746.3 million and reduced its liabilities by the same amount. The assignment also reduced the interest expense of the Company, resulting in an increase in its cash balance. The following table sets forth the Company's selected financial information as of March 2021. The pro forma information is presented only to show the effect had the loans not been assigned to the Sponsor and had there been no subscription by the Sponsor. This information is not reflected in the financial statements of the Company as presented elsewhere in this REIT Plan. The tables should be read in conjunction with the Company's financial statements as of March 2021 and notes thereto, included in the REIT Plan.

As of and or the three months ended March 31, 2021			
	Audited	As Adjusted to Show Effect if Loans were not Assigned and Sponsor did not Subscribe	Movement
	₱ millions		
Current assets.....	12,171	12,124	(47) (a)
Non-current assets.....	10,910	10,910	—
Total assets.....	<u>23,081</u>	<u>23,034</u>	<u>(47)</u>
Current liabilities.....	9,993	10,944	952 (b)
Non-current liabilities.....	7,177	9,971	2,795 (b)
Total liabilities.....	<u>17,170</u>	<u>20,916</u>	<u>3,746 (c)</u>
Capital stock.....	1,163	1,163	—
Additional paid-in capital.....	103	103	—
Deposit for future subscription.....	3,746	—	(3,746) (c)
Retained earnings (beginning).....	260	260	—
Net income for the period.....	639	592	(47) (a)
Stockholders' equity.....	<u>5,911</u>	<u>2,118</u>	<u>(3,746)</u>
Total liabilities and equity.....	<u>23,081</u>	<u>23,034</u>	<u>(47)</u>

As of March 31, 2021		
	Actual	As Adjusted to Show Effect if Loans were not Assigned and Sponsor did not Subscribe
Issued shares before stock split (millions).....	1,163	1,163
Book value per share (₱).....	5.08	1.82
Earnings per share (₱).....	0.55	0.51
Issued shares after stock split (millions).....	2,327	2,327
Book value per share (₱).....	2.54	0.91
Earnings per share (₱).....	0.27	0.25
Current ratio.....	1.22	1.11
Solvency ratio.....	0.04	0.03
Debt-to-equity ratio.....	1.02	4.60
Asset-to-equity ratio.....	3.90	10.88
Interest rate coverage ratio.....	6.16	4.56
Earnings per share (₱).....	0.27	0.25
Return to revenue.....	1.01	4.59
EBITDA to total interest paid.....	6.51	4.49

Notes on the nature of movements:

- (a) *interest on the loan value computed at loan value of ₱3,746.3 million at 5.05% for 3 months, is not paid when loan is converted to equity*
- (b) *principal amortization on the ₱3,746.3 million loans, up to December 31 2021, amounting to ₱952 million will not be paid if loan is assigned to sponsor. This is adjusted in the current liability line. The balance is adjusted in the non-current liability line*
- (c) *the loan value amount of ₱3,746.3 million is recorded as deposit for future subscription due to assignment*

Notes on the computation of the Ratios :

Formula	As of March 31, 2021	
	Actual	As Adjusted to Show Effect if Loans were not Assigned and Sponsor did not Subscribe
(1) Current Ratio is computed by dividing the total current assets by total current liabilities.	1.22	1.11
Current assets (₱ millions)	12,171.42	12,124.12
Current liabilities (₱ millions)	9,992.77	10,944.44
(2) Solvency Ratio is computed by dividing net income plus depreciation and amortization by total liabilities.	0.04	0.03
Net income (₱ millions)	639.11	591.81
Depreciation (₱ millions)	121.83	121.83
Total liabilities (₱ millions)	17,169.61	20,915.86
(3) Debt to Equity Ratio is computed by dividing the Company's interest-bearing liabilities (loans payable, bonds payable and lease liabilities) by total equity.	1.02	4.60
Loans payable (₱ millions)	—	—
Bonds payable (₱ millions)	5,977.36	9,723.61
Lease liabilities (₱ millions)	27.4	27.4
Stockholders equity (₱ millions)	5,911.35	2,117.80
(4) Asset to Equity Ratio is computed by dividing the total assets by total equity.	3.90	10.88
Assets (₱ millions)	23,080.96	23,033.66
Stockholders equity (₱ millions)	5,911.35	2,117.80
(5) Interest Rate Coverage Ratio is computed by dividing earnings before interest and tax (derived as the sum of income before income tax, plus interest and other financing charges) by interest and other financing charges.	6.16	4.56
Income before income tax (₱ millions)	543.69	543.69
Interest and other financing charges (₱ millions)	105.34	152.64
Interest and other financing charges (₱ millions)	105.34	152.64
(6) Earnings per share is computed by dividing net income by the total outstanding shares.	0.27	0.25
Net income (₱ millions)	639.11	591.81
no of outstanding shares	2,326.85	2,326.85
(7) Return on Revenue is computed by dividing net income by the total revenue.	0.60	0.55
Net income (₱ millions)	639.11	591.81

Total Revenue (₱ millions)	1,068.50	1,068.50
(8) EBITDA to Total Interest Paid is computed by dividing EBITDA by interest and other financing charges	6.51	4.49
EBITDA (₱ millions)	685.97	685.97
Interest and other financing charges (₱ millions)	105.34	152.64
EBITDA or Earnings before Interest, Taxes, Depreciation and Amortization is further computed as follows		
Net Income	639.11	591.81
Add (less)		
Other Income (Charges)	20.44	67.74
Depreciation and amortization	121.83	121.83
Provision for Income tax	(95.41)	(95.41)
EBITDA	685.97	685.97
(9) Book Value per share is computed by dividing Stockholders Equity by the number of outstanding shares	2.54	0.91
Stockholders equity (₱ millions)	5,911.35	2,117.80
no of outstanding shares	2,326.85	2,326.85

**PRIOR SUBSCRIPTION BY THE SPONSOR IN THE COMPANY'S COMMON SHARES AT A
SUBSCRIPTION PRICE OF ₱1.46 PER SHARE**

On June 25, 2021, the Company's shareholders, approved amendments to its Articles of Incorporation which included a reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share (which resulted in each existing common share with a par value of ₱1.00 being converted into two common shares with a par value of ₱0.50) (the "**Stock Split**"), and an increase of the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. Of the total increase in capital stock of 10,263,698,000 common shares at par value of ₱0.50 (or ₱5,131.9 million), the Sponsor subscribed to 2,565,924,658 Shares at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million in consideration for the assignment by the Company of its loans payable to the Sponsor in connection with an agreement entered into on December 9, 2020 between the Company and the Sponsor (the "**Assignment of Loans**").

The subscription price of the Sponsor at ₱1.46 per share differs from the par value of each share at ₱0.50, as the subscription price reflects the book value per share of the Company as of December 31, 2020, as adjusted only to give effect to the Second Property Dividend declared by the Company on February 11, 2021. This is illustrated in the table below:

	<u>Before the Stock Split</u>	<u>After the Stock Split</u>
Authorized capital stock (shares).....	2,000,000,000	4,000,000,000
Paid-up capital stock (shares).....	1,163,426,668	2,326,853,336
Unissued capital stock (shares).....	836,573,332	1,673,146,664
Par value per share	₱1.00	₱0.50
Stockholders' equity as of December 31, 2020	₱5,106,064,860	₱5,106,064,860
Retained earnings intended for the Second Property Dividend.....	1,690,426,790	1,690,426,790
Adjusted equity.....	3,415,638,071	3,415,638,071
Adjusted book value per share (adjusted equity divided by paid-up capital)....	2.93	1.46

The Stock Split and increase in the Company's authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock were approved by the Philippine SEC on July 2, 2021. Thus, on July 2, 2021, the Sponsor was issued 2,565,924,658 common shares at ₱1.46 per share. The subscription by the Sponsor was preceded by a deposit for future subscription by the Sponsor at a total subscription price of ₱3,746.3 million as of March 31, 2021. This equity infusion by the Sponsor was considered necessary to support the transition of the Company to become a REIT company and to grow the Company's assets and business. After the Philippine SEC approved the application for the increase in the Company's authorized capital stock on July 2, 2021, the said deposit for future subscription was converted into capital stock thereby effecting the change in the Sponsor's shareholdings in the Company from 2,326,853,322 common shares with a par value of ₱0.50 per common share to 4,892,777,980 common shares with a par value of ₱0.50 per common share. The Sponsor's subscription decreased the Company's total liabilities and increased the Company's equity by ₱3,746.3 million as of March 31, 2021. For further details of this transaction, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Results of Operations—Property Disposals and Assignment of Loans*" and *Recent Developments—Change of Name and Increase in Authorized Capital Stock.*"

The Sponsor's subscription price of ₱1.46 per share represents a significant difference from the Offer Price. The Company's shares issued to the Sponsor are identical in all respects to the Offer Shares, except that the 2,565,924,658 Company shares subscribed to by the Sponsor cannot be sold, transferred, or encumbered for one year after the Listing Date as these shares are subject to the 365-day lock-up requirement under the PSE Listing Rules. See "*Plan of Distribution—Lock-Up*" in this REIT Plan. In contrast, the Offer Shares are immediately tradeable by investors from and after the Listing Date.

With its expected status as a public company from and after the Listing Date, the Company has formally adopted and explicitly recognizes that it will be subject to the stringent corporate governance obligations that apply to all PSE listed companies. The election of independent directors are part of such governance obligations and are among the measures that address concerns of minority shareholders as well as other stakeholders. Please see "*Board of Directors and Senior Management—Corporate Governance*" in this REIT Plan for further discussion.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables present summary financial information of the Company. This summary should be read in conjunction with the independent auditor's report and with the financial statements of the Company and notes thereto contained in this REIT Plan, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's summary financial information as of and for the years ended December 31, 2018, 2019, and 2020 and as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 was derived from the audited financial statements of the Company prepared in accordance with PFRS.

The Company's summary financial information below should not be considered indicative of the results of future operations.

The Company adopted PFRS 16, Leases, using modified retrospective approach with the initial date of application of January 1, 2019. Amounts presented in the statement of financial position and statement of comprehensive income as at and for the year ended December 31, 2018 are based on PAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Please refer to Note 2 of the Company's audited financial statements, which are included elsewhere in the REIT Plan, for the effect of the adoption of PFRS 16, Leases.

The Company adopted PIC Q&A 2018-12-H, Accounting for Common Usage Service Area (CUSA) charges, retrospectively with the initial date of application of January 1, 2021. The CUSA charges in the statement of comprehensive income for the three months ended March 31, 2021 and 2020 are presented at gross, while CUSA charges for the years ended December 31, 2020, 2019, and 2018 are presented at net of cost and expenses. Please refer to Note 2 of the Company's audited interim financial statements, which are included elsewhere in the REIT Plan, for the effect of the adoption of PIC Q&A 2018-12-H.

The translation of Peso amounts into U.S. dollars as of and for the period ended December 31, 2020 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos as of and for the year ended December 31, 2020 and amounts in Pesos as of and for the three months ended March 31, 2021 were converted to U.S. dollars using the BSP Reference Rate quoted on the BSP's Reference Exchange Rate Bulletin on March 31, 2021 of ₱48.550 = U.S.\$1.00. As of July 19, 2021, the Peso was at ₱50.25 against the U.S. dollar.

Statements of Comprehensive Income

	For the year ended December 31,				
	2017	2018	2019	2020	2020
			₱ millions (Audited)		U.S.\$ million (Unaudited)
Revenues and income					
Rental revenue	1,843.6	2,340.8	2,814.7	2,833.4	58.4
Others.....	86.4	14.6	87.1	274.4	5.7
	1,930.0	2,355.4	2,901.8	3,107.8	64.0
Costs and expenses					
Depreciation and amortization	223.8	274.3	372.2	441.0	9.1
Rental expense.....	226.9	281.0	305.2	298.0	6.1
Taxes and licenses.....	18.6	34.1	28.3	63.9	1.3
Manpower cost	12.4	8.6	12.9	34.0	0.7
Service and management fees	7.5	11.9	14.1	7.5	0.2
Advertising and marketing.....	4.8	14.6	—	—	—
Pension expense.....	0.2	0.8	0.4	0.5	0.0
Others.....	7.2	4.4	2.2	6.3	0.1
	501.4	629.8	735.3	851.1	17.5
Other income (charges)					
Gain on sale of investment property	—	—	—	65.0	1.3
Interest income	26.4	45.9	10.5	3.9	0.1
Interest and other financing charges	(102.5)	(155.1)	(230.5)	(351.4)	(7.2)
Other income (charges) – net	—	(0.5)	(2.6)	3.5	0.1
	(76.1)	(109.7)	(222.6)	(278.9)	(5.7)
Income before income tax	1,352.4	1,615.9	1,943.8	1,977.7	40.7
Provision for (benefit from) income tax					
Current	72.0	114.1	189.6	231.2	4.8
Deferred.....	96.9	91.5	119.8	(114.3)	(2.4)

	168.9	205.6	309.4	116.9	2.4
Net income	1,183.5	1,410.3	1,634.4	1,860.8	38.3
Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Remeasurement gain (loss) on retirement plan, net of deferred income tax.....	—	0.2	—	(1.1)	(0.0)
Total comprehensive income	1,183.5	1,410.5	1,634.4	1,859.8	38.4
Basic/Diluted Earnings per Share	₱0.51	₱0.61	₱0.70	₱0.80	N/A

	For the three months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		U.S.\$ million (Unaudited)
Revenues and income			
Rental revenue	762.8	710.1	14.6
Others.....	399.6	358.4	7.4
	1,162.4	1,068.5	22.0
Costs and expenses			
Utilities	192.9	155.2	3.2
Depreciation and amortization	115.1	121.8	2.5
Rental expense	78.7	65.7	1.4
Manpower and service cost.....	79.0	57.4	1.2
Repairs and maintenance.....	44.2	51.8	1.1
Taxes and licenses	31.5	32.5	0.7
Service and management fees	1.7	8.1	0.2
Insurance.....	1.0	9.2	0.2
Others.....	3.4	2.5	0.1
	547.5	504.4	10.4
Other income (charges)			
Gain on derecognition of lease liabilities.....	—	85.2	1.8
Interest income	2.5	0.7	0.0
Interest and other financing charges	(3.2)	(105.3)	(2.2)
Other income (charges) – net	(1.2)	(1.0)	(0.0)
	(1.9)	(20.4)	(0.4)
Income before income tax	613.0	543.7	11.2
Provision for (benefit from) income tax			
Current	51.7	50.7	1.0
Deferred.....	54.5	(146.1)	(3.0)
	106.2	(95.4)	(2.0)
Net income	506.8	639.1	13.2
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax	—	(0.1)	(0.0)
Total comprehensive income	506.8	639.0	13.2
Basic/Diluted Earnings per Share	₱0.22	0.27	N/A

Statements of Financial Position

	As of December 31,				
	2017	2018	2019	2020	2020
	₱ millions (Audited)				U.S.\$ million (Unaudited)
Current Assets					
Cash and cash equivalents	1,325.1	717.5	508.9	870.5	17.9
Receivables	1,062.1	527.0	775.5	830.1	17.1
Other current assets	107.9	133.1	981.1	1,171.3	24.1
	<u>2,495.1</u>	<u>1,377.7</u>	<u>2,265.4</u>	<u>2,872.0</u>	<u>59.2</u>
Noncurrent assets held for distribution		—	—	6,843.7	141.0
	<u>2,495.1</u>	<u>1,377.7</u>	<u>2,265.4</u>	<u>9,715.7</u>	<u>200.1</u>
Noncurrent Assets					
Advances to contractors	201.8	280.0	436.3	18.4	0.4
Investment properties	12,261.8	13,908.3	16,156.8	11,629.8	239.5
Property and equipment	37.0	39.6	55.0	68.4	1.4
Intangible assets.....	2,437.1	2,557.8	2,889.7	3,408.8	70.2
Other noncurrent assets	839.5	1,119.5	389.4	388.4	8.0
	<u>15,777.2</u>	<u>17,905.3</u>	<u>19,927.2</u>	<u>15,513.8</u>	<u>319.5</u>
Total Assets	<u>18,272.3</u>	<u>19,283.0</u>	<u>22,192.6</u>	<u>25,229.5</u>	<u>519.7</u>
Current Liabilities					
Accounts payable and accrued expenses	1,642.0	2,029.4	1,873.1	1,583.7	32.6
Loans payable – current portion.....	594.7	839.2	1,355.5	744.2	15.3
Lease liabilities – current portion.....	—	—	16.3	92.6	1.9
Security and other deposits – current portion.....	156.0	164.7	245.8	116.4	2.4
Dividend payable.....	—	—	348.3	6,611.9	136.2
Income tax payable.....	8.2	8.5	0.4	—	—
	<u>2,400.9</u>	<u>3,041.9</u>	<u>3,839.3</u>	<u>9,148.8</u>	<u>188.4</u>
Noncurrent Liabilities					
Loans payable – net of current portion	3,457.6	2,618.4	2,862.9	1,600.0	33.0
Bonds payable	5,936.2	5,948.9	5,961.6	5,974.2	123.1
Lease liabilities – net of current portion	—	—	267.2	2,097.5	43.2
Security and other deposits – net of current portion.....	480.5	642.4	707.5	732.7	15.1
Deferred tax liability – net	173.3	264.8	384.7	269.9	5.6
Other noncurrent liabilities.....	202.3	47.1	200.9	300.4	6.2
	<u>10,249.8</u>	<u>9,521.6</u>	<u>10,384.6</u>	<u>10,974.7</u>	<u>226.0</u>
Total Liabilities	<u>12,650.7</u>	<u>12,563.5</u>	<u>14,224.0</u>	<u>20,123.5</u>	<u>414.5</u>
Equity					
Capital stock	1,163.4	1,163.4	1,163.4	1,163.4	24.0
Additional paid-in capital.....	102.9	102.9	102.9	102.9	2.1
Deposit for future stock subscription.....	—	—	—	1,889.6	38.9
Appropriated retained earnings.....	3,500.0	5,000.0	6,300.0	—	—
Unappropriated retained earnings	854.3	452.1	401.2	1,950.1	40.2
Remeasurement gain on retirement plan.....	0.9	1.1	1.1	0.0	0.0
	<u>5,621.5</u>	<u>6,719.5</u>	<u>7,968.6</u>	<u>5,106.1</u>	<u>105.2</u>
Total Equity	<u>5,621.5</u>	<u>6,719.5</u>	<u>7,968.6</u>	<u>5,106.1</u>	<u>105.2</u>
Total Liabilities and Equity	<u>18,272.3</u>	<u>19,283.0</u>	<u>22,192.6</u>	<u>25,229.5</u>	<u>519.7</u>

Note:

- (1) The Company's statement of financial position as of December 31, 2017 was restated to reclassify the noncurrent portion of input VAT amounting to ₱557.2 million from "Other noncurrent assets". "Intangible assets", "Security and other deposits – current portion" and "Security and other deposits – non-current portion" were also presented as a separate line items to be consistent with the presentation of the Company's statement of financial position as of December 31, 2020.

	As of March 31,	
	2021 P millions (Audited)	2021 U.S.\$ million (Unaudited)
Current Assets		
Cash and cash equivalents	976.2	20.1
Receivables.....	1,272.7	26.2
Other current assets	1,115.5	23.0
	3,364.4	69.3
Noncurrent assets held for distribution	8,807.0	181.4
	12,171.4	250.7
Noncurrent Assets		
Advances to contractors	20.7	0.4
Investment properties	9,350.1	192.6
Property and equipment	74.6	1.5
Intangible assets.....	1,091.3	22.5
Other noncurrent assets	372.9	7.7
	10,909.5	224.7
Total Assets	23,081.0	475.4
Current Liabilities		
Accounts payable and accrued expenses	1,368.3	28.2
Lease liabilities – current portion.....	1.8	—
Security and other deposits – current portion.....	134.3	2.8
Dividend payable.....	8,302.3	171.0
	9,806.8	202.0
Liabilities directly related to noncurrent assets held for distribution	186.0	3.8
	9,992.8	205.8
Noncurrent Liabilities		
Bonds payable	5,977.4	123.1
Lease liabilities – net of current portion	25.6	0.5
Security and other deposits – net of current portion.....	723.0	14.9
Deferred tax liability – net	123.9	2.6
Other noncurrent liabilities.....	326.9	6.7
	7,176.8	147.8
Total Liabilities	17,169.6	353.6
Equity		
Capital stock	1,163.4	24.0
Additional paid-in capital.....	102.9	2.1
Deposit for future stock subscription.....	3,746.3	77.2
Retained earnings	898.8	18.5
Remeasurement gain on retirement plan.....	(0.0)	(0.0)
Total Equity	5,911.3	121.8
Total Liabilities and Equity	23,081.0	475.4

Statements of Cash Flows

	For the year ended December 31,				
	2017	2018	2019	2020	2020
		₱ millions (Audited)			U.S.\$ million (Unaudited)
Cash flows from operating activities					
Income before income tax	1,352.4	1,615.9	1,943.8	1,977.7	40.7
Adjustments for:					
Depreciation and amortization	253.3	311.2	418.8	486.1	10.0
Interest expense and other financing charges	102.5	155.1	230.5	351.4	7.2
Gain on sale of investment property	—	—	—	(65.0)	(1.3)
Gain on derecognition of lease liability	—	—	—	(5.8)	(0.1)
Pension expense.....	0.2	0.8	0.4	0.5	0.0
Interest income	(26.4)	(45.9)	(10.5)	(3.9)	(0.1)
Operating income before changes in operating assets and liabilities	1,682.0	2,037.1	2,583.0	2,740.9	56.5
Changes in operating assets and liabilities					
Decrease (increase) in:					
Receivables	(783.4)	522.6	(248.5)	(54.6)	(1.1)
Other current assets	(170.0)	(149.7)	(210.4)	(200.4)	(4.1)
Increase (decrease) in:					
Accounts payable and accrued expenses	302.0	531.7	(144.9)	(191.2)	(3.9)
Other current liabilities.....	(197.8)	8.7	81.1	(129.3)	(2.7)
Security and other deposits	—	(149.6)	65.1	25.2	0.5
Other noncurrent liabilities.....	246.2	155.8	153.4	97.5	2.0
Net cash generated from operations	1,079.1	2,956.6	2,278.8	2,287.9	47.1
Interest received.....	13.9	58.4	10.5	3.9	0.1
Income tax paid	(74.9)	(113.7)	(197.7)	(231.6)	(4.8)
Net cash provided by operating activities ..	1,018.0	2,901.2	2,091.6	2,060.2	42.4
Cash flows from investing activities					
Proceeds from:					
Sale of investment properties	—	—	—	737.8	15.2
Sale of ProOffice Works Services, Inc.	—	—	—	17.2	0.4
Additions to:					
Investment properties	(1,547.6)	(1,755.5)	(2,163.6)	(1,158.0)	(23.9)
Intangible assets.....	(797.4)	(113.4)	(172.5)	(241.0)	(5.0)
Property and equipment	(1.2)	(6.8)	(39.2)	(16.8)	(0.3)
Decrease (increase) in:					
Advances to contractors	220.9	(78.3)	(156.3)	97.6	2.0
Other noncurrent assets	(9.0)	(155.5)	(32.7)	88.0	1.8
Cash used in investing activities	(2,134.3)	(2,109.5)	(2,564.3)	(475.3)	(9.8)
Cash flows from financing activities					
Proceeds from availment of:					
Loans payable	300.0	—	2,100.0	1,000.0	20.6
Bonds payable	6,000.0	—	—	—	—
Payments of:					
Cash dividends.....	(383.9)	(312.5)	—	(348.3)	(7.2)
Principal portion of lease liability	—	—	(17.3)	(47.6)	(1.0)
Interest and transaction cost	(329.6)	(492.0)	(479.5)	(471.9)	(9.7)
Loans payable.....	(3,233.3)	(594.7)	(1,339.2)	(1,355.5)	(27.9)
Net cash provided by (used in) financing activities.....	2,353.1	(1,399.3)	264.0	(1,223.3)	(25.2)
Net increase (decrease) in cash and cash equivalents.....	1,236.8	(607.6)	(208.7)	361.7	7.4
Cash and cash equivalents at beginning of year	88.3	1,325.1	717.5	508.9	10.5
Cash and cash equivalents at end of year.....	1,325.1	717.5	508.9	870.5	17.9

	For the three months ended March 31,		
	2020	2021	2021
	P millions (Audited)		U.S.\$ million (Unaudited)
Cash flows from operating activities			
Income before income tax	613.0	543.7	11.2
Adjustments for:			
Depreciation and amortization	115.1	121.8	2.5
Interest expense and other financing charges	3.2	105.3	2.2
Gain on derecognition of lease liabilities.....	—	(85.2)	(1.8)
Interest income	(2.5)	(0.7)	(0.0)
Operating income before changes in operating assets and liabilities	728.7	685.0	14.1
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(103.3)	(31.8)	(0.7)
Other current assets	(151.1)	(51.1)	(1.1)
Increase (decrease) in:			
Accounts payable and accrued expenses	(59.8)	(158.4)	(3.3)
Security and other deposits	11.0	8.3	0.2
Other noncurrent liabilities.....	37.7	26.5	0.5
Net cash generated from operations	463.3	478.5	9.9
Interest received.....	2.5	0.7	0.0
Income tax paid	(13.3)	(50.7)	(1.0)
Net cash provided by operating activities	452.6	428.6	8.8
Cash flows from investing activities			
Additions to:			
Investment properties	(303.3)	(5.0)	(0.1)
Noncurrent asset held for distribution.....	—	(173.8)	(3.6)
Intangible assets.....	(194.7)	(60.4)	(1.2)
Property and equipment	(4.8)	(10.6)	(0.2)
Decrease (increase) in:			
Advances to contractors	29.6	(2.3)	(0.0)
Other noncurrent assets	(16.6)	15.5	0.3
Cash used in investing activities	(489.8)	(236.6)	(4.9)
Cash flows from financing activities			
Proceeds from availment of:			
Loans payable.....	500.0	—	—
Payments of:			
Principal portion of lease liability.....	(6.0)	(14.1)	(0.3)
Interest and transaction cost	(133.5)	(72.2)	(1.5)
Loans payable	(377.5)	—	—
Net cash provided by (used in) financing activities.....	(17.0)	(86.3)	(1.8)
Net increase (decrease) in cash and cash equivalents	(54.2)	105.7	2.2
Cash and cash equivalents at beginning of period	508.9	870.5	17.9
Cash and cash equivalents at end of period.....	454.7	976.2	20.1

Key Financial and Operating Data

Key Financial Figures and Ratios	As of or for the year ended December 31,				
	2017	2018	2019	2020	2020
		Actual			Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	1,843.6	2,340.8	2,814.7	2,833.4	2,474.4
Net Tenant Dues (in ₱ millions).....	57.2	(5.8)	54.8	219.3	254.1
Recurring Income (in ₱ millions) ⁽¹⁾	1,900.8	2,335.0	2,869.5	3,052.7	2,728.5
Gross Revenues	1,930.0	2,355.4	2,901.7	3,107.8	2,783.2
Recurring Income Contribution⁽¹⁾	98.5%	99.1%	98.9%	98.2%	98.0%
Current Assets (in ₱ millions)	2,495.1	1,377.7	2,265.4	9,715.7	2,815.4
Current Liabilities (in ₱ millions)	2,400.9	3,041.9	3,839.3	9,148.8	1,417.0
Current Ratio⁽²⁾	1.04x	0.45x	0.59x	1.06x	1.99x
Loans Payable (in ₱ millions)	4,052.3	3,457.6	4,218.4	2,344.2	—
Bonds Payable (in ₱ millions).....	5,936.2	5,948.9	5,961.6	5,974.2	5,974.2
Lease Liabilities (in ₱ millions).....	—	—	283.4	2,190.1	1,801.4
Total Debt (in ₱ millions).....	9,988.5	9,406.6	10,463.4	10,508.5	7,775.6
Total Equity (in ₱ millions)	5,621.4	6,719.4	7,968.5	5,106.0	5,360.0
Debt to Equity⁽³⁾	1.78x	1.40x	1.31x	2.06x	1.45x
Net Income (in ₱ millions).....	1,183.5	1,410.3	1,634.4	1,860.8	1,612.2
Return on Equity⁽⁴⁾	21.1%	21.0%	20.5%	36.4%	30.1%
Total Assets (in ₱ millions).....	18,272.3	19,283.0	22,192.6	25,229.5	15,318.1
Asset to Equity⁽⁵⁾	3.25x	2.87x	2.79x	4.94x	2.86x

Key Financial Figures and Ratios	As of or for the three months ended March 31,		
	2020	2021	2021
		Actual	Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	762.8	710.1	625.4
Net Tenant Dues (in ₱ millions).....	378.3	318.3	288.8
Recurring Income (in ₱ millions) ⁽¹⁾	1,141.1	1,028.4	914.2
Gross Revenues	1,162.4	1,068.5	954.2
Recurring Income Contribution⁽¹⁾	98.2%	96.2%	95.8%
Current Assets (in ₱ millions)	N/A	12,171.4	3,519.4
Current Liabilities (in ₱ millions)	N/A	9,992.8	1,461.6
Current Ratio⁽²⁾	N/A	1.22	2.41
Loans Payable (in ₱ millions)	N/A	—	—
Bonds Payable (in ₱ millions).....	N/A	5,977.4	5,977.4
Lease Liabilities (in ₱ millions).....	N/A	27.4	27.4
Total Debt (in ₱ millions).....	N/A	6,004.8	6,004.8
Total Equity (in ₱ millions)	N/A	5,911.3	5,984.2
Debt to Equity⁽³⁾	N/A	1.02	1.0
Net Income (in ₱ millions).....	506.8	639.1	485.9
Return on Equity⁽⁴⁾	N/A	10.8%	8.1%
Total Assets (in ₱ millions).....	N/A	23,081.0	14,236.3
Asset to Equity⁽⁵⁾	N/A	3.90	2.38

Key Operating Data	As of December 31,			As of March 31,
	2018	2019	2020	2021
Total GLA (sq.m.) of Properties	301,362	301,362	301,362	301,362
Total Occupancy Rate (leased buildings) (%) ⁽⁶⁾	90.6%	98.2%	91.1%	89.7%
Number of unique tenants of the Properties	70	73	67	64

Notes:

- (1) Recurring income is composed of rental revenues plus tenant dues (CUSA and aircon charges). Recurring income contribution measures the stability of the Company's income source and is derived by dividing recurring income by gross revenues.
- (2) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures the Company's ability to pay short-term obligations.

- (3) *Debt to equity ratio is derived by dividing the Company's interest-bearing liabilities (loans payable, bonds payable and lease liabilities) by total equity. Debt to equity ratio measures the degree of the Company's financial leverage.*
- (4) *Return on equity is derived by dividing net income by total equity. On an annualized basis, the return on equity of the Company as of and for the three months ended March 31, 2021 was 43.2%. On an annualized basis, the pro forma return on equity of the Company as of and for the three months ended March 31, 2021 was 32.5%.*
- (5) *Asset to equity ratio is derived by dividing total assets by total equity. Asset to equity ratio measures the Company's financial leverage and long-term solvency.*
- (6) *Calculated based on the ratio of Committed Leases of the Properties which have commenced on the specified lease term to total GLA of the Properties.*
- (7) *See "Presentation of Financial Information" and "Summary of Pro Forma Consolidated Financial Information" elsewhere in this REIT Plan.*

SELECTED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary pro forma financial information for the Company based on the financial statements of the Company, adjusted to give pro forma effect to the Property Disposals and Assignment of Loans, as if these occurred as of January 1 of each period presented, or December 31, 2020 or March 31, 2021, as applicable. This summary should be read in conjunction with the Company's audited financial statements and unaudited pro forma financial information and notes thereto contained in this REIT Plan and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The summary pro forma consolidated financial information does not purport to represent what the result of operations and financial position of the Company would actually have been had the Property Disposals and Assignment of Loans in fact occurred as of January 1 of each period presented, or December 31, 2020 or March 31, 2021, as applicable, nor do they purport to project results of operations or the financial position of the Company for any future period or date. For additional information regarding financial information presented in this REIT Plan, see "Presentation of Financial Information."

Pro Forma Consolidated Statement of Financial Position as of December 31, 2020

	As of December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
ASSETS			
Current Assets			
Cash and cash equivalents	870.5	—	870.5
Receivables	830.1	942.6	1,772.7
Other current assets	1,171.3	(999.2)	172.1
Noncurrent asset held for distribution	6,843.7	(6,843.7)	0.0
Total Current Assets	9,715.7	(6,900.3)	2,815.4
Noncurrent Assets			
Advances to contractors	18.4	(11.4)	7.0
Investment properties	11,629.8	(486.8)	11,143.0
Property and equipment	68.4	(1.9)	66.5
Intangible assets	3,408.8	(2,354.4)	1,054.5
Other noncurrent assets	388.4	(156.7)	231.7
Total Noncurrent Assets	15,513.8	(3,011.1)	12,502.7
Total Assets	25,229.5	(9,911.5)	15,318.1
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	1,583.7	(348.6)	1,235.2
Current portion of:			
Loans payable	744.2	(744.2)	—
Lease liabilities	92.6	(23.5)	69.1
Security and other deposits	116.4	(3.6)	112.8
Dividends payable	6,611.9	(6,611.9)	0.0
Total Current Liabilities	9,148.8	(7,731.8)	1,417.0
Noncurrent Liabilities			
Loans payable – net of current portion	1,600.0	(1,600.0)	—
Bonds payable	5,974.2	—	5,974.2
Lease liabilities – net of current portion	2,097.5	(365.2)	1,732.3
Security and other deposits – net of current portion	732.7	(96.4)	636.3
Deferred tax liability – net	269.9	(75.5)	194.5
Other noncurrent liabilities	300.4	(296.6)	3.8
	10,974.7	(2,433.6)	8,541.0
Total Liabilities	20,123.5	(10,165.4)	9,958.1
Equity			
Capital stock	1,163.4	—	1,163.4
Additional paid-in capital	102.9	—	102.9
Deposit for future subscription	1,889.6	1,856.7	3,746.3
Unappropriated retained earnings	1,950.1	(1,602.8)	347.4
Remeasurement gain on retirement plan	0.0	—	0.0

	As of December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
Total Equity	5,106.1	253.9	5,360.0
Total liabilities and total equity	25,229.5	(9,911.5)	15,318.1

For the purpose of the Company's pro forma consolidated statement of financial position as of December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred as of December 31, 2020. See the notes to the Company's pro forma consolidated statement of financial position as of December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Financial Position as of March 31, 2021

	As of March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	P millions		
ASSETS			
Current Assets			
Cash and cash equivalents	976.2	—	976.2
Receivables	1,272.7	1,127.9	2,400.6
Other current assets	1,115.5	(973.0)	142.5
	3,364.4	155.0	3,519.4
Noncurrent asset held for distribution	8,807.0	(8,807.0)	—
Total Current Assets	12,171.4	(8,652.1)	3,519.4
Noncurrent Assets			
Advances to contractors	20.7	(11.4)	9.2
Investment properties	9,350.1	(35.1)	9,315.0
Property and equipment	74.6	(1.7)	72.9
Intangible assets	1,091.3	—	1,091.3
Other noncurrent assets	372.9	(144.3)	228.6
Total Noncurrent Assets	10,909.5	(192.6)	10,716.9
Total Assets	23,081.0	(8,844.7)	14,236.3
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	1,368.3	(40.2)	1,328.1
Current portion of:			
Lease liabilities	1.8	—	1.8
Security and other deposits	134.3	(2.7)	131.7
Dividends payable	8,302.3	(8,302.3)	—
	9,806.8	(8,345.2)	1,461.6
Liabilities directly related to noncurrent assets held for distribution	186.0	(186.0)	—
Total Current Liabilities	9,992.8	(8,531.2)	1,461.6
Noncurrent Liabilities			
Bonds payable	5,977.4	—	5,977.4
Lease liabilities – net of current portion	25.6	—	25.6
Security and other deposits – net of current portion	723.0	(94.4)	628.6
Deferred tax liability – net	123.9	31.2	155.1
Other noncurrent liabilities	326.9	(323.1)	3.8
	7,176.8	(386.3)	6,790.5
Total Liabilities	17,169.6	(8,917.5)	8,252.1
Equity			
Capital stock	1,163.4	—	1,163.4
Additional paid-in capital	102.9	—	102.9
Deposit for future subscription	3,746.3	—	3,746.3
Retained earnings	898.8	72.8	971.6
Remeasurement gain on retirement plan	(0.0)	—	(0.0)
Total Equity	5,911.3	72.8	5,984.2
Total liabilities and total equity	23,081.0	(8,844.7)	14,236.3

For the purpose of the Company's pro forma consolidated statement of financial position as of March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred as of March 31, 2021. See the

notes to the Company's pro forma consolidated statement of financial position as of March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2020

	For the year ended December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
REVENUE			
Rental revenue	2,833.4	(359.0)	2,474.4
Others.....	274.4	34.5	308.8
	3,107.8	(324.5)	2,783.2
COSTS AND EXPENSES			
Depreciation and amortization	441.0	(60.9)	380.1
Rental expense	298.0	(30.0)	268.0
Taxes and licenses	63.9	(16.7)	47.2
Manpower cost	34.0	—	34.0
Service and management fees	7.5	(0.5)	7.0
Pension expenses	0.5	—	0.5
Others.....	6.3	(1.5)	4.8
	851.1	(109.5)	741.7
OTHER INCOME (CHARGES)			
Gain on sale of investment property	65.0	—	65.0
Interest income	3.9	(1.8)	2.1
Interest and other financing charges	(351.4)	152.2	(199.1)
Other financing charges.....	3.5	(1.1)	2.4
	(278.9)	149.3	(129.6)
INCOME BEFORE INCOME TAX	1,977.7	(65.7)	1,912.0
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	231.2	108.0	339.2
Deferred	(114.3)	74.9	(39.4)
	116.9	182.9	299.8
NET INCOME	1,860.8	(248.6)	1,612.2
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain on retirement plan, net of deferred income tax	(1.0)	—	(1.1)
	1,859.8	(248.6)	1,611.1
TOTAL COMPREHENSIVE INCOME	1,859.8	(248.6)	1,611.1

For the purpose of the Company's pro forma consolidated statement of comprehensive income for the year ended December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020, which is the beginning of the period presented. The pro forma consolidated statements of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of comprehensive income for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Comprehensive Income for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
REVENUE			
Rental revenue	710.1	(84.7)	625.4
Others.....	358.4	(29.5)	328.8
	1,068.5	(114.3)	954.2
COSTS AND EXPENSES			
Utilities	155.2	(22.4)	132.8
Depreciation and amortization	121.8	(17.2)	104.6
Rental expense	65.7	(6.8)	58.9
Taxes and licenses	32.5	(7.5)	25.0
Manpower and service cost	57.4	(7.6)	49.8
Repairs and maintenance.....	51.8	(7.3)	44.5
Service and management fees	8.1	(0.3)	7.9
Insurance.....	9.2	(0.8)	8.4
Others.....	2.5	(0.3)	2.2
	504.4	(70.3)	434.1
OTHER INCOME (CHARGES)			

For the three months ended March 31, 2021			
Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)	
P millions			
Gain on derecognition of lease liabilities.....	85.2	—	85.2
Interest income	0.7	—	0.7
Interest and other financing charges	(105.3)	4.5	(100.8)
Other financing charges.....	(1.0)	0.3	(0.6)
	(20.4)	4.8	(15.6)
INCOME BEFORE INCOME TAX.....	543.7	(39.2)	504.5
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current.....	50.7	(14.9)	35.8
Deferred.....	(146.1)	128.9	(17.2)
	(95.4)	114.0	18.6
NET INCOME.....	639.1	(153.2)	485.9
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain on retirement plan, net of deferred income tax	(0.1)	—	(0.1)
TOTAL COMPREHENSIVE INCOME.....	639.0	(153.2)	485.9

For the purpose of the Company's pro forma consolidated statement of comprehensive income for the three months ended March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2021, which is the beginning of the period presented. The pro forma consolidated statements of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of comprehensive income for the three months ended March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statement of Cash Flows for the Year Ended December 31, 2020

	For the year ended December 31, 2020		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	1,977.7	(65.7)	1,912.0
Adjustment for:			
Depreciation and amortization.....	486.1	(60.9)	425.2
Interest expense and other financing changes	351.4	(152.2)	199.1
Gain on sale of investment properties	(65.0)	—	(65.0)
Gain on derecognition of lease liability.....	(5.8)	—	(5.8)
Pension expense.....	0.5	—	0.5
Interest income.....	(3.9)	1.8	(2.1)
Operating income before changes in operating assets and liabilities	2,740.9	(277.1)	2,463.8
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(54.6)	50.2	(4.5)
Other current assets.....	(200.4)	7.9	(192.5)
Increase (decrease) in:			
Accounts and other payables	(191.2)	174.3	(16.9)
Other current liabilities.....	(129.3)	70.8	(58.5)
Security and other deposits.....	25.2	(3.6)	21.6
Other noncurrent liabilities	97.5	(97.5)	—
Net cash generated from operations	2,287.9	(75.0)	2,212.9
Interest received.....	3.9	(1.8)	2.1
Income tax paid	(231.6)	(108.0)	(339.6)
Net cash provided by operating activities	2,060.2	(184.8)	1,875.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of:			
Investment properties.....	737.8	—	737.8
ProOffice Work Services, Inc.....	17.2	—	17.2
Additions to:			
Investment properties.....	(1,158.0)	1,158.0	—
Intangible assets	(241.0)	241.0	—
Property and equipment.....	(16.8)	—	(16.8)
Decrease in:			
Advances to contractors.....	97.6	—	97.6
Other noncurrent assets.....	88.0	—	88.0
Net cash provided by (used in) investing activities	(475.3)	1,399.1	923.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment of:			
Loans payable	1,000.0	(1,000)	—
Payments of:			
Cash dividends.....	(348.3)	—	(348.3)
Principal portion of lease liability	(47.6)	22.1	(25.5)
Interest and transaction cost.....	(471.9)	210.8	(261.1)
Loans payable	(1,355.5)	1,355.5	—
Net cash provided by financing activities	(1,223.3)	588.3	(635.0)
OTHER PRO FORMA ADJUSTMENTS	—	(1,802.6)	(1,802.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS ...	361.7	—	361.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508.9	—	508.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	870.5	—	870.5

For the purpose of the Company's pro forma consolidated statement of cash flows for the year ended December 31, 2020, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020, the beginning of the period presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of cash flows for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021		
	Audited	Pro Forma Adjustments	Pro Forma Balances (Unaudited)
	₱ millions		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	543.7	(39.2)	504.5
Adjustment for:			
Depreciation and amortization.....	121.8	(17.2)	104.6
Interest expense and other financing changes	105.3	(4.5)	100.8
Gain on derecognition of lease liability.....	(85.2)	—	(85.2)
Interest income.....	(0.7)	—	(0.7)
Operating income before changes in operating assets and liabilities	685.0	(60.9)	624.1
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(31.8)	(53.0)	(84.9)
Other current assets.....	(51.1)	47.4	(3.7)
Increase (decrease) in:			
Accounts and other payables	(158.4)	116.8	(41.6)
Security and other deposits.....	8.3	2.0	10.3
Other noncurrent liabilities	26.5	(26.5)	—
Net cash generated from operations	478.5	25.7	504.2
Interest received.....	0.7	0	0.7
Income tax paid	(50.7)	14.9	(35.8)
Net cash provided by operating activities	428.6	40.6	469.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties.....	(5.0)	5.0	—
Noncurrent asset held for distribution	(173.8)	173.8	—
Intangible assets.....	(60.4)	60.4	—
Property and equipment.....	(10.6)	—	(10.6)
Decrease in:			
Advances to contractors.....	(2.3)	—	(2.3)
Other noncurrent assets.....	15.5	—	15.5
Net cash provided by (used in) investing activities	(236.6)	239.2	2.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the availment of:			
Loans payable	—	—	—
Payments of:			
Principal portion of lease liability	(14.1)	13.5	(0.6)
Interest and transaction cost.....	(72.2)	—	(72.2)
Loans payable	—	—	—
Net cash provided by financing activities	(86.3)	13.5	(72.7)
OTHER PRO FORMA ADJUSTMENTS	—	(293.3)	(293.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	105.7	—	105.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	870.5	—	870.5
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	976.2	—	976.2

For the purpose of the Company's pro forma consolidated statement of cash flows for the three months ended March 31, 2021, the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2021, the beginning of the period presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the Property Disposals and Assignment of Loans. See the notes to the Company's pro forma consolidated statements of cash flows three months ended March 31, 2021 included in this REIT Plan.

Pro Forma Consolidated Statements of Changes in Equity for the Year Ended December 31, 2020

	For the year ended December 31, 2020						Total
	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Appropriated Retained Earnings (Unaudited)	Unappropriated Retained Earnings	Remeasurement Gain (Loss) on Retirement Plan	
Balances at January 1, 2020	1,163.4	102.9	—	₱ millions 6,300.0	401.2	1.1	7,968.6
Pro Forma Comprehensive Income							
Pro Forma Net Income.....	—	—	—	—	1,612.2	—	1,612.2
Other Comprehensive Income.....	—	—	—	—	—	(1.1)	(1.1)
Total Pro Forma Comprehensive Income	—	—	—	—	1,612.2	(1.1)	1,611.1
Appropriations.....	—	—	—	(6,300.0)	6,300.0	—	—
Dividends declared.....	—	—	—	—	(6,611.9)	—	(6,611.9)
Deposit for future stock subscription.....	—	—	1,889.6	—	—	—	1,889.6
Pro Forma Adjustment.....	—	—	1,856.7	—	(1,354.1)	—	502.6
Balances at December 31, 2020	1,163.4	102.9	3,746.3	—	347.4	—	5,360.0

For the purpose of the Company's pro forma consolidated statement of changes in equity for the year ended December 31, 2020 the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020 which is the beginning of the period presented. See the notes to the Company's pro forma consolidated statement of changes in equity for the year ended December 31, 2020 included in this REIT Plan.

Pro Forma Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2021

	For the three months ended March 31, 2021						Total
	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Appropriated Retained Earnings (Unaudited)	Unappropriated Retained Earnings	Remeasurement Gain (Loss) on Retirement Plan	
Balances at January 1, 2021	1,163.4	102.9	1,889.6	—	1,950.1	—	5,106.1
Pro Forma Comprehensive Income							
Pro Forma Net Income.....	—	—	—	—	485.9	—	485.9
Other Comprehensive Income.....	—	—	—	—	—	(0.1)	(0.1)
Total Pro Forma Comprehensive Income	—	—	—	—	485.9	(0.1)	485.9
Dividends declared	—	—	—	—	(1,690.4)	—	(1,690.4)
Deposit for future stock subscription	—	—	1,856.7	—	—	—	1,856.7
Pro Forma Adjustments.....	—	—	—	—	226.0	—	226.0
Balances at March 31, 2021	1,163.4	102.9	3,746.3	—	971.6	—	5,984.2

For the purpose of the Company's pro forma consolidated statement of changes in equity for the three months ended March 31, 2021 the Property Disposals and Assignment of Loans are assumed to have occurred on January 1, 2020 which is the beginning of the period presented. See the notes to the Company's pro forma consolidated statement of changes in equity or the three months ended March 31, 2021 included in this REIT Plan.

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

The following discussion of the Company's financial results should be read in conjunction with the independent auditor's reports on the Company's audited financial statements and notes thereto, and the section entitled "Selected Financial and Operating Information." The Company's audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 were audited by SGV & Co. and prepared in compliance with PFRS. Such financial statements do not reflect the Property Disposals and the Assignment of Loans. See "Selected Pro Forma Consolidated Financial Information" for information relating to the consolidated financial statements of the Company, adjusted to give pro forma effect to the Property Disposals and Assignment of Loans, as if these had occurred as at January 1 of each of the periods presented, or December 31, 2020 or March 31, 2021, as applicable.

The following discussion contains forward-looking statements and reflects the Company's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements (see the section entitled "Forward-Looking Statements" in this REIT Plan) as a result of certain factors such as those set out in "Risk Factors" and elsewhere in this Prospectus. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this REIT Plan.

The translation of Peso amounts into U.S. dollars as of and for the period ended December 31, 2020 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos as of and for the year ended December 31, 2020 were converted to U.S. dollars using the BSP Reference Rate quoted on in the BSP's Reference Exchange Rate Bulletin on March 31, 2021 of ₱48.550 = U.S.\$1.00. As of July 19, 2021, the Peso was at ₱50.25 against the U.S. dollar.

OVERVIEW

Filinvest REIT is one of the largest providers of standard and build-to-suit BPO office spaces in the country, with a portfolio of 17 office buildings with an aggregate office space GLA of 299,158 sq.m. and 2,204 sq.m. of retail GLA as of the date of this REIT Plan.

The Company is a REIT formed primarily to own and invest in income-producing commercial portfolio of office and retail properties in the Philippines that meet the Company's investment criteria. Primarily, the Company will be the commercial REIT platform for the Filinvest Group. As a commercial REIT, the Company will focus on expanding its commercial properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. The Company offers its 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 support from the Sponsor, 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

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled "*Business and Properties – Investment Policy*" in this REIT Plan.

As of date of this REIT Plan, the Company's property portfolio consists of 17 fully operational office buildings that meet the Company's investment criteria. 16 office buildings are located at Northgate Cyberzone and one office building, Cebu Tower 1, is located in Filinvest Cyberzone Cebu, Cebu City, Cebu. Axis Tower 1 in Northgate Cyberzone and Cebu Tower 1 in Filinvest Cyberzone Cebu, also have retail components. The land on which the Northgate Cyberzone Properties are located is leased by the Company from the Sponsor, while Cebu Tower 1 and the land on which it is located is owned by the Cebu Provincial Government and operated by the Company under a BTO arrangement. The average remaining land lease term (weighted by GLA) of the Northgate Cyberzone Properties was 74.9 years as of March 31, 2021, while the remaining initial term of the BTO arrangement between the Company and the Cebu Provincial Government was 22.7 years as of March 31, 2021, renewable for another 25 years.

For the year ended December 31, 2020, the Gross Revenue (including other income) from all the Properties amounted to ₱3,107.8 million. For the three months ended March 31, 2021, the Gross Revenue (including other income) from all the Properties amounted to ₱1,068.5 million.

The Company's total assets and total liabilities were ₱25,229.5 million and ₱20,123.5 million, respectively, as of December 31, 2020. The Company's total revenues and income were ₱3,107.8 million and the Company's net income was ₱1,860.8 million for the year ended December 31, 2020. The Company's total assets and total liabilities were ₱23,081.0 million and ₱17,169.6 million, respectively, as of March 31, 2021. The Company's total revenues and income were ₱1,068.5 million and the Company's net income was ₱639.1 million for the three months ended March 31, 2021.

On a pro forma basis, taking into account the Property Disposals and the Assignment of Loans on December 9, 2020, the Company's pro forma total assets and pro forma total liabilities were ₱15,318.1 million and ₱9,958.1 million, respectively, as of December 31, 2020. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company's pro forma Gross Revenue was ₱2,783.2 million and the Company's pro forma net income was ₱1,612.2 million, for the year ended December 31, 2020. On a pro forma basis, taking into account the Property Disposals and the Assignment of Loans on December 9, 2020, the Company's pro forma total assets and pro forma total liabilities were ₱14,236.3 million and ₱8,252.1 million, respectively, as of March 31, 2021. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company's pro forma Gross Revenue was ₱954.2 million and the Company's pro forma net income was ₱485.9 million for the three months ended March 31, 2021. See "*—Property Disposals and Assignment of Loans*", "*Summary Pro Forma Financial Information*" and the unaudited pro forma financial information and related notes elsewhere in this REIT Plan for more information on these pro forma adjustments.

In addition, the Company's Net Asset Value per share as of March 31, 2021 was ₱5.08, whilst the Company's Net Asset Value per share as of March 31, 2021, as adjusted to give effect to the Property Disposal and the Assignment of Loans (including the reduction of the par value of the common shares), was ₱1.22. See "*Net Asset Value*" and "*Recent Developments—Change of Name and Increase in Authorized Capital Stock*" in this REIT Plan for more information.

FACTORS AFFECTING RESULTS OF OPERATIONS

The Company's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and which the Company expects to affect its financial results in the future. Factors other than those set forth below could also have a significant impact on the Company's results of operations and financial condition in the future.

Property Disposals and Assignment of Loan

In preparation for the Company's transition to a REIT company, the Sponsor and the Company identified and selected the Properties as the assets which will comprise the initial REIT portfolio based on the requirements of the REIT Law as well the Company's investment criteria. As such, the Sponsor and the Company determined that certain of the Company's assets (other than the Properties) will be transferred from the Company to the Sponsor in the form of property dividends or through assignment of rights. On December 4, 2020, the Company's Board approved the declaration of property dividends consisting of one building (which has been operational for less than three years) in Northgate Cyberzone (Axis Tower 2), two buildings under construction in Northgate Cyberzone (Axis Tower 3 and Axis Tower 4), and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020 (the "**First Property Dividend**"). On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, all of which have been identified for redevelopment, and (ii) Cebu Tower 2 in Filinvest Cyberzone Cebu, which has been operating for less than three years (the "**Second Property Dividend**", and together with the First Property Dividend, the "**Property Dividend**"). On February 11, 2021, the Company's Board also approved the transfer of its rights under its "build-transfer-operate" ("**BTO**") arrangement with the Cebu Provincial Government relating to two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor (the "**BTO Rights Transfer**", and collectively with the Property Dividend, the "**Property Disposals**"). The Philippine SEC's approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell.

The net income from the properties included in the First Property Dividend was earned and recognized as part of the Company's financial statements for the year ended December 31, 2020. The carrying value of the properties included in the First Property Dividend was ₱6,843.7 million and was classified as noncurrent assets held for distribution in the Company's financial statements as of December 31, 2020. The net income from the properties

included in the First Property Dividend was earned and recognized as part of the Company's financial statements for the three months ended March 31, 2021. The carrying value of the properties included in the First Property Dividend and the Second Property Dividend was ₱8,807.0 million and was classified as noncurrent assets held for distribution in the Company's financial statements as of March 31, 2021.

The Company had an authorized capital stock of ₱2,000,000,000 divided into 2,000,000,000 common shares with a par value of ₱1.00 per share, of which 1,163,426,668 common shares are issued and outstanding, as of March 31, 2021. On June 25, 2021, the Company's shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from "Cyberzone Properties, Inc." to "Filinvest REIT Corp.", (ii) reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. As part of the increase in authorized capital stock, the Sponsor will subscribe to 2,565,924,658 Shares as part of the consideration for the assignment by the Company of its loans payable amounting to ₱3,746.3 million to the Sponsor as further described below. The change in name of the Company, the reduction in the par value of its Shares and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021. As a result of such increase and the subscription to Shares by the Sponsor, 4,892,777,994 Shares are issued and outstanding as of the date of this REIT Plan.

On December 9, 2020, the Company and the Sponsor entered into an agreement, whereby the Company would assign to the Sponsor, its loans payable in the aggregate amount of ₱4,233.8 million, in consideration for the aggregate amount of ₱4,233.8 million to be paid by the Company, of which ₱3,746.3 million shall be converted by the Sponsor into equity of the Company. On March 12, 2021, the Company and the Sponsor entered into an agreement whereby a portion of the Sponsor's receivables from the Company will be converted to equity through the latter's subscription to 2,565,924,658 common shares of the Company at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million) (the "Assignment of Loans"). The increase in the Company's authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock was approved by the Philippine SEC on July 2, 2021.

The subscription price of the Sponsor at ₱1.46 per share pursuant to the Assignment of Loans is lower than the Offer Price of ₱7.00 per Share.

The Company's total assets and total liabilities were ₱25,229.5 million and ₱20,123.5 million, respectively, as of December 31, 2020. The Company's total revenues and income were ₱3,107.8 million and the Company's net income was ₱1,860.8 million for the year ended December 31, 2020. The Company's total assets and total liabilities were ₱23,081.0 million and ₱17,169.6 million, respectively, as of March 31, 2021. The Company's total revenues and income were ₱1,068.5 million and the Company's net income was ₱639.1 million for the three months ended March 31, 2021.

On a pro forma basis, taking into account the Property Disposals and the Assignment of Loans on December 9, 2020, the Company's pro forma total assets and pro forma total liabilities were ₱15,318.1 million and ₱9,958.1 million, respectively, as of December 31, 2020. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company's pro forma Gross Revenue was ₱2,783.2 million and the Company's pro forma net income was ₱1,612.2 million, for the year ended December 31, 2020. On a pro forma basis, taking into account the Property Disposals and the Assignment of Loans on December 9, 2020, the Company's pro forma total assets and pro forma total liabilities were ₱14,236.3 million and ₱8,252.1 million, respectively, as of March 31, 2021. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company's pro forma Gross Revenue was ₱954.2 million and the Company's pro forma net income was ₱485.9 million for the three months ended March 31, 2021.

In addition, the Company's Net Asset Value per share as of March 31, 2021 was ₱5.08, whilst the Company's Net Asset Value per share as of March 31, 2021, as adjusted to give effect to the Property Disposal and the Assignment of Loans (including the reduction of the par value of the common shares), was ₱1.22. See "Net Asset Value" and "Recent Developments—Change of Name and Increase in Authorized Capital Stock" in this REIT Plan for more information.

Please refer to the Company's pro forma financial information as of and for the year ended December 31, 2020 and as of and for the three months ended March 31, 2021 included in this REIT Plan for further details.

Growth of Leasing Operations

The Company believes that the expansion of its leasing portfolio is a primary factor driving its revenue growth and profitability. The Company started its commercial operation in 2001 with its first properties, Plaza A and Plaza B in Northgate Cyberzone, and continued to expand with Capital One (formerly known as HSBC Building) in 2005, and Plaza A in 2006, amongst others. Within the last five years, the Company commenced commercial operations at Vector Three in 2017 and Axis Tower 1 in 2018. As a result, the Company's rental revenue and other income increased from ₱1,930.0 million for the year ended December 31, 2017 to ₱3,107.8 million for the year ended December 31, 2020, representing a CAGR of 19.8%. For the three months ended March 31, 2021, the Company's rental revenue and other income was ₱1,068.5 million, compared to ₱1,162.4 million for the three months ended March 31, 2020. The Company's ability to secure additional prime commercial property will also affect its results of operations.

General Economic Conditions and Trends in the Philippines

All of the Company's properties are located in the Philippines and, as a result, its operations are significantly affected, and will continue to be significantly affected, by macroeconomic conditions in the Philippines. Demand for the Company's leasable properties are directly related to the strength of the Philippine economy, including overall growth levels and the amount of business activity in the Philippines. Further, the Company's office leasing operations performance and growth depends, on several factors, including the continued growth of the BPO sector, the completion of the transport infrastructure projects for improved access, and the general political stability and security situation in the Philippines.

Demand for Office Space by BPO Firms

The performance of the Company is driven principally by increased demand for office space from corporates, call centers and other BPO operators in the Philippines. It is not certain whether demand for office space by these firms will continue to remain high, as this demand is determined by, among other factors, overall levels of business activity in the Philippines and worldwide, as well as the relative cost of operating BPO facilities in the Philippines compared to other countries, such as India, and fiscal and other regulations imposed on operators such as POGOs. In addition, demand for the Company's commercial office space is affected by the relative cost of rents as compared to those owned by competitors such as Megaworld Corporation, SM Prime Holdings, Inc., Ayala Land, Inc. and Robinsons Land, Inc., by the supply of available office space in competing business districts (such as in the Makati City, Bonifacio Global City, and Ortigas Center business districts) and by the number of corporates and BPO firms that are willing to set up in the areas where the Company's commercial properties are located.

In recent years, the increase in POGOs has helped to maintain the demand for the Company's commercial office space. While the Company's policy is to award leases only to duly registered POGO operators that have secured licenses from PAGCOR, POGOs are subject to risks such as the Chinese government's crackdown on certain POGOs operating in the country due to alleged illegal activities connected with offshore gaming operations, immigration issues on illegally recruited and undocumented Chinese workers and tax evasion cases. Such risks expose POGOs to possible business closure resulting to pre-termination of their leases, which will lead to increased vacancy rates.

Further, the occurrence of events with widespread macroeconomic impact such as COVID-19 may significantly and accelerate change in the demand for office space, such as reduced demand for co-working spaces and increasing work-from-home arrangements which would dampen demand for large office spaces. JLL estimates the office space vacancy rate for Metro Manila was at 10.9% for 2020. JLL also believes that despite the expected improvement in demand for office space in 2021, office vacancy rates will remain above historical average levels as most offices will likely retain flexible work arrangements, resulting in additional vacant space. Further, according to JLL, the significant spaces vacated by POGO players in 2020 could spill over into 2021 and contribute to the upside in vacancy rates. Based on JLL's forecasts, office vacancy rate may reach 12.9% by the end of 2021.

Artificial Intelligence

The development of new technologies in the BPO sector such as artificial intelligence ("AI") may lead to lower demand for employment and office space for BPOs. In particular, AI technology has been developed to service basic customer calls and inquiries. As such, the continuous development and training of the Philippine workforce is critical to support the attractiveness of the Philippines as a BPO destination for multinational companies. The 2022 road map of the IT and Business Process Association of the Philippines identified that the low-level, first

tier skilled workforce at BPOs is undergoing skills development training to augment the growing demand for more personalized and complex calls that the current AI technology is unable to process or service effectively.

Regulatory Environment

The Company is subject to and relies on a number of Government regulations and initiatives affecting the BPO industry and office space leasing segment. For example, the Company and its lessees generally enjoy preferential tax rates on its properties as a result of the Government's thrust to spur the growth of the BPO industry through PEZA. The Company's growth prospects are directly connected to being able to continue to enjoy such preferential tax incentives to maintain its margins as well as market its properties to prospective tenants. The Company is also subject to other laws and regulations including the National Building Code, environmental regulations, and regulatory requirements prescribed by PEZA, amendments or breaches of which could lead to higher costs or expenses.

Recently, the BIR and PAGCOR have imposed stringent tax rules on POGOs which have resulted in some POGOs closing their operations in the Philippines. The Philippine Department of Finance has indicated that they will continue to investigate and strictly require all POGOs to pay all their taxes, including franchise taxes, and that only POGOs that have paid their taxes and been cleared by PAGCOR may resume operations. Additionally, Philippine government officials have called for closure or increased taxation or regulation of POGO operations.

The recently passed Bayanihan 2 Act includes revenue raising measures such as a 5% franchise tax on gaming operators, including gaming support providers, based on the higher of gross bets or turnovers or the agreed pre-determined minimum monthly revenues. Prior to the Bayanihan 2 Act, the 5% franchise tax was dependent on winnings, as the tax was imposed on the higher of gross gaming receipts or earnings, or the agreed or pre-determined minimum monthly revenues or income from gaming operations. Accordingly, basing the calculation of the 5% franchise tax on the higher of gross bets or turnovers or the agreed pre-determined minimum monthly revenues is expected to effectively increase tax liabilities, as the value of the bet itself considered as part of the tax base. The Bayanihan 2 Act further provides that all taxes currently imposed on POGOs must be computed based on the prevailing official exchange rate at the time of payment. The use of any other rate is considered fraudulent constituting under-declaration, which is penalized by interest, fines and penalties under the National Internal Revenue Code. As a result of these measures, POGOs are expected to become liable for more taxes, increasing the overall cost of their operations in the Philippines. By its terms, Bayanihan 2 Act revenue raising measures are effective (unless extended by the Philippine Congress) until the earlier of the lapse of two years or upon a determination that COVID-19 has been successfully contained or abated. On January 5, 2021, the Philippine Supreme Court issued a temporary restraining order (with one Justice dissenting) that prevents the government from implementing the revenue measures in the Bayanihan 2 Act described above. The order was effective on the date of its issuance and continues in effect until further orders from the Supreme Court. The Supreme Court has yet to make a final ruling on the legality of the relevant provisions of the Bayanihan 2 Act. See *"Risk Factors – The exit of POGOs from the Philippines may materially and adversely affect the Company's business and operations."*

Competition

The Company faces significant competition in the office leasing market in Metro Manila and Metro Cebu. The Company believes that it competes with companies in the office leasing industry such as Megaworld Corporation, SM Prime Holdings, Inc., Ayala Land, Inc., Robinsons Land, Inc and Eton Properties Philippines, Inc. in Metro Manila, and Ayala Land, Inc. and Megaworld Corporation in Metro Cebu. JLL estimates that the office supply in Metro Manila is expected to grow by 1.5 million sq.m. from 2021 to 2025, and that office supply in Metro Cebu is expected to grow by 358,950 sq.m. from 2021 to 2025.

The Company may have to compete on pricing to maintain its competitiveness, which may decrease its margins. The Company may also need to incur additional operating and capital expenditure to maintain or improve the quality of its Properties. Further, the increase in office supply, the effect of the COVID-19 pandemic on demand for office space, and potential downside risks to demand recovery may lead to slower or negative net absorption of tenants leading to higher vacancy rates and downward pressure on rental rates. For further details see *"Business and Properties - Competition"* and the industry report of JLL attached to this REIT Plan as Annex 3.

KEY FINANCIAL AND OPERATING INFORMATION

Key Financial Figures and Ratios	As of or for the year ended December 31,				
	2017	2018	2019	2020	2020
	Actual				Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	1,843.6	2,340.8	2,814.7	2,833.4	2,474.4
Net Tenant Dues (in ₱ millions).....	57.2	(5.8)	54.8	219.3	254.1
Recurring Income (in ₱ millions) ⁽¹⁾	1,900.8	2,335.0	2,869.5	3,052.7	2,728.5
Gross Revenues	1,930.0	2,355.4	2,901.7	3,107.8	2,783.2
Recurring Income Contribution⁽¹⁾	98.5%	99.1%	98.9%	98.2%	98.0%
Current Assets (in ₱ millions)	2,495.1	1,377.7	2,265.4	9,715.7	2,815.4
Current Liabilities (in ₱ millions)	2,400.9	3,041.9	3,839.3	9,148.8	1,417.0
Current Ratio⁽²⁾	1.04x	0.45x	0.59x	1.06x	1.99x
Loans Payable (in ₱ millions)	4,052.3	3,457.6	4,218.4	2,344.2	—
Bonds Payable (in ₱ millions).....	5,936.2	5,948.9	5,961.6	5,974.2	5,974.2
Lease Liabilities (in ₱ millions)	—	—	283.4	2,190.1	1,801.4
Total Debt (in ₱ millions).....	9,988.5	9,406.6	10,463.4	10,508.5	7,775.6
Total Equity (in ₱ millions)	5,621.4	6,719.4	7,968.5	5,106.0	5,360.0
Debt to Equity⁽³⁾	1.78x	1.40x	1.31x	2.06x	1.45x
Net Income (in ₱ millions).....	1,183.5	1,410.3	1,634.4	1,860.8	1,612.2
Return on Equity⁽⁴⁾	21.1%	21.0%	20.5%	36.4%	30.1%
Total Assets (in ₱ millions).....	18,272.3	19,283.0	22,192.6	25,229.5	15,318.1
Asset to Equity⁽⁵⁾	3.25x	2.87x	2.79x	4.94x	2.86x

Key Financial Figures and Ratios	As of or for the three months ended March 31,		
	2020	2021	2021
	Actual		Pro Forma ⁽⁷⁾
Rental Revenues (in ₱ millions).....	762.8	710.1	625.4
Net Tenant Dues (in ₱ millions).....	378.3	318.3	288.8
Recurring Income (in ₱ millions) ⁽¹⁾	1,141.1	1,028.4	914.2
Gross Revenues	1,162.4	1,068.5	954.2
Recurring Income Contribution⁽¹⁾	98.2%	96.2%	95.8%
Current Assets (in ₱ millions)	N/A	12,171.4	3,519.4
Current Liabilities (in ₱ millions)	N/A	9,992.8	1,461.6
Current Ratio⁽²⁾	N/A	1.22	2.41
Loans Payable (in ₱ millions)	N/A	—	—
Bonds Payable (in ₱ millions).....	N/A	5,977.4	5,977.4
Lease Liabilities (in ₱ millions)	N/A	27.4	27.4
Total Debt (in ₱ millions).....	N/A	6,004.8	6,004.8
Total Equity (in ₱ millions)	N/A	5,911.3	5,984.2
Debt to Equity⁽³⁾	N/A	1.02	1.0
Net Income (in ₱ millions).....	506.8	639.1	485.9
Return on Equity⁽⁴⁾	N/A	10.8%	8.1%
Total Assets (in ₱ millions).....	N/A	23,081.0	14,236.3
Asset to Equity⁽⁵⁾	N/A	3.90	2.38

Key Operating Data	As of December 31,			As of March 31,
	2018	2019	2020	2021
Total GLA (sq.m.) of Properties	301,362	301,362	301,362	301,362
Total Occupancy Rate (leased buildings) (%) ⁽⁶⁾	90.6%	98.2%	91.1%	89.7%
Number of unique tenants of the Properties	70	73	67	64

Notes:

- (1) *Recurring income is composed of rental revenues plus tenant dues (CUSA and aircon charges). Recurring income contribution measures the stability of the Company's income source and is derived by dividing recurring income by gross revenues.*
- (2) *Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures the Company's ability to pay short-term obligations.*
- (3) *Debt to equity ratio is derived by dividing the Company's interest-bearing liabilities (loans payable, bonds payable and lease liabilities) by total equity. Debt to equity ratio measures the degree of the Company's financial leverage.*
- (4) *Return on equity is derived by dividing net income by total equity. On an annualized basis, the return on equity of the Company as of and for the three months ended March 31, 2021 was 43.2%. On an annualized basis, the pro forma return on equity of the Company as of and for the three months ended March 31, 2021 was 32.5%.*
- (5) *Asset to equity ratio is derived by dividing total assets by total equity. Asset to equity ratio measures the Company's financial leverage and long-term solvency.*
- (6) *Calculated based on the ratio of Committed Leases of the Properties which have commenced on the specified lease term to total GLA of the Properties.*
- (7) *See "Presentation of Financial Information" and "Summary of Pro Forma Consolidated Financial Information" elsewhere in this REIT Plan.*

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of the Company's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how the Company's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the Company has identified the critical accounting policies discussed below. While the Company believes that all aspects of its financial statements should be studied and understood in assessing its current and expected financial condition and results of operations, it believes that the following critical accounting policies warrant particular attention. For more information, see Note 2 and Note 3 respectively, to the Company's consolidated financial statements included in this REIT Plan.

ASSETS AND LIABILITIES RECOGNITION

Effective January 1, 2019, the Company adopted the new asset recognition standard, PFRS 16, *Leases*, under the modified retrospective approach. The adoption of PFRS 16 resulted in significant changes in the Company's accounting policy for leases, including the following matters that involve application of significant judgment and estimation: (1) identification of the lease contracts that would meet the requirements of PFRS 16; (2) application of the short-term and low value assets exemption; (3) the selection of the transition approach; and (4) any election of available practical expedients.

The adoption of PFRS 16 resulted in the recognition of right-of-use assets and lease liabilities amounting to ₱166.5 million and ₱283.4 million, respectively, as of December 31, 2019, ₱2,011.2 million and ₱2,190.1 million as of December 31, 2020, and ₱20.1 million and ₱27.4 million as of March 31, 2021.

ASSET IMPAIRMENT

On January 1, 2018, the Company adopted the final version of PFRS 9, *Financial Instruments*. The Company has already adopted the 2010 version of the standard effective January 1, 2011. The final version of PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement* and the 2009, 2010 and 2013 versions of PFRS 9, provides the revised principles for classifying financial assets and introduces a forward-looking expected credit loss ("ECL") model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Company adopted the modified retrospective approach in adopting PFRS 9.

FAIR VALUE ACCOUNTING FOR INVESTMENT PROPERTIES

The audited financial statements of the Company included in this REIT Plan have been prepared using the historical cost basis. The Company may opt to account for its investment properties using the fair value model, subject to the evaluation of its management together with the Fund Manager. For this purpose, fair value can be defined as the price that would be realized in the sale of an asset or payment for the transfer of a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of investment property, the Company shall ensure that the fair value reflects, among other things, rental income from

current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

Should the Company adopt the fair value model, the Company expects that that such change will impact its financial statements as follows:

- a. The change in accounting policy shall be applied retrospectively and the Company shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. In the case of the Company, should it opt to change its accounting policy for investment properties from the cost model to the fair value model as of December 31, 2021, the related financial reports as of and for the years ended December 31, 2020 and 2019 will have to be restated as if the investment properties have always been accounted using fair value model.
- b. The change in accounting policy may result to the following changes in the statement of financial position: (a) increase or decrease in investment properties to account for fair value changes; (b) increase or decrease in retained earnings for the effects of the fair value changes and derecognition of depreciation recognized in the current and comparative periods presented; and, (c) increase or decrease in deferred tax assets or liability.
- c. The change in accounting policy may result to the following changes in the statement of comprehensive income: (a) decrease in depreciation and amortization expense; (b) increase or decrease in other income arising from gain or loss on fair value changes; and, (c) increase or decrease in provision for income tax.
- d. The change in accounting policy shall have no impact on the Company's statement of cashflows.
- e. The change to accounting policy will only impact the accounting income and shall not have an impact on the Company's taxable income. Taxable income shall continue to include as part of its deductible expense the depreciation and amortization on investment property. The difference between accounting income and taxable income will be shown as a reconciling item in the income tax return.

The fair value model of accounting for investment properties, should there be no losses from fair value changes, is expected to be beneficial to the investors, as it will allow the Company to declare higher dividends since there is no recognition of depreciation and amortization expenses which reduces retained earnings.

DESCRIPTION OF STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The tables below set out the comprehensive income of the Company for each of the years ended December 31, 2017, 2018, 2019 and 2020 and for each of the three months ended March 31, 2020 and 2021.

Statements of Comprehensive Income

	For the year ended December 31,				
	2017	2018	2019	2020	2020
	₱ millions (Audited)			U.S.\$ million (Unaudited)	
Revenues and income					
Rental revenue	1,843.6	2,340.8	2,814.7	2,833.4	58.4
Others.....	86.4	14.6	87.1	274.4	5.7
	1,930.0	2,355.4	2,901.8	3,107.8	64.0
Costs and expenses					
Depreciation and amortization	223.8	274.3	372.2	441.0	9.1
Rental expense	226.9	281.0	305.2	298.0	6.1
Taxes and licenses.....	18.6	34.1	28.3	63.9	1.3
Manpower cost	12.4	8.6	12.9	34.0	0.7
Service and management fees	7.5	11.9	14.1	7.5	0.2
Advertising and marketing	4.8	14.6	—	—	—
Pension expense.....	0.2	0.8	0.4	0.5	0.0
Others.....	7.2	4.4	2.2	6.3	0.1
	501.4	629.8	735.3	851.1	17.5
Other income (charges)					
Gain on sale of investment property	—	—	—	65.0	1.3
Interest income	26.4	45.9	10.5	3.9	0.1
Interest and other financing charges	(102.5)	(155.1)	(230.5)	(351.4)	(7.2)

Other income (charges) - net.....	—	(0.5)	(2.6)	3.5	0.1
	(76.1)	(109.7)	(222.6)	(278.9)	(5.7)
Income before income tax	1,352.4	1,615.9	1,943.8	1,977.7	40.7
Provision for (benefit from) income tax					
Current	72.0	114.1	189.6	231.2	4.8
Deferred	96.9	91.5	119.8	(114.3)	(2.4)
	168.9	205.6	309.4	116.9	2.4
Net income	1,183.5	1,410.3	1,634.4	1,860.8	38.3
Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Remeasurement gain (loss) on retirement plan, net of deferred income tax.....	—	0.2	—	(1.1)	(0.0)
Total comprehensive income	1,183.5	1,410.5	1,634.4	1,859.8	38.4
Basic/Diluted Earnings per Share	₱0.51	₱0.61	₱0.70	₱0.80	N/A

	For the three months ended March 31,		
	2020	2021	2021
	₱ millions (Audited)		U.S.\$ million (Unaudited)
Revenues and income			
Rental revenue	762.8	710.1	14.6
Others.....	399.6	358.4	7.4
	1,162.4	1,068.5	22.0
Costs and expenses			
Utilities	192.9	155.2	3.2
Depreciation and amortization	115.1	121.8	2.5
Rental expense	78.7	65.7	1.4
Manpower and service cost	79.0	57.4	1.2
Repairs and maintenance.....	44.2	51.8	1.1
Taxes and licenses	31.5	32.5	0.7
Service and management fees	1.7	8.1	0.2
Insurance.....	1.0	9.2	0.2
Others.....	3.4	2.5	0.1
	547.5	504.4	10.4
Other income (charges)			
Gain on derecognition of lease liabilities.....	—	85.2	1.8
Interest income	2.5	0.7	0.0
Interest and other financing charges	(3.2)	(105.3)	(2.2)
Other income (charges) - net.....	(1.2)	(1.0)	(0.0)
	(1.9)	(20.4)	(0.4)
Income before income tax	613.0	543.7	11.2
Provision for (benefit from) income tax			
Current	51.7	50.7	1.0
Deferred	54.5	(146.1)	(3.0)
	106.2	(95.4)	(2.0)
Net income	506.8	639.1	13.2
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax	—	(0.1)	(0.0)
Total comprehensive income	506.8	639.0	13.2
Basic/Diluted Earnings per Share	₱0.22	0.27	N/A

See “Business and Properties – The Properties” for a breakdown of rental income and other financial information of each Property. See “Summary Pro Forma Financial Information”, “Selected Pro Forma Financial Information” and the unaudited pro forma financial information and the notes thereto included in this REIT Plan describing the adjustments and pro forma effect of the Property Disposals and Assignment of Loans to the Company’s financial information.

Rental revenue

The Company is in the business of leasing its investment property portfolio. Rental revenue comprises the amounts payable by all tenants for occupying the properties of the Company pursuant to lease agreements and earned by the Company on its properties, and any other property the Company may acquire, as reflected in the audited financial statements of the Company. Rental income is recognized on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of tenants, as provided under the terms of the lease contract.

Others

Other income is composed of tenant reimbursements and other miscellaneous income from rental facilities. The account also includes service fee income recognized from service agreements with the Company's affiliates.

Depreciation and amortization

Depreciation and amortization comprises depreciation expenses related to intangible assets, investment properties, and property and equipment and amortization expenses related to other current assets and other noncurrent assets.

Rental expense

Rental expense is based on the terms of the land lease agreements which is computed as a fixed monthly rent or percentage share from rental income, whichever is higher.

Taxes and licenses

Taxes and licenses include tax and licenses expenses related to the real property tax, business permit and documentary stamp tax.

Service and management fees

The Company's service and management fees include outsourced manpower costs, professional fees, and other service fees necessary in general administration of the Company's operations.

Advertising and marketing

The Company's marketing expenses primarily consist of commissions paid to brokers or service providers in relations to acquisition of tenants or awarding of leases to customers-tenants, and marketing expenses relating to the advertisement and promotion of the Company's projects.

Manpower cost

The Company's manpower cost include salaries, wages and other benefits of its employees.

Pension expense

The Company's pension expenses are costs related to the Company's noncontributory, unfunded defined benefit pension plan covering substantially all of its officers and regular employees. The Company accrues such retirement costs based on an actuarially determined amount using the projected unit credit ("PUC") method.

Others (Costs and expenses)

The Company's other cost and expenses include interest and penalties, gain or loss on disposal of assets and other miscellaneous expenses.

Interest income

The Company's interest income primarily comprises of interest earned from the Company's cash in banks and cash in short-term placements. Interest income also includes advances to related parties and penalties from late rental payments.

Interest and other financing charges

Interest expense of the Company is related to the interest accreted on security deposits. Security Deposits from lessees represent cash received in advance equivalent to three to twelve months of rent which shall be refunded to lessees at the end of lease term after being cleared of their accountabilities to the Company. These are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Provision for income taxes (current)

Current tax is measured at the amount expected to be recovered or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

Provision for income taxes (deferred)

Deferred tax is provided on all temporary differences in income and expense recognition between tax laws and financial reporting purposes.

RESULTS OF OPERATIONS

Three months ended March 31, 2021 compared with the three months ended March 31, 2020

Revenues and income

The Company's total revenues and income decreased by ₱93.9 million or 8.1% from ₱1,162.4 million for the three months ended March 31, 2020 to ₱1,068.5 million (U.S.\$22.0 million) for the three months ended March 31, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱52.7 million or 6.9% from ₱762.8 million for the three months ended March 31, 2020 to ₱710.1 million (U.S.\$14.6 million) for the three months ended March 31, 2021, and the decrease in other income by ₱41.2 million or 10.3% from ₱399.6 million for the three months ended March 31, 2020 to ₱358.4 million (U.S.\$7.4 million) for the three months ended March 31, 2021. The decrease in revenues and other income was caused by the pre-termination of leases by certain tenants in the second half of 2020. The Company expects new tenants to lease out the vacated office spaces.

Costs and expenses

The Company's consolidated costs and expenses decreased by ₱43.2 million or 7.9% from ₱547.5 million for the three months ended March 31, 2020 to ₱504.4 million (U.S.\$10.4 million) for the three months ended March 31, 2021, primarily due to decrease in utilities expenses, rental expenses, and manpower and service costs as a result of the community quarantine measures implemented in Metro Manila in the first quarter of 2021.

The Company's utilities expenses decreased by ₱37.7 million, or 19.5%, to ₱155.2 million (U.S.\$3.2 million) for the three months ended March 31, 2021 compared to ₱192.9 million for the three months ended March 31, 2020. The decrease in utilities expenses was mainly due to lower utilities expenses as a result of the community quarantine measures implemented in Metro Manila in the first quarter of 2021.

The Company's depreciation and amortization expenses increased by ₱6.8 million, or 5.9%, to ₱121.8 million (U.S.\$2.5 million) for the three months ended March 31, 2021 compared to ₱115.1 million for the three months ended March 31, 2020. The increase in depreciation was mainly due to additions of property and equipment and building improvements recognized during in the first quarter of 2021.

The Company's rental expense decreased by ₱13.0 million, or 16.6%, to ₱65.7 million (U.S.\$1.4 million) for the three months ended March 31, 2021 compared to ₱78.7 million for the three months ended March 31, 2020. The decrease was primarily due to the effect of the minimum guaranteed rent of the Company's land lease with FLI being expensed as part of amortization and interest expense (instead of rent expense) in accordance with PFRS 16.

The Company's taxes and licenses expenses increased by ₱1.0 million, or 3.3%, to ₱32.5million (U.S.\$0.7 million) for the three months ended March 31, 2021 compared to ₱31.5 million for the three months ended March 31, 2020. The increase was mainly due to higher business permit fees and documentary stamp taxes paid in the first quarter of 2021.

The Company's service and management fees increased by ₱6.4 million, or 378.5%, to ₱8.1 million (U.S.\$0.2 million) for the three months ended March 31, 2021 compared to ₱1.7 million for the three months ended March 31, 2020. The increase was mainly due to service fees charged by CTI for Information and Technology and additional fees billed by FAI during the year for shared SCM services.

The Company's manpower and service cost decreased by ₱21.6 million, or 27.3%, to ₱57.4 million (U.S.\$1.2 million) for the three months ended March 31, 2021 compared to ₱79.0 million for the three months ended March 31, 2020. The decrease was due to lower manpower costs incurred during the first quarter of 2021 as a result of the community quarantine measures implemented in Metro Manila.

The Company's repairs and maintenance cost increased by ₱7.6 million, or 17.2%, to ₱51.8 million (U.S.\$1.1 million) for the three months ended March 31, 2021 compared to ₱44.2 million for the three months ended March 31, 2020. The increase was mainly due to comprehensive maintenance service for air conditioning units of buildings and repairs for plumbing incurred only during the year.

The Company's insurance expense increased by ₱8.2 million, or 794.3%, to ₱9.2 million (U.S.\$0.2million) for the three months ended March 31, 2021 compared to ₱1.0 million for the three months ended March 31, 2020. The increase was mainly due to insurance of new buildings.

Other income (charges)

The Company recognized gain on derecognition of lease liabilities amounting to ₱85.2 million (U.S.\$1.8 million) for the three months ended March 31, 2021, which relate to lease liabilities for the properties in Northgate Cyberzone which are caused by the execution of an amended lease contract between FLI and the Company with respect to properties in Northgate Cyberzone, and the right-of use assets relating to Cebu Tower 3 and 4 assigned to FLI.

The Company's interest income decreased by ₱1.8 million, or 72.6%, to ₱0.7 million (U.S.\$14.2 thousand) for the three months ended March 31, 2021 compared to ₱2.5 million for the three months ended March 31, 2020. The decrease was mainly due to lower interest income from money market instruments and the Company's waiver of interest and penalties for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱102.1 million, or 3,200.7%, to ₱105.3 million (U.S.\$2.2 million) for the three months ended March 31, 2021 compared to ₱3.2 million for the three months ended March 31, 2020. The increase was mainly due to recognition of non-capitalized interest expense on the Company's bonds payable.

Income before Income Tax

The Company's income before income tax for the three months ended March 31, 2021 was ₱543.7 million (U.S.\$11.2 million), a decrease of ₱69.3 million or, 11.3%, from its income before income tax of ₱613.0 million recorded for the three months ended March 31, 2020.

Provision for (benefit from) Income Tax

The Company recognized a benefit from income tax of ₱95.4 million (U.S.\$2.0 million) for the three months ended March 31, 2021, compared to a provision for income tax of ₱106.2 million for the three months ended March 31, 2020, because of the recognition of a benefit from deferred income tax of ₱146.1 million for the three months ended March 31, 2021 compared to a provision for deferred income tax of ₱54.5 million for the three months ended March 31, 2020. Provision for current income tax decreased by 2.0% or ₱1.0 million due to lower taxable income.

Net Income

As a result of the foregoing, net income increased by 26.1% or ₱132.3 million from ₱506.8 million for the three months ended March 31, 2020 to ₱639.1 million (U.S.\$13.2 million) for the three months ended March 31, 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019

Revenues and income

The Company's total revenues and income increased by ₱206.1 million or 7.1% from ₱2,901.7 million for the year ended December 31, 2019 to ₱3,107.8 million (U.S.\$64.0 million) for the year ended December 31, 2020.

The growth in total revenues was driven by the increase in rental revenue by ₱18.7 million or 0.7% from ₱2,814.7 million to ₱2,833.4 million, and the increase in other income by ₱187.3 million or 215.2% from ₱87.1 million to ₱274.4 million. The increase in revenue resulted from full year income recognition from spaces awarded to top multinational BPO and ROHQ tenants in 2020, and the increase in net tenant reimbursement due to lower chargeable expenses during the year as a result of lower actual electricity and water consumption in the facilities and common areas of the Company's properties as a result of the implementation of community quarantine measures in 2020.

Costs and expenses

The Company's consolidated costs and expenses increased by ₱115.8 million or 15.8% from ₱735.3 million for the year ended December 31, 2019 to ₱851.1 million (U.S.\$17.5 million) for the year ended December 31, 2020, primarily due to increases in depreciation, rental expenses and taxes and licenses.

The Company's depreciation and amortization expenses increased by ₱68.8 million, or 18.5%, to ₱441.0 million (U.S.\$9.1 million) for the year ended December 31, 2020 compared to ₱372.2 million for the year ended December 31, 2019. The increase in depreciation was mainly due to additions of property and equipment and building improvements, and amortization of right-of-use assets recognized during the year in relation to the Company's land leases with FLI in Northgate Cyberzone.

The Company's rental expense decreased by ₱7.2 million, or 2.4%, to ₱298.0 million (U.S.\$6.1 million) for the year ended December 31, 2020 compared to ₱305.2 million for the year ended December 31, 2019. The decrease was primarily due to the effect of the minimum guaranteed yearly rent of the Company's land lease with FLI being expensed as part of amortization and interest expense (instead of rental expense) in accordance with PFRS 16, *Leases*.

The Company's taxes and licenses expenses increased by ₱35.6 million, or 125.6%, to ₱63.9 million (U.S.\$1.3 million) for the year ended December 31, 2020 compared to ₱28.3 million for the year ended December 31, 2019. The increase was mainly due to higher business permit and documentary stamp taxes paid during the current period.

The Company's service and management fees decreased by ₱6.6 million, or 47.0%, to ₱7.5 million (U.S.\$0.2 million) for the year ended December 31, 2020 compared to ₱14.1 million for the year ended December 31, 2019. The decrease was mainly due to the transfer of employees from FAI to the Company, resulting in lower service fees billed.

The Company's manpower costs increased by ₱21.1 million, or 162.7%, to ₱34.0 million (U.S.\$0.7 million) for the year ended December 31, 2020 compared to ₱12.9 million for the year ended December 31, 2019. The increase was mainly due to newly hired employees of the Company and employees transferred from FAI to the Company during the year.

The Company's pension expense increased by ₱73.4 thousand, or 17.7%, to ₱0.5 million (U.S.\$10.0 thousand) for the year ended December 31, 2020 compared to ₱0.4 million for the year ended December 31, 2019. The increase was mainly due to higher service and interest cost recognized during the year.

Other income (charges)

The Company recognized gain on sale of investment property amounting to ₱65.0 million (U.S.\$1.3 million) for the year ended December 31, 2020, as a result of the sale of its land in South Road Properties, Cebu City.

The Company's interest income decreased by ₱6.6 million, or 62.7%, to ₱3.9 million (U.S.\$0.1 million) for the year ended December 31, 2020 compared to ₱10.5 million for the year ended December 31, 2019. The decrease was mainly due to lower interest income from money market instruments and interest and penalties waived for late payment of rentals by tenants.

The Company's interest expense and other financing charges increased by ₱120.8 million, or 52.4%, to ₱351.4 million (U.S.\$7.2 million) for the year ended December 31, 2020 compared to ₱230.5 million for the same period in 2019. The increase was mainly due to additional interest expense from the Company's loan availment of ₱1.0 billion during the year.

Income before Income Tax

The Company's income before income tax for the year ended December 31, 2020 was ₱1,977.7 million (U.S.\$40.8 million), an increase of ₱33.9 million or, 1.8%, from its income before income tax of ₱1,943.8 million recorded for the year ended December 31, 2019.

Provision for Income Tax

Provision for income tax decreased by 62.2% or ₱192.5 million from ₱309.4 million for the year ended December 31, 2019 to ₱116.9 million (U.S.\$2.4 million) for the year ended December 31, 2020 because of lower provision for deferred income tax, which decreased by 195.4% or ₱234.1 million mainly due to closing of deferred taxes related to buildings included in the property dividends during the year. Provision for current income tax increased by 21.9% or ₱41.6 million due mainly to higher taxable income.

Net Income

As a result of the foregoing, net income increased by 13.9% or ₱226.4 million from ₱1,634.4 million for the year ended December 31, 2019 to ₱1,860.8 million (U.S.\$38.3 million) for the year ended December 31, 2020.

Year ended December 31, 2019 compared with year ended December 31, 2018

Revenues and income

The Company's total revenues and income increased by ₱546.4 million or 23.2% from ₱2,355.4 million for the year ended December 31, 2018 to ₱2,901.7 million for the year ended December 31, 2019.

The growth in total revenues was driven by the increase in rental revenue, which includes rent income and parking income, by ₱473.9 million or 20.2% from ₱2,340.8 million to ₱2,814.7 million, and the increase in other income by ₱72.5 million or 497.8% from ₱14.6 million to ₱87.1 million primarily due to higher fixed tenant dues billed and higher miscellaneous income from penalties and charges paid by tenants. The increase in rental revenue was a result of rental income from tenants in the Company's newly constructed buildings (Axis Tower 1 and Cebu Tower 2).

Costs and expenses

The Company's consolidated costs and expenses increased by ₱105.6 million or 16.8% from ₱629.8 million for the year ended December 31, 2018 to ₱735.3 million for the year ended December 31, 2019, primarily due to an increase in depreciation and amortization expenses and rental expenses.

The Company's depreciation and amortization expenses increased by ₱97.9 million, or 35.7%, to ₱372.2 million for the year ended December 31, 2019 compared to ₱274.3 million for the year ended December 31, 2018. The increase was mainly due to depreciation of Axis Tower 1 and Axis Tower 2.

The Company's rental expense increased by ₱24.1 million, or 8.6%, to ₱305.2 million for the year ended December 31, 2019 compared to ₱281.0 million for the year ended December 31, 2018. The increase was mainly driven by higher rental income from new tenants in Axis Tower 1 and Cebu Tower 2, as rental expense is computed as a percentage of rental income.

The Company's taxes and licenses expenses decreased by ₱5.8 million, or 17.0%, to ₱28.3 million for the year ended December 31, 2019 compared to ₱34.1 million for the year ended December 31, 2018. The decrease was mainly due to lower other taxes incurred such as documentary stamp tax.

The Company's service and management fees increased by ₱2.2 million, or 18.4%, to ₱14.1 million for the year ended December 31, 2019 compared to ₱11.9 million for the year ended December 31, 2018. The increase was mainly due to an increase in maintenance services, such as janitorial and security services, related to rental

operations as a result of renewal of service contracts with escalated rates. Additional janitorial and security services were also rendered for the Company's newly finished building, Axis Tower 2.

The Company's advertising and marketing expenses was nil for the year ended December 31, 2019, compared to ₱14.6 million for the year ended December 31, 2018. The decrease was mainly due to commissions paid to brokers for new tenants being recognized as directly attributable in obtaining the operating leases related to the Company's office buildings. On January 1, 2019, upon the adoption of PFRS 16, *Leases*, the prepaid commission amounting to ₱77.1 million was reclassified as part of investment properties.

The Company's manpower costs increased by ₱4.4 million, or 51.1%, to ₱12.9 million for the year ended December 31, 2019 compared to ₱8.6 million for the year ended December 31, 2018.

The Company's pension expense decreased by ₱0.4 million, or 45.8%, to ₱0.4 million for the year ended December 31, 2019 compared to ₱0.8 million for the year ended December 31, 2018. The decrease was mainly due to lower service cost based on an actuarially determined amount using the PUC method.

The Company's other costs and expenses decreased by ₱2.2 million, or 50.6%, to ₱2.2 million for the year ended December 31, 2019 compared to ₱4.4 million for the year ended December 31, 2018. The decrease was mainly due to lower expenses incurred for penalties, association dues and other charges.

Finance income (charges)

The Company's interest income decreased by ₱35.4 million, or 77.2%, to ₱10.5 million for the year ended December 31, 2019 compared to ₱45.9 million for the year ended December 31, 2018. The decrease was mainly due to lower interest earned from money market instruments.

The Company's interest expense and other financing charges increased by ₱75.4 million, or 48.6%, to ₱230.5 million for the year ended December 31, 2019 compared to ₱155.1 million for the year ended December 31, 2018. The increase was mainly due to interest on the Company's loan availment of ₱2.1 billion during the year.

Income before Income Tax

The Company's income before income tax for the year ended December 31, 2019 was ₱1,943.8 million, an increase of ₱327.9 million or, 20.3%, from its income before income tax of ₱1,615.9 million recorded for the year ended December 31, 2018.

Provision for Income Tax

Provision for income tax increased by 50.5% or ₱103.8 million from ₱205.6 million for the year ended December 31, 2018 to ₱309.4 million for the year ended December 31, 2019 on the back of (a) higher provisions for deferred income tax, which increased by 30.9% or ₱28.3 million mainly due to higher capitalized interest during the year and increase in right-of-use assets due the adoption of PFRS 16, *Leases*, and higher provisions for current income tax, which increased by 66.2% or ₱75.5 million due mainly to higher taxable income.

Net Income

As a result of the foregoing, consolidated net income increased by 15.9% or ₱224.1 million, from ₱1,410.3 million for the year ended December 31, 2018 to ₱1,634.4 million for the year ended December 31, 2019.

Year ended December 31, 2018 compared with year ended December 31, 2017

Revenues and income

The Company's total revenues and income increased by ₱425.4 million or 22.0% from ₱1,930.0 million for the year ended December 31, 2017 to ₱2,355.4 million for the year ended December 31, 2018.

The growth in total revenues was driven by the increase in rental revenue, which includes rental income and parking income, by ₱497.2 million or 27.0% from ₱1,843.6 million for the year ended December 31, 2017 to ₱2,340.8 million for the year ended December 31, 2018. This was partly offset by the decrease in other income, which includes tenant reimbursements and other miscellaneous income from rental facilities, by ₱71.8 million or

83.1% from ₱86.4 million for the year ended December 31, 2017 to ₱14.6 million for the year ended December 31, 2018. The increase in rental income was due to the addition of new tenants of Axis Tower 1, which was completed during the year.

Costs and expenses

The Company's consolidated costs and expenses increased by ₱128.3 million or 25.6% from ₱501.5 million for the year ended December 31, 2017 to ₱629.8 million for the year ended December 31, 2018, primarily due to an increase in depreciation and operating expense from the Company's newly completed building, Axis Tower 1, amortization expense from DCS charges and rental expenses which are calculated as a percentage of rental income.

The Company's depreciation and amortization expenses increased by ₱50.5 million, or 22.6%, to ₱274.3 million for the year ended December 31, 2018 compared to ₱223.8 million for the year ended December 31, 2017. The increase was mainly due to depreciation expense recognized relating to the Company's newly completed building, Axis Tower 1.

The Company's rental expense increased by ₱54.1 million, or 23.8%, to ₱281.0 million for the year ended December 31, 2018 compared to ₱226.9 million for the year ended December 31, 2017. The increase was mainly driven by higher rental incomes, as rental expense is computed as a percentage of rental income. Increase in rental income was attributable to the addition of new tenants, primarily for Axis Tower 1.

The Company's taxes and licenses expenses increased by ₱15.5 million, or 83.3%, to ₱34.1 million for the year ended December 31, 2018 compared to ₱18.6 million for the year ended December 31, 2017. The increase was mainly due to an increase in business taxes arising from higher gross income recognized in the previous year and additional real property tax from Axis Tower 1.

The Company's service and management fees increased by ₱4.4 million, or 58.7%, to ₱11.9 million for the year ended December 31, 2018 compared to ₱7.5 million for the year ended December 31, 2017. The increase was mainly due to an increase in maintenance services, such as janitorial and security services, related to rental operations.

The Company's advertising and marketing expenses increased by ₱9.8 million, or 204.2%, to ₱14.6 million for the year ended December 31, 2018 compared to ₱4.8 million for the year ended December 31, 2017. The increase was mainly due to third party broker's commissions for new lease contracts awarded.

The Company's manpower costs decreased by ₱3.8 million, or 30.6%, to ₱8.6 million for the year ended December 31, 2018 compared to ₱12.4 million for the year ended December 31, 2017. The decrease was mainly due to lower number of employees during the year.

The Company's pension expense increased by ₱0.6 million, or 300.0%, to ₱0.8 million for the year ended December 31, 2018 compared to ₱0.2 million for the year ended December 31, 2017. The increase was mainly due to higher service cost accrued during the year. The Company accrues retirement costs based on actuarially determined amount using the PUC method.

The Company's other costs and expenses decreased by ₱2.8 million, or 38.9%, to ₱4.4 million for the year ended December 31, 2018 compared to ₱7.2 million for the year ended December 31, 2017. The decrease was mainly due to lower penalty and other charges incurred during the year.

Finance income (charges)

The Company's interest income increased by ₱19.5 million, or 74.0%, to ₱45.9 million for the year ended December 31, 2018 compared to ₱26.4 million for the year ended December 31, 2017. The increase was mainly due to fixed interest income of 6% per annum earned from advances made to Filinvest Cyberparks, Inc. and Filinvest Cyberzone Mimoso, Inc., which are subsidiaries of FLI.

The Company's interest expense and other financing charges increased by ₱52.6 million, or 51.4%, to ₱155.1 million for the year ended December 31, 2018 compared to ₱102.5 million for the year ended December 31, 2017. The increase was mainly due to lower capitalized interest from loans used to finance the construction of the

Company's newly finished building, Axis Tower 1. Under the PAS 23, capitalization of borrowing costs should cease when all activities necessary to prepare the qualifying asset is complete.

The Company's other financing charges increased by ₱0.5 million, or 1,957.1%, to ₱0.5 million for the year ended December 31, 2018 compared to ₱24.0 thousand for the year ended December 31, 2017. The increase was mainly due to issuance cost and other admin expenses incurred from bonds payable obtained in July of 2017.

Income before Income Tax

The Company's income before income tax for the year ended December 31, 2018 was ₱1,615.9 million, an increase of ₱263.5 million or, 19.5%, from its income before income tax of ₱1,352.4 million recorded for the year ended December 31, 2017.

Provision for Income Tax

Provision for income tax increased by 21.7% or ₱36.7 million from ₱168.9 million for the year ended December 31, 2017 to ₱205.6 million for the year ended December 31, 2018 due to higher taxable income and advance rentals. Provision for current income tax increased by 58.5% or ₱42.1 million, which was offset by a decrease in the provision for deferred income tax of ₱5.4 million or 5.6%.

Net Income

As a result of the foregoing, consolidated net income increased by 19.2% or ₱226.8 million from ₱1,183.5 million for the year ended December 31, 2017 to ₱1,410.3 million for the year ended December 31, 2018.

FINANCIAL POSITION

As of March 31, 2021 compared with as of December 31, 2020

The Company's assets were ₱23,081.0 million (U.S.\$475.4 million) as of March 31, 2021, an decrease of ₱2,148.6 million, or 8.5%, from assets of ₱25,229.5 million as of December 31, 2020.

Assets

Cash and cash equivalents

The Company's cash and cash equivalents were ₱976.2 million (U.S.\$20.1 million) as of March 31, 2021, an increase of ₱105.7 million, or 12.1%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to higher collections and lower cost and expenses, including interest and other financing charges. As of March 31, 2021, all loans of the Company had been assigned to FLI.

Receivables

The Company's receivables were ₱1,272.7 million (U.S.\$26.2 million) as of March 31, 2021, an increase of ₱442.6 million, or 53.3%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to advances made by the Company for costs and expenses of projects held for distribution to FLI amounting to ₱410.7 million and an increase in trade receivables by ₱31.6 million from ₱799.3 million as of December 31, 2020 to ₱830.9 million as of March 31, 2021. See Note 5 of the audited interim consolidated financial statements of the Company as of March 31, 2021 for more details.

Other current assets

The Company's other current assets were ₱1,115.5 million (U.S.\$23.0 million) as of March 31, 2021, a decrease of ₱55.8 million, or 4.4%, from other current assets of ₱1,171.3 million as of December 31, 2020. This decrease was due to the offset of the Company's input VAT against output VAT in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution

The Company's other noncurrent assets held for distribution were ₱8,807.0 million (U.S.\$181.4 million) as of March 31, 2021, an increase of ₱1,963.3 million, or 28.7%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. On February 11, 2021, the Company's Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, all of which have been identified for redevelopment, and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu. The aggregate carrying value of the properties comprising the Second Property Dividend amounted to ₱1,690.4 million, and the properties are classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties is approved by the Philippine SEC.

Advances to contractors

The Company's advances to contractors were ₱20.7 million (U.S.\$0.4 million) as of March 31, 2021, an increase of ₱2.3 million, or 12.3%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to additional advance payments by the Company to contractors.

Investment properties

The Company's investment properties were ₱9,350.1 million (U.S.\$192.6 million) as of March 31, 2021, a decrease of ₱2,279.7 million, or 19.6%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared in the first quarter of 2021.

Property and equipment

The Company's property and equipment was ₱74.6 million (U.S.\$1.5 million) as of March 31, 2021, an increase of ₱6.2 million, or 9.1%, from property and equipment of ₱68.4 million as of December 31, 2020, due to additional purchases of machinery and equipment.

Intangible assets

The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱1,091.3 million (U.S.\$22.5 million) as of March 31, 2021, a decrease of ₱2,317.6 million, or 68.0%, from intangible assets of ₱3,408.8 million as of December 31, 2020. The decrease was primarily driven by the inclusion of Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Cebu Towers 3 and 4 to FLL.

Other noncurrent assets

The Company's other noncurrent assets were ₱372.9 million (U.S.\$7.7 million) as of March 31, 2021, a decrease of ₱15.5 million, or 4.0%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to the amortization of DCS connection charges pursuant to the BOT agreement between the Company and PDDC.

Liabilities

The Company's liabilities were ₱17,169.6 million (U.S.\$353.6 million) as of March 31, 2021, an decrease of ₱2,953.9 million, or 14.7%, from liabilities of ₱20,123.5 million as of December 31, 2020.

Accounts payable and accrued expenses

The Company's accounts payable and other current liabilities were ₱1,368.3 million (U.S.\$28.2 million) as of March 31, 2021, a decrease of ₱215.4 million, or 13.6%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to payment of advances from related parties.

Loans payable – current portion

The Company's loan payables – current portion was nil as of March 31, 2021, compared to loan payables – current portion of ₱744.2 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Lease liabilities – current portion

The Company's lease liabilities – current portion were ₱1.8 million (U.S.\$0.0 million) as of March 31, 2021, an decrease of ₱90.8 million, or 98.0%, from lease liabilities – current portion of ₱92.6 million as of December 31, 2020 due to derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI which were presented as noncurrent assets held for distribution as of March 31, 2021.

Security and other deposits – current portion

The Company's security and other deposits – current portion was ₱134.3 million (U.S.\$2.8 million) as of March 31, 2021, an increase of ₱17.9 million, or 15.4%, from security and other deposits – current portion of ₱116.4 million as of December 31, 2020, due to the addition of a new tenant in Axis Tower 2 and the lease renewal of a tenant in Filinvest Two.

Dividend Payable

The Company recognized a dividend payable of ₱8,302.3 million (U.S.\$171.0 million) as of March 31, 2021, an increase of ₱1,690.4 million, or 25.6%, from a dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties subject of the First Property Dividend and the Second Property Dividend. Distribution of the property dividends shall be made upon approval of the Philippine SEC.

Income tax payable

The Company did not have any income tax payable as of March 31, 2021.

Loans payable – net of current portion

The Company's loans payable – net of current portion was nil as of March 31, 2021, compared to loans payable – net of current portion of ₱1,600.0 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Bonds payable

The Company's bonds payable were ₱5,977.4 million (U.S.\$124.3 million) as of March 31, 2021, an increase of ₱3.2 million, or 0.1%, from bonds payable of ₱5,974.2 million as of December 31, 2020 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion

The Company's lease liabilities – net of current portion were ₱25.6 million (U.S.\$0.5 million) as of March 31, 2021, a decrease of ₱2,071.9 million, or 98.8%, from lease liabilities – net of current portion of ₱2,097.5 million as of December 31, 2020 due to the derecognition of lease liabilities for the properties in Northgate Cyberzone which are to be transferred to FLI which were presented as noncurrent assets held for distribution as of March 31, 2021.

Deferred tax liability – net

The Company's deferred tax liability – net was ₱123.9 million (U.S.\$2.6 million) as of March 31, 2021, a decrease of ₱146.0 million, or 54.1%, from the deferred tax liability – net of ₱269.9 million as of December 31, 2020, primarily due to derecognition of deferred tax on lease liabilities related to property dividends.

Security and other deposits – net of current portion

The Company's security and other deposits – net of current portion were ₱723.0 million (U.S.\$14.9 million) as of March 31, 2021, an decrease of ₱9.6 million, or 1.3%, from security and other deposits – net of current portion of ₱732.7 million as of December 31, 2020, primarily driven by escalation in rates annually per contract.

Other noncurrent liabilities

The Company's other noncurrent liabilities were ₱326.9 million (U.S.\$6.7 million) as of March 31, 2021, an increase of ₱26.5 million, or 8.8%, from other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily driven by an increase in retention payable.

As of December 31, 2020 compared with as of December 31, 2019

The Company's assets were ₱25,229.5 million (U.S.\$519.7 million) as of December 31, 2020, an increase of ₱3,036.9 million, or 13.7%, from assets of ₱22,192.6 million as of December 31, 2019.

Assets

Cash and cash equivalents

The Company's cash and cash equivalents were ₱870.5 million (U.S.\$17.9 million) as of December 31, 2020, an increase of ₱361.7 million, or 71.1%, from cash and cash equivalents of ₱508.9 million as of December 31, 2019, due to lower capital expenditures caused by the imposed suspension of construction during the community quarantine measures due to COVID-19.

Receivables

The Company's receivables were ₱830.1 million (U.S.\$17.1 million) as of December 31, 2020, an increase of ₱54.6 million, or 7.0%, from receivables of ₱775.5 million as of December 31, 2019, primarily due to higher rental receivables driven by the escalation of lease rates under the Company's lease contracts.

Other current assets

The Company's other current assets were ₱1,171.3 million (U.S.\$24.1 million) as of December 31, 2020, an increase of ₱190.2 million, or 19.4%, from other current assets of ₱981.1 million as of December 31, 2019. This increase was due to prepaid real property tax for 2021 paid in advance by the Company to avail of discounts.

Noncurrent assets held for distribution

On December 4, 2020, the Company declared as property dividends, investment properties with net carrying value amounting to ₱6,611.9 million. As of December 31, 2020, these properties, including net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as noncurrent assets held for distribution in the statement of financial position. These investment properties will be derecognized in the financial statements once the Philippine SEC approves the distribution of the dividends and the Company is compensated for the additions in December of 2020.

Advances to contractors

The Company's advances to contractors were ₱18.4 million (U.S.\$0.4 million) as of December 31, 2020, a decrease of ₱417.9 million, or 95.8%, from advances to contractors of ₱436.3 million as of December 31, 2019, due to recoupment of advances in contractor billings made as the construction of the Company's buildings progressed.

Investment properties

The Company's investment properties were ₱11,629.8 million (U.S.\$239.5 million) as of December 31, 2020, a decrease of ₱4,527.0 million, or 28.0%, from investment properties of ₱16,156.8 million as of December 31, 2019 primarily due to the reclassification of properties included in the First Property Dividend as noncurrent assets held for distribution. These properties had a carrying value amounting to ₱6,611.9 million (U.S.\$136.2 million) as of the date of declaration of the dividend. The distribution of these properties shall be made upon approval of the Philippine SEC.

Property and equipment

The Company's property and equipment was ₱68.4 million (U.S.\$1.4 million) as of December 31, 2020, an increase of ₱13.4 million, or 24.5%, from property and equipment of ₱55.0 million as of December 31, 2019, due

to purchases of machinery and equipment such as air conditions in iHub 1, installation of CCTVs in Plaza A, purchase of fire pump controllers, improvement of cooling towers in Plaza B and Plaza E.

Intangible assets

The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱3,408.8 million (U.S.\$70.2 million) as of December 31, 2020, an increase of ₱519.1 million, or 18.0%, from intangible assets of ₱2,889.7 million as of December 31, 2019. The increase was primarily driven by additional construction costs of Cebu Tower 3 and Cebu Tower 4 under the Company's BTO arrangement with the Cebu Provincial Government.

Other noncurrent assets

The Company's other noncurrent assets were ₱388.4 million (U.S.\$8.0 million) as of December 31, 2020, a decrease of ₱1.0 million, or 0.3%, from other noncurrent assets of ₱389.4 million as of December 31, 2019. This is due to the amortization of DCS connection under the BOT agreement with Philippine DCS Development Corporation ("PDDC").

Liabilities

The Company's liabilities were ₱20,123.5 million (U.S.\$414.5 million) as of December 31, 2020, an increase of ₱5,899.5 million, or 41.5%, from liabilities of ₱14,224.0 million as of December 31, 2019.

Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses were ₱1,583.7 million (U.S.\$32.6 million) as of December 31, 2020, a decrease of ₱289.4 million, or 15.4%, from accounts payable and accrued expenses of ₱1,873.1 million as of December 31, 2019, primarily due to payment of related party loans to Filinvest Cyberparks, Inc. amounting to ₱300.0 million.

Loans payable – current portion

The Company's loan payables – current portion were ₱744.2 million (U.S.\$15.3 million) as of December 31, 2020, a decrease of ₱611.3 million, or 45.1%, from loan payables – current portion of ₱1,355.5 million as of December 31, 2019 due to the assignment of loans by the Company to FLI. On December 9, 2020, the Company and FLI entered into an agreement for the assignment of the Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. As of December 31, 2020, the Company received the letters of consent from certain banks authorizing such assignment of the loans to FLI amounting to ₱1,518.7 million, which was derecognized as loans payable, and recorded as deposit for future subscription in equity.

Lease liabilities – current portion

The Company's lease liabilities – current portion were ₱92.6 million (U.S.\$1.9 million) as of December 31, 2020, an increase of ₱76.4 million, or 469.7%, from lease liabilities – current portion of ₱16.3 million as of December 31, 2019 due to additional lease liabilities from the Company's land leases in Northgate Cyberzone with FLI.

Security and other deposits – current portion

The Company's security and other deposits – current portion was ₱116.4 million (U.S.\$2.4 million) as of December 31, 2020, a decrease of ₱129.3 million, or 52.6%, from security and other deposits – current portion of ₱245.8 million as of December 31, 2019, due to pre-termination of leases by certain tenants in 2020.

Dividend Payable

The Company recognized a dividend payable of ₱6,611.9 million (U.S.\$136.2 million) as of December 31, 2020. This amount reflects the carrying value of the properties comprising the First Property Dividend declared on December 4, 2020. Distribution of the property dividends shall be made upon approval of the Philippine SEC.

Income tax payable

The Company's income tax payable was nil as of December 31, 2020, compared to the Company's income tax payable of ₱0.4 million as of December 31, 2019 due to creditable withholding tax claimed during the year related to the sale of land in South Road Properties, Cebu City which amounted to ₱36.9 million.

Loans payable – net of current portion

The Company's loans payable – net of current portion were ₱1,600.0 million (U.S.\$33.0 million) as of December 31, 2020, compared to loans payable – net of current portion of ₱2,862.9 million as of December 31, 2019 due to the assignment of developmental bank loans by the Company in exchange for its planned increase in capital subscription. As of December 31, 2020, ₱1,518.7 million was derecognized in the Company's financial statements as a result of the assignment. FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Company. The principal payment of FLI and the derecognized loans were recognized as deposit for future stock subscription in equity.

Bonds payable

The Company's bonds payable were ₱5,974.2 million (U.S.\$123.1 million) as of December 31, 2020, a decrease of ₱12.6 million, or 0.2%, from bonds payable of ₱5,961.6 million as of December 31, 2019 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion

The Company's lease liabilities – net of current portion were ₱2,097.5 million (U.S.\$43.2 million) as of December 31, 2020, an increase of ₱1,830.3 million, or 685.1%, from lease liabilities – net of current portion of ₱267.2 million as of December 31, 2019 due to additional lease liability recognized from the Company's land leases in Northgate Cyberzone from FLI.

Deferred tax liability – net

The Company's deferred tax liability – net was ₱269.9 million (U.S.\$5.6 million) as of December 31, 2020, a decrease of ₱114.7 million, or 29.8%, from the deferred tax liability – net of ₱384.7 million as of December 31, 2019, primarily due to derecognition of related deferred tax liability for buildings included as part of the property dividends declared during the year.

Security and other deposits – net of current portion

The Company's security and other deposits – net of current portion were ₱732.7 million (U.S.\$15.1 million) as of December 31, 2020, an increase of ₱25.2 million, or 3.6%, from security and other deposits – net of current portion of ₱707.5 million as of December 31, 2019, primarily driven by higher security deposits from new tenants in Axis Tower 1 and Axis Tower 2 in Northgate Cyberzone and Cebu Tower 2 in Filinvest Cyberzone Cebu.

Other noncurrent liabilities

The Company's other noncurrent liabilities were ₱300.4 million (U.S.\$6.2 million) as of December 31, 2020, an increase of ₱99.5 million, or 49.5%, from other noncurrent liabilities of ₱200.9 million as of December 31, 2019, primarily driven by retention payable to contractors and suppliers due to the construction of Axis Tower 3 and Axis Tower 4 in Northgate Cyberzone, and Cebu Tower 3 and Cebu Tower 4 in Filinvest Cyberzone Cebu under the BTO arrangement between the Company and the Cebu Provincial Government.

As of December 31, 2019 compared with as of December 31, 2018

The Company's assets were ₱22,192.6 million as of December 31, 2019, an increase of ₱2,909.6 million, or 15.1%, from assets of ₱19,283.0 million as of December 31, 2018.

Assets

Cash and cash equivalents

The Company's cash and cash equivalents were ₱508.9 million as of December 31, 2019, a decrease of ₱208.7 million, or 29.1%, from cash and cash equivalents of ₱717.5 million as of December 31, 2018, due to cash

outflows for capital expenditures and operational costs and expenses. During the year, the Company paid for capital expenditure amounting to ₱2,375.3 million, which was higher by ₱499.6 million compared to ₱1,875.7 million paid for the year ended December 31, 2018.

Receivables

The Company's receivables were ₱775.5 million as of December 31, 2019, an increase of ₱248.5 million, or 47.2%, from receivables of ₱527.0 million as of December 31, 2018, due to the increase in charges to new tenants for rentals and utilities which are normally collectible within 20 days from the billing date. The increase in was also due to the newly added tenants for the Company's newly completed building, Axis Tower 2, which had an Occupancy Rate of 32% as of December 31, 2019.

Other current assets

The Company's other current assets were ₱981.1 million as of December 31, 2019, an increase of ₱848.0 million, or 637.1%, from other current assets of ₱133.1 million as of December 31, 2018. This increase was mainly due to lower input VAT classified as on-current assets. There were also additional recognition of input VAT on various purchases of goods and services on 16 projects of the Company with PEZA incentives, which are not subject to the VAT zero rating. The Company believes that all input VAT are recoverable at their full amount when all of the Company's buildings become fully operational.

Advances to contractors

The Company's advances to contractors were ₱436.3 million as of December 31, 2019, an increase of ₱156.3 million, or 55.8%, from advances to contractors of ₱280.0 million as of December 31, 2018, due to advances made for the construction of Axis Tower 2 and buildings under construction in Filinvest Cyberzone Cebu.

Investment properties

The Company's investment properties were ₱16,156.8 million as of December 31, 2019, an increase of ₱2,284.4 million, or 16.2%, from investment properties of ₱13,908.3 million as of December 31, 2018 due to the completion of Axis Tower 2 and the construction costs incurred for unfinished projects. The Company adopted PFRS 16, *Leases* in 2019 and recognized right-of-use assets for its land lease in Northgate Cyberzone amounting to ₱58.6 million as of December 31, 2019 which has been included in investment properties in the presentation in the Company's financial statements.

Property and equipment

The Company's property and equipment was ₱55.0 million as of December 31, 2019, an increase of ₱15.3 million, or 38.6%, from property and equipment of ₱39.6 million as of December 31, 2018, due to purchases of machinery and equipment such as upgrades and improvements of elevators and CCTVs as part of the Company's continuous improvement of its buildings for its customers.

Intangible assets

The Company's intangible assets were ₱2,889.7 million as of December 31, 2019, an increase of ₱331.9 million, or 13.0%, from intangible assets of ₱2,557.8 million as of December 31, 2018, primarily driven by increase in the recognition of project costs on buildings under the BTO agreement with the Cebu Provincial Government. As of December 31, 2019, two buildings were already completed and two buildings were still in construction. The Company adopted PFRS 16, *Leases* in 2019 and recognized right-of-use assets for its rights under the BTO agreement amounting to ₱107.9 million as of December 31, 2019 which has been included in intangible assets in the presentation in the Company's financial statements.

Other noncurrent assets

The Company's other noncurrent assets were ₱389.4 million as of December 31, 2019, a decrease of ₱730.1 million, or 65.2%, from other noncurrent assets of ₱1,119.5 million as of December 31, 2018. The decrease was mainly due to input VAT that was classified as current assets, and prepaid expenses (including commissions to be realized in 2020).

Liabilities

The Company's liabilities were ₱14,224.0 million as of December 31, 2019, an increase of ₱1,660.5 million, or 13.2%, from liabilities of ₱12,563.5 million as of December 31, 2018.

Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses were ₱1,873.1 million as of December 31, 2019, a decrease of ₱156.3 million, or 7.7%, from accounts payable and accrued expenses of ₱2,029.4 million as of December 31, 2018, primarily attributable to payment of trader payables, including the full payment of land in South Road Properties Cebu, partially offset by an increase in advances from new tenants.

Loans payable – current portion

The Company's loan payables – current portion were ₱1,355.5 million as of December 31, 2019, an increase of ₱516.2 million, or 61.5%, from loan payables – current portion of ₱839.2 million as of December 31, 2018. as the increase was due to new bank loans availed by the Company during the year.

Lease liabilities – current portion

The Company adopted PFRS 16, *Leases* during the year and recognized lease liabilities – current portion amounting to ₱16.3 million as of December 31, 2019.

Security and other deposits – current portion

The Company's security and other deposits – current portion was ₱245.8 million as of December 31, 2019, an increase of ₱81.1 million, or 49.2%, from security and other deposits – current portion of ₱164.7 million as of December 31, 2018, due to a substantial number of leases coming due within one year.

Dividend payable

The Company's dividend payable was ₱348.3 million as of December 31, 2019, compared to nil as of December 31, 2018 due to the declaration of cash dividends for the year ended December 31, 2019.

Income tax payable

The Company's income tax payable was ₱0.4 million as of December 31, 2019, a decrease of ₱8.1 million, or 94.9%, from income tax payable of ₱8.5 million as of December 31, 2018 due to the payment of higher income taxes in the previous quarters.

Loans payable – net of current portion

The Company's loans payable – net of current portion were ₱2,862.9 million as of December 31, 2019, an increase of ₱244.5 million, or 9.3%, from loans payable – net of current portion of ₱2,618.4 million as of December 31, 2018 due to the Company's entry into new loan agreements to finance capital expenditures.

Bonds payable

The Company's bonds payable were ₱5,961.6 million as of December 31, 2019, an increase of ₱12.6 million, or 0.2%, from bonds payable of ₱5,948.9 million as of December 31, 2018. The increase pertains to amortization of debt issuance cost related to the Company's bonds which will mature on January 7, 2023.

Lease Liabilities – net of current portion

The Company adopted PFRS 16, *Leases* during the year and recognized lease liabilities – net of current portion amounting to ₱267.2 million as of December 31, 2019. Under the new standard, lessees are required to recognize right-of-use assets and a lease liability with respect to the contract at the inception of the lease. These leases are amortized until the end of the lease term.

Deferred tax liability – net

The Company's deferred tax liability – net was ₱384.7 million as of December 31, 2019, an increase of ₱119.8 million, or 45.2%, from the deferred tax liability – net of ₱264.8 million as of December 31, 2018, primarily due to additional capitalized borrowing costs and the adoption of PFRS 16, *Leases* on rentals, including the adjustment due to PAS 17.

Security and other deposits – net of current portion

The Company's security and other deposits – net of current portion were ₱707.5 million as of December 31, 2019, an increase of ₱65.1 million, or 10.1%, from security and other deposits – net of current portion of ₱642.4 million as of December 31, 2018, primarily driven by higher security deposits from an increase in new tenants in Axis Tower 1, Axis Tower 2, Cebu Tower 1 and Cebu Tower 2.

Other noncurrent liabilities

The Company's other noncurrent liabilities were ₱200.9 million as of December 31, 2019, an increase of ₱153.8 million, or 326.8%, from other noncurrent liabilities of ₱47.1 million as of December 31, 2018, primarily driven by increase in retention payable to contractors and suppliers for the construction of the Company's new buildings.

As of December 31, 2018 compared with as of December 31, 2017

The Company's assets were ₱19,283.0 million as of December 31, 2018, an increase of ₱1,010.8 million, or 5.5%, from assets of ₱18,272.3 million as of December 31, 2017.

Assets

Cash and cash equivalents

The Company's cash and cash equivalents were ₱717.5 million as of December 31, 2018, a decrease of ₱607.6 million, or 45.9%, from cash and cash equivalents of ₱1,325.1 million as of December 31, 2017, due to cash outflows for capital expenditures and operational costs and expenses. In 2018, cash from operations was used to finance payment of the Company's construction expenses, dividends and loans. The Company also did not obtain any proceeds from bank loans during the year.

Receivables

The Company's receivables were ₱527.0 million as of December 31, 2018, a decrease of ₱535.0 million, or 50.4%, from receivables of ₱1,062.1 million as of December 31, 2017, due to the collection of temporary advances from two affiliates which amounted to ₱714.2 million. The Company's other remaining receivables primarily comprise rentals and utility charges due from tenants which are normally collectible within 20 days from billing date.

Other current assets

The Company's other current assets were ₱133.1 million as of December 31, 2018, an increase of ₱25.2 million, or 23.4%, from other current assets of ₱107.9 million as of December 31, 2017, primarily due to prepayments of certain expenses, including commissions.

Advances to contractors

The Company's advances to contractors were ₱280.0 million as of December 31, 2018, an increase of ₱78.3 million, or 38.8%, from advances to contractors of ₱201.8 million as of December 31, 2017, due to advances made for the construction activities relating to the Company's new projects.

Investment properties

The Company's investment properties were ₱13,908.3 million as of December 31, 2018, an increase of ₱1,646.5 million, or 13.4%, from investment properties of ₱12,261.8 million as of December 31, 2017 due to the completion of Axis Tower 1.

Property and equipment

The Company's property and equipment was ₱39.6 million as of December 31, 2018, an increase of ₱2.6 million, or 7.1%, from property and equipment of ₱37.0 million as of December 31, 2017, due to purchases of machinery and equipment for the Company's new building, Axis Tower 1.

Intangible assets

The Company's intangible assets were ₱2,557.8 million as of December 31, 2018, an increase of ₱120.7 million, or 5.0%, from intangible assets of ₱ 2,437.1 million as of December 31, 2017, primarily due to the increase in the recognition of project costs on buildings under the BTO agreement with the Cebu Provincial Government. In 2018, Cebu Tower 2, a 21-storey building with total GLA of 28,296 sq.m., was also completed.

Other noncurrent assets

The Company's other noncurrent assets were ₱1,119.5 million as of December 31, 2018, an increase of ₱280.0 million, or 33.3%, from other noncurrent assets of ₱839.5 million as of December 31, 2017 due to recognition of prepaid DCS charges for Axis Tower 1 under the BOT agreement of the Company with PDDC.

Liabilities

The Company's liabilities were ₱12,563.5 million as of December 31, 2018, a decrease of ₱87.2 million, or 0.7%, from liabilities of ₱12,650.7 million as of December 31, 2017.

Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses were ₱2,029.4 million as of December 31, 2018, an increase of ₱387.5 million, or 23.6%, from accounts payable and accrued expenses of ₱1,642.0 million as of December 31, 2017, primarily attributable to an increase in outstanding rent payable to FLI in respect of the Company's land leases and retention payable to contractors in relation to the construction of the Company's new projects.

Loans payable – current portion

The Company's loan payables – current portion were ₱839.2 million as of December 31, 2018, increased by ₱244.5 million, or 41.1%, from loan payables – current portion of ₱594.7 million as of December 31, 2017 due to loans of the Company maturing within one year.

Security and other deposits – current portion

The Company's security and other deposits – current portion was ₱164.7 million as of December 31, 2018, increased by ₱8.7 million, or 5.6%, from security and other deposits – current portion of ₱156.0 million as of December 31, 2017, due to some leases becoming due within one year.

Income tax payable

The Company's income tax payable was ₱8.5 million as of December 31, 2018, an increase of ₱0.4 million, or 4.3%, from income tax payable of ₱8.2 million as of December 31, 2017.

Loans payable – net of current portion

The Company's loans payable – net of current portion were ₱2,618.4 million as of December 31, 2018, a decrease of ₱839.2 million, or 24.3%, from loans payable – net of current portion of ₱3,457.6 million as of December 31, 2017 due primarily due to the payment of principal on certain outstanding loans. The Company did not avail of any new loans during the year.

Bonds payable

The Company's bonds payable were ₱5,948.9 million as of December 31, 2018, an increase of ₱12.8 million, or 0.2%, from bonds payable of ₱5,936.2 million as of December 31, 2017. The increase pertains to amortization of debt issuance cost related to bonds which will mature on January 7, 2023.

Deferred tax liability – net

The Company's deferred tax liability – net was ₱264.8 million as of December 31, 2018, an increase of ₱91.6 million, or 52.9%, from the deferred tax liability – net of ₱173.3 million as of December 31, 2017, primarily due to additional capitalized borrowing costs, advances received from tenants and other items with timing differences compared with actual income tax payable.

Security and other deposits – net of current portion

The Company's security and other deposits – net of current portion were ₱642.4 million as of December 31, 2018, an increase of ₱161.9 million, or 33.7%, from security and other deposits – net of current portion of ₱480.5 million as of December 31, 2017, primarily driven by higher security deposits from an increase in new tenants.

Other noncurrent liabilities

The Company's other noncurrent liabilities were ₱47.1 million as of December 31, 2018, a decrease of ₱155.2 million, or 76.7%, from other noncurrent liabilities of ₱202.3 million as of December 31, 2017, primarily driven by payment of retention payables on the Company's completed buildings, including Axis Tower 1.

LIQUIDITY AND CAPITAL RESOURCES

For 2017, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the Company's principal sources of liquidity were cash flows from operations, bank loans and the issuance of debt securities. As of December 31, 2020, the Company had cash and cash equivalents totaling ₱870.5 million and as of March 31, 2021, the Company had cash and cash equivalents totaling ₱976.2 million. The Company expects that its principal uses of cash for 2021 will be for capital expenditure and operational costs and expenses.

The Company is not aware of any demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Company does not anticipate having any cash flow or liquidity problems over the next 12 months. The Company is not in breach or default on any loan or other form of indebtedness.

The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

CREDIT RATINGS

The Company's issuance of an aggregate ₱6 billion in bonds in June 2017 were each issued a rating of "PRs Aaa" by Philippine Rating Services Corporation ("PhilRatings"); such rating is ascribed to obligations of the highest quality with minimal risk. PhilRatings also assigned an outlook of "Stable" on the bonds. In the PhilRatings 2020 annual review completed in October 2020, PhilRatings reaffirmed its PRS Aaa rating with an outlook of "Stable".

CASH FLOWS

The following table sets forth selected information from the Company's consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,					For the three months ended March 31,		
	2017 (audited)	2018 (audited)	2019 (audited)	2020 (audited)	2020 (unaudited)	2020 (audited)	2021 (audited)	2021 (unaudited)
	₱ millions	₱ millions	₱ millions	₱ millions	U.S.\$ millions	₱ millions	₱ millions	U.S.\$ millions
Net cash provided by (used in) operating activities ⁽¹⁾	1,018.0	2,901.2	2,091.6	2,060.2	42.4	452.6	428.6	8.8
Net cash used in investing activities ⁽¹⁾	(2,134.3)	(2,109.5)	(2,564.3)	(475.3)	(9.8)	(489.8)	(236.6)	(4.9)

	For the year ended December 31,					For the three months ended March 31,		
	2017	2018	2019	2020	2020	2020	2021	2021
	(audited)	(audited)	(audited)	(audited)	(unaudited)	(audited)	(audited)	(unaudited)
	P	P	P	P	U.S.\$	P millions	P millions	U.S.\$
	millions	millions	millions	millions	millions			millions
Net cash provided by (used in) financing activities ⁽¹⁾	2,353.1	(1,399.3)	264.0	(1,223.3)	(25.2)	(17.0)	(86.3)	(1.8)

Notes:

(1) The translations from Pesos to U.S. dollars have been made on the basis of the BSP Reference Rate on March 31, 2021 of ₱48.550 = U.S.\$1.00. See "Exchange Rates."

Cash flows from operating activities

The Company's net cash provided by operating activities is primarily affected by the revenues and expenses related to its operations, rent revenue from leasing properties, as adjusted by non-cash items such as unrealized gains from changes in fair values of investment property, interest expense, depreciation and amortization and interest income. The Company's cash flows from operating activities, are also affected by working capital changes such as changes in receivables, inventories, due from related parties, prepaid expenses and other current assets, or accounts payable and accrued expenses, customers' deposits and due to related parties.

Net cash provided by operating activities for the three months ended March 31, 2021 and 2020 amounted to ₱428.6 million (U.S.\$8.8 million) and ₱452.6 million, respectively. Net cash provided by operating activities amounted to ₱2,060.2 million (U.S.\$42.4 million) and ₱2,091.6 million for the years ended December 31, 2020 and 2019, respectively. The Company's net cash provided by operating activities was ₱2,901.2 million and ₱1,018.0 million for the years ended December 31, 2018 and 2017, respectively.

For the three months ended March 31, 2021, the Company had an operating income before working capital changes of ₱685.0 million. This was reduced by an increase in receivables of ₱31.8 million and an increase in other current assets of ₱51.1 million, partially offset by a decrease in accounts and other payables of ₱158.4 million. After the collection of ₱0.7 million interest, and payment of ₱50.7 million of income tax, resulting net cash generated from operating activities amounted to ₱428.6 million (U.S.\$8.8 million).

In 2020, the Company had an operating income before working capital changes of ₱2,740.9 million. This was reduced by an increase in receivables and operating assets amounting to ₱255.1 million and a decrease in accounts payable and accrued expenses and other current liabilities amounting to ₱320.6 million, partially offset by an increase in security and other deposits and noncurrent liabilities amounting to ₱122.7 million. After the collection of ₱3.9 million interest, and payment of ₱231.6 million of income tax, resulting net cash generated from operating activities amounted to ₱2,060.2 million (U.S.\$42.4 million).

In 2019, the Company had an operating income before working capital changes of ₱2,583.0 million. This was reduced by an increase in operating assets amounting to ₱458.9 million, partially offset by the increase in operating liabilities amounting to ₱154.6 million. After the collection of ₱10.5 million interest, and payment of ₱197.7 million of income tax, resulting net cash generated from operating activities amounted to ₱2,091.6 million.

In 2018, the Company had an operating income before working capital changes of ₱2,037.1 million. This was augmented by a decrease in operating assets amounting to ₱372.9 million and an increase in operating liabilities amounting to ₱546.6 million. After the collection of ₱58.4 million interest, and payment of ₱113.7 million of income tax, resulting net cash generated from operating activities amounted to ₱2,901.2 million.

In 2017, the Company had an operating income before working capital changes of ₱1,682.0 million. This was augmented by a net increase in operating assets amounting to ₱953.4 million, partially offset by the net increase in operating liabilities amounting to ₱350.5 million. After the collection of ₱13.9 million interest, and payment of ₱74.9 million of income tax, resulting net cash generated from operating activities amounted to ₱1,018.0 million.

Cash flow used in investing activities

The Company's net cash flow used in investing activities for the three months ended March 31, 2021 amounted to ₱236.6 million (U.S.\$4.9 million), which primarily reflected additions to noncurrent assets held for distribution and intangible assets.

The Company's net cash flow used in investing activities for the years ended December 31, 2017, 2018, 2019 and 2020 amounted to ₱2,134.3 million, ₱2,109.5 million, ₱2,564.3 million and ₱475.3 million (U.S.\$9.8 million), respectively, which primarily reflected additions to investment property net of proceeds from sale of investment properties. In 2020, the Company received ₱737.8 million from the transfer of investment properties, and ₱17.2 million from the sale of ProOffice Works Services, Inc.

Cash flows from financing activities

The Company's net cash flow used in financing activities for the three months ended March 31, 2021 was ₱86.3 million (U.S.\$1.8 million). The Company's net cash used for financing activities were primarily due to the payment of a principal portion of its lease liability and interest and transaction costs.

The Company's net cash flow provided by (or used in) financing activities for the years ended December 31, 2017, 2018, 2019 and 2020 were ₱2,353.1 million, ₱(1,399.3) million, ₱264.0 million and ₱(1,223.3) million (U.S.\$(25.2) million), respectively. The Company's net cash used for financing activities were primarily due to the payment of cash dividends, payment of a portion of the principal of the Company's bank loans and related interest, partially offset by bank loans obtained by the Company amounting to nil, ₱1,000.0 million, and ₱2,100.0 million, in 2018, 2019 and 2020, respectively.

INDEBTEDNESS

On July 7, 2017, the Company issued ₱6 billion 5.05% 5.5 year Peso-dominated bonds due January 7, 2023. On June 27, 2017, the Philippine SEC issued an Order rendering effective the Registration Statement for the bonds filed in accordance with Sections 8 and 12 of the Philippine Securities Regulation Code and issued a Permit to Offer Securities for Sale in respect of such bonds

As of December 31, 2020, the Company had ₱8,318.4 million in outstanding indebtedness comprising (i) ₱5,974.2 million of 5.05% 5.5 year Peso-dominated bonds due January 7, 2023, and (ii) ₱2,344.2 million of long-term loans. As of March 31, 2021, the Company had ₱5,977.4 million in outstanding indebtedness comprising 5.05% 5.5 year Peso-dominated bonds due January 7, 2023.

CAPITAL EXPENDITURES

Capital expenditures for the years ended December 31, 2017, 2018, 2019 and 2020 were related primarily to the construction and development of the Properties. Capital expenditures for the years ended December 31, 2018 and 2019 primarily related to the construction and development of Axis Tower 3 and Axis Tower 4 and building maintenance. Axis Tower 3 and Axis Tower 4 were transferred to FLI through property dividends in December 2020, and the Philippine SEC's approval for such property dividends is expected to be secured prior to the issuance of the Permit to Sell. Capital expenditures for the three months ended March 31, 2021 were related primarily to constructions costs and building maintenance.

The following table sets forth the Company's capital expenditures during the periods indicated:

	Expenditure	% of
Years ended December 31,	(₱ millions)	Revenue
		(%)
2017 (actual).....	2,346.2	121.6%
2018 (actual).....	1,875.7	79.6%
2019 (actual).....	2,375.3	81.9%
2020 (actual).....	1,415.8	45.6%
Three months ended March 31,		
2021 (actual).....	249.8	23.4%

The Company expects to spend ₱79.1 million for capital expenditures in 2021. These are related to building improvements and maintenance of the Properties.

COMPONENTS OF CAPITAL EXPENDITURE

Components of the Company's capital expenditures for 2017, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021 are summarized below.

	For the years ended December 31,				For the three months ended March 31,	
	2017	2018	2019	2020	2020	2021
	(P millions)					
Investment properties	1,547.6	1,755.5	2,163.6	1,158.0	303.3	5.0
Noncurrent asset held for distribution	—	—	—	—	—	173.8
Intangible assets	797.4	113.4	172.5	241.0	194.7	60.4
Property and equipment.....	1.2	6.8	39.2	16.8	4.8	10.6
Total.....	2,346.2	1,875.7	2,375.3	1,415.8	502.8	249.8

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth the contractual maturities of the Company's financial liabilities, including interest payments and excluding the impact of netting agreements as of December 31, 2020:

	As of December 31, 2020									
	On demand	< 30 days	30 – 60 days	61 – 90 days	> 90 days	Up to one year	> 1 – 3 years	> 3 – 5 years	Over 5 years	Total
	P millions									
Loans payable.....	—	17.5	12.5	20.8	693.3	744.2	400.0	1,200.0	—	2,344.2
Bonds payable	—	—	—	—	—	—	—	6,000.0	—	6,000.0
Lease liabilities.....	—	6.8	12.3	17.8	55.6	92.6	232.7	401.4	1,463.4	2,190.1
Interest on loans.....	15.9	5.6	5.5	22.1	79.0	128.1	185.4	56.9	—	370.4
Accounts payable and accrued expenses	1,583.7	—	—	—	—	1,583.7	—	—	—	1,583.7
Security and other deposits	—	—	116.4	—	—	116.4	259.2	473.4	—	849.1
Total.....	1,599.6	29.9	146.8	60.8	828.0	2,665.0	1,077.4	8,131.7	1,463.4	13,337.5

The following table sets forth the contractual maturities of the Company's financial liabilities, including interest payments and excluding the impact of netting agreements as of March 31, 2021:

	As of March 31, 2021									
	On demand	< 30 days	30 – 60 days	61 – 90 days	> 90 days	Up to one year	> 1 – 3 years	> 3 – 5 years	Over 5 years	Total
	P millions									
Bonds payable	—	—	—	—	—	—	—	6,000.0	—	6,000.0
Lease Liabilities.....	—	0.1	0.1	0.1	1.4	1.8	1.9	4.1	64.9	72.7
Interest on long-term debt .	—	25.2	25.2	25.2	227.2	303.0	227.2	—	—	530.2
Accounts payable and accrued expenses	1,368.3	—	—	—	—	1,368.3	—	—	—	1,368.3
Security and other deposits	—	—	134.3	—	—	134.3	259.2	444.5	—	838.1
Total.....	1,368.3	25.4	159.7	25.4	228.6	1,807.4	488.3	6,448.6	64.9	8,809.3

As of March 31, 2021, there is no known event that will trigger a direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this REIT Plan, the Company has no material off-balance sheet transactions, arrangements, obligations. The Company also has no unconsolidated Subsidiaries.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

CREDIT RISK

The Company is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. Credit risk is the risk of loss that may occur from the failure of a counterparty will not meet its obligations under a financial instrument, or customer contract, leading to a financial loss.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. The Company evaluates prospective tenants on the basis of payment track record and other credit information. In addition, under the lease contracts of the Company's tenants, tenants are required to pay security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by tenants. The Company also continuously monitors its existing tenants. The Company ages and analyzes its receivables on a continuous basis to minimize credit risk associated with such receivables.

With respect to credit risk arising from the other financial assets of the Company which comprise cash and cash equivalents, the Company's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

See Note 25 of the Company's consolidated financial statements for more information on the Company's credit risk exposure.

LIQUIDITY RISK

Liquidity risk pertains to the risk that the Company may encounter difficulty in meeting payment obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risks by maintaining a balance between continuity of funding and flexibility using bank loans. The Company's practice to minimize loans with floating rates. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

SEASONALITY

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

BUSINESS AND PROPERTIES

OVERVIEW

Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (“**Filinvest REIT**” or the “**Company**”) is one of the largest providers of standard and build-to-suit BPO office spaces in the country, with a portfolio of 17 office buildings with an aggregate office space gross leasable area (“**GLA**”) of 299,158 sq.m. and 2,204 sq.m. of retail GLA as of the date of this REIT Plan.

The Company is a REIT formed primarily to own and invest in income-producing commercial portfolio of office and retail properties in the Philippines that meet the Company’s investment criteria. Primarily, the Company will be the commercial REIT platform for the Filinvest Group. As a commercial REIT, the Company will focus on expanding its commercial properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market. The Company offers its 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 support from Filinvest Land Inc. (the “**Sponsor**”), 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

The Company’s principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled “*Business and Properties – Investment Policy*” in this REIT Plan.

As of date of this REIT Plan, the Company’s property portfolio consists of 17 fully operational office buildings that meet the Company’s investment criteria. 16 office buildings are located at Northgate Cyberzone, Alabang (“**Northgate Cyberzone**”, and such properties, the “**Northgate Cyberzone Properties**”) and one office building, Cebu Tower 1, is located in Filinvest Cyberzone Cebu, Cebu City, Cebu (together with the Northgate Cyberzone Properties, the “**Properties**”). Axis Tower 1 in Northgate Cyberzone and Cebu Tower 1 in Filinvest Cyberzone Cebu, also have retail components. The land on which the Northgate Cyberzone Properties are located is leased by the Company from the Sponsor, while Cebu Tower 1 and the land on which it is located is owned by the Cebu Provincial Government and operated by the Company under a build-transfer-operate (“**BTO**”) arrangement. The average remaining land lease term (weighted by GLA) of the Northgate Cyberzone Properties was 74.9 years as of March 31, 2021, while the remaining initial term of the BTO arrangement between the Company and the Cebu Provincial Government was 22.7 years as of March 31, 2021, renewable for another 25 years.

For the year ended December 31, 2020, the Gross Revenue (including other income) from all the Properties amounted to ₱3,107.8 million. For the three months ended March 31, 2021, the Gross Revenue (including other income) from all the Properties amounted to ₱1,068.5 million.

The Company’s total assets and total liabilities were ₱25,229.5 million and ₱20,123.5 million, respectively, as of December 31, 2020. The Company’s total revenues and income were ₱3,107.8 million and the Company’s net income was ₱1,860.8 million for the year ended December 31, 2020. The Company’s total assets and total liabilities were ₱23,081.0 million and ₱17,169.6 million, respectively, as of March 31, 2021. The Company’s total revenues and income were ₱1,068.5 million and the Company’s net income was ₱639.1 million for the three months ended March 31, 2021.

On a pro forma basis, taking into account the Property Disposals and the assignment of loans on December 9, 2020, the Company’s pro forma total assets and pro forma total liabilities were ₱15,318.1 million and ₱9,958.1 million, respectively, as of December 31, 2020. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company’s pro forma Gross Revenue was ₱2,783.2 million and the Company’s pro forma net income was ₱1,612.2 million, for the year ended December 31, 2020. On a pro forma basis, taking into account the Property Disposals and the assignment of loans on December 9, 2020, the Company’s pro forma total assets and pro forma total liabilities were ₱14,236.3 million and ₱8,252.1 million, respectively, as of March 31, 2021. On a pro forma basis, taking into account the Property Disposals and Assignment of Loans, the Company’s pro forma Gross Revenue was ₱954.2 million and the Company’s pro forma net income was ₱485.9 million for the three months ended March 31, 2021. See “—*Property Disposals and Assignment of Loans*”, “*Summary Pro Forma Financial Information*” and the unaudited pro forma financial information and related notes elsewhere in this REIT Plan for more information on these pro forma adjustments.

Northgate Cyberzone Properties

Northgate Cyberzone is an IT and BPO park located within the Filinvest City township in Alabang, Muntinlupa City in the southern part of Metro Manila. Northgate Cyberzone is an 18.7 hectare, PEZA-registered IT zone, located next to Alabang-Zapote Road, and is designed, master-planned and built around the needs of technology-based companies. Northgate Cyberzone is the third largest IT hub in Metro Manila as of March 31, 2021 based on PEZA records.

The Northgate Cyberzone Properties have an aggregate of 279,221 sq.m. of office space GLA, and 1,529 sq.m. of retail GLA. All of the Northgate Cyberzone Properties are Grade A, PEZA-accredited office buildings that are owned by the Company. Each of the Northgate Cyberzone Properties also have appurtenant parking spaces, and are within walking distance of F@stbytes, a retail and dining block catering to locators and tenants of properties at Northgate Cyberzone. The Northgate Cyberzone Properties also benefit from a district cooling system (“DCS”), and are within the “360 Eco-Loop”, a public transportation system for commuters traveling within the different districts of Filinvest City.

The Northgate Cyberzone Properties comprise the following:

- *Axis Tower 1*, a 25-storey office building, has approximately 39,340 sq.m. of office space GLA and 1,529 sq.m. of retail GLA, 460 parking slots. Axis Tower 1 was completed in March 2018 and is certified LEED Gold;
- *Filinvest One* is a 10-storey office building with approximately 19,637 sq.m. of office space GLA, 109 parking slots, and was completed in June 2013;
- *Filinvest Two* is a 14-storey office building with approximately 23,784 sq.m. of office space GLA, 89 parking slots and was completed in September 2015;
- *Filinvest Three* is a 14-storey office building with approximately 23,784 sq.m. of office space GLA, 87 parking slots and was completed in January 2015;
- *Vector One* is a 14-storey office building having a shared main lobby with Vector Two and has 166 parking slots through common podium parking levels with Vector Two, with approximately 17,764 sq.m. of office space GLA. Vector One was completed in May 2011, and Filinvest Alabang, Inc. (“FAI”) was the first tenant of Vector One and occupied the fifth to seventh floors of the building to serve as FAI’s corporate headquarters;
- *Vector Two* is a 14-storey office building, having a shared main lobby with Vector One and has 153 parking slots through common podium parking levels with Vector One, with approximately 17,889 sq.m. of office space GLA, and was completed in September 2014;
- *Vector Three* is a 22-storey office building with approximately 36,345 sq.m. of office space GLA, 365 parking slots, and was completed in January 2017. Vector Three is certified Leadership in Energy and Environmental Design (“LEED”) Gold;
- *Plaza A* is a six-storey office building with approximately 10,860 sq.m. of office space GLA, 64 parking slots, and was completed in October 2007;
- *Plaza B* is a four-storey office building with approximately 6,488 sq.m. of office space GLA, 58 parking slots and was completed in March 2001;
- *Plaza C* is a four-storey office building, has approximately 6,540 sq.m. of office space GLA, 58 parking slots, and was completed in March 2001;
- *Plaza D* is a six-storey office building with approximately 10,860 sq.m. of office space GLA, 64 parking slots, and was completed in June 2007;
- *Plaza E* is a 12-storey office building with approximately 14,859 sq.m. of office space GLA, 127 parking slots, and was completed in February 2014;

- *iHub1* is a six-storey office building having a shared lobby and 46 parking slots through a common basement with iHub2-tower complex, with approximately 9,480 sq.m. of office space GLA, iHub1 was completed in June 2008;
- *iHub2* is a nine-storey office building having a shared lobby and 84 parking slots through a common basement with iHub1-tower complex, with approximately 14,181 sq.m. of office space GLA. iHub2 was completed in August 2009;
- *5132 Building* is a six-storey office building with approximately 9,409 sq.m. of office space GLA, 55 parking slots, and was completed in November 2007; and
- *Capital One* is a five-storey office building with approximately 18,000 sq.m. of office space GLA, 93 parking slots, and was completed in October 2005. Capital One was constructed on a “build-to-suit” arrangement to accommodate its previous tenant, HSBC, and is currently occupied by Capital One.

The parcels of land on which the Northgate Cyberzone Properties are located are under a long-term land lease between the Company and the Sponsor, which was entered into on arm’s length-terms. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on these lease arrangements.

Cebu Tower 1

Cebu Tower 1 is located in Filinvest Cyberzone Cebu, a commercial development under a BTO arrangement with the Cebu Provincial Government. Filinvest Cyberzone Cebu, located along Salinas Drive, Cebu City, is centrally located between Cebu City and Mandaue City.

Cebu Tower 1, is a 13-storey Grade A, PEZA-accredited office building, with approximately 19,937 sq.m. of office space GLA and 675 sq.m. of retail GLA. Cebu Tower 1 was completed in June 2015. Cebu Tower 1 has 274 parking slots, and its retail area located on its ground floor includes shops and dining options for its tenants and tenants of surrounding office buildings. Cebu Tower 1 has a centralized chilled water-type air-conditioning system, has provisions for 100% emergency back-up power, is equipped with automatic sprinkler systems with smoke detectors and fire alarms, and has underground fiber-optic cabling facilities with dark fiber provisions for all major telecommunications providers.

Cebu Tower 1 and the land on which it is located are owned by the Cebu Provincial Government and operated by the Company under a BTO arrangement. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent memorandum of agreement (“**MOA**”), renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on these lease arrangements.

The Properties have exhibited strong and stable cash flows from rental revenue and have experienced a consistently high Occupancy Rate with minimal payment delays and defaults. Furthermore, the Properties (1) are situated in business centers, such as Northgate Cyberzone within the Filinvest City township, and Filinvest Cyberzone Cebu within Cebu City, (2) have quality and diverse tenant bases of top BPOs, KPOs, banking and other financial institutions, education companies, and corporate locators, and (3) have long and substantial remaining useful lives of the buildings, which are not subject to re-development. The Company believes the Properties are an attractive investment option for potential stakeholders, having exhibited a strong lease take up and potential for growth.

See “*Business and Properties*” for more details on the Properties.

The following table provides a summary of the Gross Revenues, Occupancy Rates, and office space GLA of each of the Properties as of and for the years ended December 31, 2018, 2019 and 2020.

Properties	Gross Revenue			% of Total Gross Revenue	Occupancy Rate			Committed Leases GLA	Office Space GLA	% of Total Office Space GLA
	For the year ended December 31,				As of December 31,					
	2018	2019	2020	2020	2018	2019	2020	2020	2020	2020
	(₱ thousands)				(%)				(sq.m.)	(%)
Northgate Cyberzone Properties										
Axis Tower 1 ⁽¹⁾	75,739.0	309,188.5	334,104.2	12.0%	30.8%	88.9%	89.6%	35,199	39,340	13.2%
Filinvest One.....	152,849.7	174,337.3	195,537.0	7.0%	100.0%	100.0%	100.0%	19,637	19,637	6.6%
Filinvest Two.....	213,515.6	219,065.8	228,358.4	8.2%	100.0%	100.0%	100.0%	23,784 ⁽³⁾	23,784	8.0%
Filinvest Three.....	192,486.2	214,988.2	160,528.9	5.8%	100.0%	100.0%	66.5%	15,804	23,784	8.0%
Vector One.....	149,184.0	159,696.9	165,633.5	6.0%	100.0%	100.0%	100.0%	17,764	17,764	5.9%
Vector Two.....	166,846.0	170,443.0	183,794.5	6.6%	100.0%	100.0%	100.0%	17,889	17,889	6.0%
Vector Three.....	299,752.3	350,465.4	308,200.1	11.1%	100.0%	100.0%	68.3%	24,813	36,345	12.1%
Plaza A.....	85,516.3	99,106.5	114,465.2	4.1%	100.0%	100.0%	100.0%	10,860	10,860	3.6%
Plaza B.....	41,554.4	38,886.6	74,408.2	2.7%	100.0%	100.0%	100.0%	6,488 ⁽²⁾	6,488	2.2%
Plaza C.....	72,761.9	58,936.3	64,261.8	2.3%	100.0%	100.0%	100.0%	6,540	6,540	2.2%
Plaza D.....	93,063.0	107,653.9	103,111.1	3.7%	100.0%	100.0%	83.2%	9,035	10,860	3.6%
Plaza E.....	119,220.3	136,192.1	160,090.4	5.8%	100.0%	100.0%	100.0%	14,859	14,859	5.0%
iHub1.....	80,719.1	86,899.4	86,663.1	3.1%	100.0%	93.1%	87.5%	8,291	9,480	3.2%
iHub2.....	120,706.2	128,194.7	142,882.5	5.1%	100.0%	100.0%	100.0%	14,181	14,181	4.7%
5132 Building.....	73,616.8	82,278.7	98,450.1	3.5%	100.0%	100.0%	100.0%	9,409	9,409	3.1%
Capital One.....	144,178.6	144,757.7	163,585.7	5.9%	100.0%	100.0%	100.0%	18,000	18,000	6.0%
Total for Northgate Cyberzone Properties	2,081,709.6	2,481,090.7	2,584,075.4	92.8%	90.4%	98.3%	90.4%	252,553	279,221	93.3%
Cebu Tower 1 ⁽¹⁾	141,252.2	154,574.5	199,157.1	7.2%	99.1%	98.8%	99.1% ⁽⁴⁾	19,937 ⁽⁴⁾	19,937	6.7%
Total.....	2,222,961.7	2,635,665.1	2,783,232.5	100.0%	90.6%	98.2%	91.1%	272,490	299,158	100.0%

Notes:

- (1) Axis Tower 1 and Cebu Tower 1 also have retail areas with GLA of approximately 1,529 sq.m. and 675 sq.m., respectively, as of December 31, 2020.
- (2) Includes areas leased by telecommunication carriers for their cell towers. Office GLA is inclusive of executed lease agreements valid as of December 31, 2020.
- (3) Includes 3,447.1 sq.m. of GLA with leases expiring on December 31, 2020 but were renewed effective January 1, 2021.
- (4) Includes 1,933.72 sq.m. of GLA with a lease effective in March 2021, but covered by a Committed Lease signed in November 2020.

The following table provides a summary of the Gross Revenues, Occupancy Rates, and office space GLA of each of the Properties as of and for the three months ended March 31, 2021.

Properties	Gross Revenue	% of Total Gross Revenue	Occupancy Rate	Committed Leases GLA	Office Space GLA	% of Total Office Space GLA
	As of / for the three months ended March 31, 2021					
	(₱ thousands)	(%)	(sq.m.)	sq.m.	sq.m.	(%)
Axis Tower 1 ⁽¹⁾	128,194.1	13.4%	89.6%	35,199	39,340	13.2%
Filinvest One.....	62,642.7	6.6%	100%	19,637	19,637	6.6%
Filinvest Two.....	85,677.3	9.0%	100%	23,784	23,784	8.0%
Filinvest Three.....	49,795.0	5.2%	66.5%	15,804	23,784	8.0%
Vector One.....	57,958.0	6.1%	92.0%	16,348	17,764	5.9%
Vector Two.....	63,242.3	6.6%	100%	17,889	17,889	6.0%
Vector Three.....	91,470.8	9.6%	68.3%	24,813	36,345	12.1%
Plaza A.....	40,890.6	4.3%	100%	10,860	10,860	3.6%
Plaza B.....	23,581.1	2.5%	85.2%	5,525 ⁽²⁾	6,488	2.2%
Plaza C.....	24,500.1	2.6%	100%	6,540	6,540	2.2%
Plaza D.....	32,936.0	3.5%	83.2%	9,035	10,860	3.6%
Plaza E.....	57,399.7	6.0%	100%	14,859	14,859	5.0%
iHub1	33,073.0	3.5%	70.7%	6,701	9,480	3.2%
iHub2	52,144.2	5.5%	100%	14,181	14,181	4.7%
5132 Building	34,501.4	3.6%	100%	9,409	9,409	3.1%
Capital One.....	50,642.8	5.3%	100%	18,000	18,000	6.0%
Total for Northgate Cyberzone Properties	888,649.8	93.1%	89.0%	248,583	279,221	93.3%
Cebu Tower 1 ⁽¹⁾	65,650.2	6.9%	99.1%	19,937	19,937	6.7%
Total.....	954,300.0	100.0%	89.8%	268,520	299,158	100.0%

Notes:

- (1) Axis Tower 1 and Cebu Tower 1 also have retail areas with GLA of approximately 1,529 sq.m. and 675 sq.m., respectively, as of March 31, 2021.
(2) Includes areas leased by telecommunication carriers for their cell towers.

The Properties benefit from their locations within business centers in Metro Manila and Cebu. The Northgate Cyberzone Properties are located within Filinvest City which encompasses 244 hectares of prime property in Alabang, Muntinlupa City. Filinvest City is the first CBD development of FAI and is located approximately 16 kilometers south of Makati CBD and 10 kilometers from the Ninoy Aquino International Airport. The Company believes that Filinvest City provides a unique offering compared to traditional commercial centers in Metro Manila. Filinvest City also enjoys excellent accessibility with five of the major highways servicing the South – the South Luzon Expressway, the Skyway, the Old National Highway, the Alabang Zapote Road and the Daang-Hari – all leading directly into Filinvest City. Filinvest City also has its own entry and exit points to the Metro Manila Skyway and the South Luzon Expressway. Filinvest City also has several districts, including the South Station district which serves as Filinvest City’s main transportation hub and a point of convergence for public utility vehicles plying routes to and from or within Filinvest City. Similarly, Cebu Tower 1 is located in Filinvest Cyberzone Cebu, located at major thoroughfares Salinas Drive cor. W. Geonzon Street, which is a gateway to the Cebu IT Park.

Northgate Cyberzone Aerial Photo



Filinvest Cyberzone Cebu



All of the Properties are Grade A and PEZA-accredited office buildings and feature amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. The Properties have clean and uninterrupted power supply with generators providing 100% back-up power, and building monitoring and maintenance systems. The Company believes it is the only developer that provides a 14-wheeler mobile generator set with 1,400KVA as an additional back-up power source in the event a Property loses power and the Property's back-up generators fail to run. The Grade A classification of the buildings was determined based on JLL's definition of prime and Grade A properties in its industry report attached to this REIT Plan. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors.

The Company believes that the premier location and facilities of the Properties make them highly competitive in the commercial leasing market in Metro Manila. The Company also believes that the rental rates the Company offers at the Properties are on par with comparable buildings. See "*Business – Competition*" in this REIT Plan. The Properties meet the Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties. The gross floor area of the Northgate Cyberzone Properties constitutes 92.5%, or 307,102 sq.m., of the total office gross floor area of 331,931 sq.m. in Filinvest City.

Asian Appraisal valued the Properties (buildings only and excluding the land on which the buildings are erected), as of March 31, 2021, at approximately ₱48,547.4 million. The following table provides a summary of the completion date, description, location, ownership rights, land lease information, and valuation of each of the Properties:

Property	Month / Year Completed	Description	Location	Right over Building	Right over Land	Land Lease Expiry⁽¹⁾	Valuation⁽²³⁾ as of March 31, 2021 (₱ millions)
Axis Tower 1	March 2018	Grade A, PEZA-accredited, LEED Gold certified office building	Northgate Cyberzone	Owned	Leased	February 2096	6,442.0
Filinvest One.....	June 2013	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	3,423.3
Filinvest Two.....	September 2015	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	4,180.0
Filinvest Three.....	January 2015	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	3,716.1
Vector One.....	May 2011	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	2,768.8
Vector Two.....	September 2014	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	3,134.1
Vector Three.....	January 2017	Grade A, PEZA-accredited, LEED Gold certified office building	Northgate Cyberzone	Owned	Leased	February 2096	6,053.1
Plaza A.....	October 2007	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	1,655.0
Plaza B.....	March 2001	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	893.4
Plaza C.....	March 2001	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	1,034.4
Plaza D.....	June 2007	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	1,483.1
Plaza E.....	February 2014	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	2,421.0
iHub1.....	June 2008	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	1,449.0
iHub2.....	August 2009	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	2,335.6
5132 Building.....	November 2007	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	1,442.9

Property	Month / Year Completed	Description	Location	Right over Building	Right over Land	Land Lease Expiry⁽¹⁾	Valuation⁽²³⁾ as of March 31, 2021 (₱ millions)
Capital One	October 2005	Grade A, PEZA-accredited, office building	Northgate Cyberzone	Owned	Leased	February 2096	2,997.8
Cebu Tower 1	June 2015	Grade A, PEZA-accredited, office building	Filinvest Cyberzone Cebu	BTO arrangement with Cebu Provincial Government	BTO arrangement with Cebu Provincial Government	November 2043	3,117.7

Notes:

- (1) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI. The BTO arrangement between the Company and the Cebu Provincial Government is for an initial term of 30 years (i.e., 25-year initial term as extended by a subsequent memorandum of agreement for five years). Each of the land leases for the Northgate Cyberzone Properties is renewable for another 25 years, and the BTO arrangement between the Company and the Cebu Provincial Government is renewable for another 25 years.
- (2) Valuation of the Properties (buildings only and excluding the land on which the buildings are constructed) by Asian Appraisal as of March 31, 2021. Cebu Tower 1 was valued based on the BTO rights over the building (but not the land) under the BTO arrangement between the Company and the Cebu Provincial Government.

The Properties have also proven attractive to lessees who are leaders in their industries, including, among others:

- *Capital One.* Capital One Philippines Support Services Corporation (“**COPSSC**”) was incorporated in 2013 to provide online banking support to the different financial products and services of Capital One, the 7th largest full service bank in the United States. COPSSC is primarily engaged in customer relationship management that provides voice and non-voice customer support to the clients of Capital One.

Capital One is an American bank holding company specializing in credit cards, auto loans, banking, and savings accounts, headquartered in McLean, Virginia with operations primarily in the United States. It is on the list of largest banks in the United States and has developed a reputation for being a technology-focused bank. The company was founded in July 21, 1994. Capital One has more than 48,000 employees in its different sites across the globe.

- *Optum.* Optum is a leading information and technology-enabled health services business dedicated to helping people live healthier lives and helping make the health system work better for everyone. With more than 150,000 employees across the globe, Optum delivers intelligent, integrated solutions that help modernize the health system and improve overall population health. Optum is part of UnitedHealth Group (NYSE:UNH) a Fortune 6 enterprise and has been operating in Philippines for 10 years.

Optum was founded in 2011, with headquarters in Eden Prairie, Minnesota and is part of the UnitedHealth Group, a pharmacy benefit manager and care services group operating across 150 countries in North America, South America, Europe, Asia Pacific and the Middle East. In 2011, UnitedHealth Group formed Optum by merging its existing pharmacy and care delivery services into the single Optum brand, comprising three main businesses: OptumHealth, OptumInsight and OptumRx. In 2017, Optum accounted for 44% of UnitedHealth Group’s profits and in 2019, Optum’s revenues surpassed U.S.\$100 billion.

- *Genpact.* Genpact is an American professional services firm headquartered in New York. Founded in 1997 as a business unit within General Electric, Genpact was mandated to provide business process services to General Electric’s businesses. During the eight year period after 1997, Genpact managed a wide range of processes across General Electric’s financial services and manufacturing businesses. In January 2005, the company became independent and began to serve clients outside of General Electric. In August 2007, Genpact became a publicly traded company. As of end 2019, Genpact had revenues of U.S.\$3.52 billion and more than 96,000 employees in 23 countries. The company name, Genpact, is designed to convey the business impact it generates for its clients.
- *Concentrix.* Concentrix is an American business services company headquartered in Fremont California, and was founded in 1991, specializing in customer engagement and business performance. Concentrix was a subsidiary of SYNnex Corporation (NYSE: SNX) since 2006 and went public as an independent company on December 1, 2020, trading on NASDAQ under the ticker symbol “CNXC”. Concentrix provides services within 10 industries: automotive, banking and financial services, consumer electronics, energy and public sector, healthcare services, insurance, media and communications, retail and eCommerce, technology, and travel, transportation and tourism. On June 28, 2018, Convergys and Synnex announced they reached a definitive agreement in which SYNnex would acquire Convergys for U.S.\$2.43 billion in combined stock and cash, and integrate it with Concentrix. On October 5, 2018, Convergys and Synnex announced that they completed the merger. As of the end of 2019, Concentrix had revenues of U.S.\$4.7 billion and had approximately 550,00 employees in 40 countries.
- *Accenture.* Accenture is an American-Irish multinational professional services company founded in 1989 and headquartered in Dublin, Ireland. It is a Fortune Global 500 company, and it reported revenues of U.S.\$43.2 billion in 2019. Accenture currently has around 506,000 employees, serving clients in more than 120 countries. Accenture’s clients include 91 of the Fortune Global 100 companies and more than three-quarters of the companies comprising the Fortune Global 500.
- *Synchrony.* Synchrony Global Services Philippines, Inc. is a subsidiary company that manages Synchrony Financial’s call center operations and select back office support. It provides dedicated support to a wide range of Synchrony Financial’s customers, and in particular, supports three of

Synchrony Financial's sales platforms – retail card, payment solutions and care credit as well as several functions including fraud detection, workforce planning and operations, training, finance, legal, human resources and sourcing. The parent company of Synchrony Global Services Philippines, Inc., Synchrony Financial, is a consumer financial services company headquartered in Stamford, Connecticut, United States and was founded in 2003. Synchrony Financial offers consumer financing products, including credit, promotional financing and loyalty programs, installment lending to industries, and FDIC-insured consumer savings products through Synchrony Bank, its wholly owned online bank subsidiary. Synchrony has more than 25,000 employees in its different sites across the globe.

- *Majorel*. Majorel (formerly Arvato) is an international service company specializing in customer experience and business process outsourcing. It was formed in 2018 through the merger of the customer relationship management businesses of Bertelsmann and the Saham Group. Its headquarters is in Luxembourg, Germany and the company has more than 50,000 employees across the globe.
- *Infosys*. Infosys is a global business consulting, information technology and outsourcing services company that was founded in July 7, 1981 with headquarters in Bangalore India. Infosys is the second-largest Indian IT company after Tata Consultancy Services by 2017 revenue figures and the 596th largest public company in the world based on revenue. On March 29, 2019, Infosys' market capitalization was \$46.52 billion. As of March 31, 2020, Infosys had more than 242,000 employees working in sites located across 37 countries.
- *AIG*. AIG Shared Services is the integrated business solutions and operations management group of companies of American International Group, Inc. (“**AIG**”), one of the largest insurance corporations in the world.

AIG, founded in 1919, is an American multinational finance and insurance corporation with operations in more than 80 countries and jurisdictions. The AIG group of companies employ more than 49,000 people. The company operates through three core businesses: general insurance, life and retirement, and a standalone technology-enabled subsidiary. AIG's corporate headquarters are in New York City. AIG serves 87% of Fortune Global 500 companies and 83% of the Forbes 2000 companies. AIG was ranked 60th on the 2018 Fortune 500 list. According to the 2016 Forbes Global 2000 list, AIG was the 87th largest public company in the world.

- *Hinduja*. Hinduja Global Solutions (“**HGS**”) is a business process management organization. The company is part of the multi-billion dollar conglomerate Hinduja Group, with over 42,190 employees across 72 delivery centers in seven countries. For the year ended March 31, 2019, HGS had revenues of U.S.\$689 million. The company was founded in 2000 and is headquartered in Bangalore, India.
- *Filinvest Alabang, Inc.* FAI was incorporated on August 25, 1993 in connection with the development of Filinvest City in Alabang, a joint venture with the Government's Public Estates Authority. FAI is 80% owned by FDC and 20% owned by FLI. FAI is a leading property developer in Alabang, Muntinlupa City.

FAI's primary project is Filinvest City, a 244-hectare mixed-use development project located at the southern end of Metro Manila and adjacent to the South Expressway in Alabang. FAI uses modern, ecological urban planning and design in developing Filinvest City as an alternative to Metro Manila's business districts. Since the start of its development in 1995, Filinvest City has grown to become a major destination in southern Metro Manila that services all segments of the population with a wide array of retail, office and residential developments. It is home to key anchor locators such as Insular Life, Asian Hospital and is the premier central business district in Northgate Cyberzone.

- *SLK Global*. SLK Global is a BPO services company offering technology platforms and solutions for the financial services industry.
- *EXL Service*. EXL Service is an American multinational professional services company headquartered in New York with over 30,000 employees globally which is mainly involved in the

operations management and analytics. EXL Service offers insurance, banking, financial services, utilities, healthcare, travel, transportation and logistics services. The company was founded in April 1999 and has offices throughout the United States, Europe, Asia, Latin America, Australia and South Africa.

The 20 largest tenants (in terms of total GLA across the portfolio) of the Properties contributed 79.8% and 82.9% of total Rental Revenues from the Properties for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively. In addition, for the year ended December 31, 2020 and the three months ended March 31, 2021, not more than 13.6% and 13.9%, respectively, of total Rental Revenues from the Properties was derived from any one unique tenant. For the year ended December 31, 2020 and the three months ended March 31, 2021, BPOs contributed the largest proportion of Rental Revenues at the Northgate Cyberzone Properties and Cebu Tower 1.

The following table provides a summary of the key tenants of each of the Properties as of March 31, 2021:

Property	Key Tenants
Axis Tower 1	Accenture and Tenant 6
Filinvest One	Tenant 7
Filinvest Two	Capital One
Filinvest Three	Synchrony
Vector One	Concentrix and the Filinvest Group
Vector Two	Genpact
Vector Three	Optum and Majorel
Plaza A	Genpact and Concentrix
Plaza B	Tenant 10
Plaza C	Tenant 10
Plaza D	Tenant 16
Plaza E	Majorel and Hinduja
iHub1	Genpact
iHub2	AIG Shared Services and Concentrix
5132 Building	Genpact
Capital One	Capital One
Cebu Tower 1	Optum and Accenture

The Sponsor is a corporation organized under the laws of the Philippines and is listed on the PSE. The Sponsor is a leading real estate company in the Philippines, focused on the development of residential houses, lots, condotels, MRB and HRB projects throughout the Philippines, and the development of investment properties in the retail, office and industrial real estate sectors. As of March 31, 2021, the Sponsor has built more than 200 residential developments across the country and operates 38 office and retail developments totaling 781,018 sq.m. of GLA. As of March 31, 2021, 64.67% of the Sponsor’s common shares were held by Filinvest Development Corporation, and 35.33% were held publicly.

Much of the leadership of the Fund Manager and the Property Manager have gained valuable experience in previous roles throughout the Filinvest Group and the Company expects they will put their expertise to use to provide superior service to the Company. See the section entitled “*The Fund Manager and the Property Manager*” for more information on the work experience of the management of the Property Manager and the Fund Manager. As such, the Company benefits from the Sponsor’s well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as the Company’s Properties.

COMPETITIVE STRENGTHS

The Company believes that it benefits from the following competitive strengths:

Sponsored by a leading Philippines full-range property developer with strong track record of commercial developments, particularly in Alabang

Filinvest Land, Inc. (“**FLI**”), the Company’s Sponsor, is one of the leading full-range property developers in the Philippines based on publicly available reports, with over 781,000 sq.m. of GLA across its portfolio of commercial properties, which includes office and retail developments, as of March 31, 2021. FLI also has a land bank of 1,897 hectares as of March 31, 2021. FLI is owned by Filinvest Development Corporation (“**FDC**”), one of the Philippines’ largest publicly listed conglomerates in terms of total assets as of March 31, 2021, based on publicly available reports, with business interests in property, banking services, power, infrastructure and sugar. The Filinvest Group, which comprises, FDC, FLI and their subsidiaries and affiliates under the Filinvest brand, has over 60 years of real estate development experience and has successfully developed key landmark office projects in the Philippines, such as (i) the 52-storey PBCom Tower in Makati CBD, one of the tallest buildings in the Philippines, (ii) the 201-hectare Filinvest Mimosa Plus Leisure City in Clark Freeport, Pampanga, and (iii) the 244-hectare Filinvest City in Alabang, Muntinlupa City, where Northgate Cyberzone, a PEZA-registered special economic zone and IT park, is located. As of March 31, 2021, the Filinvest Group had ongoing developments and projects across over 55 cities and municipalities in the Philippines.

FLI also has a proven track record of growing its real estate leasing portfolio. From 2014 to 2020, FLI’s leasing portfolio GLA grew 2.3 times.

FLI’s GLA (‘000 sqm)



Source: FLI data as of March 31, 2021

The Filinvest Group was a pioneer in developing BPO offices in the Philippines, and established the first campus style IT park in the Philippines. FLI was also one of only three developers that received PEZA incentives for being among the first facilities providers for the BPO industry. FLI introduced construction standards which the Company believes have now become industry standards for BPO offices, including the side core lift lobby, as well as larger and wider span floor plates. FLI has also engaged both IFC and DBP (JICA) to provide financing for its initial office developments in Northgate Cyberzone in the midst of the Asian financial crisis towards the turn of the millennium.

From 2001 to 2020, FLI’s offices kept pace with the increased office demand in the Philippines spurred by the growth of the BPO industry. During such period, FLI’s office GLA increased at a 13% CAGR, growing from 48,175 sq.m. in 2001 to 523,905 sq.m. as of December 31, 2020. As of March 31, 2021, FLI’s office GLA was at 523,905 sq.m. The Filinvest Group also established Alabang, Muntinlupa City as an ideal location for BPO offices, with convenient access to human resources from the nearby communities of southern Metro Manila.

Based on real estate market reports, FLI is one of the largest providers of standard and build-to-suit office spaces for BPOs in the Philippines, and is currently a market leader in providing premium quality office space for multinational corporations (“**MNCs**”). As of March 31, 2021, FLI had 12 office buildings that were under construction and that are expected to be completed in the next two years. The completion of these office buildings is expected to increase FLI’s office leasing portfolio by 43%, from 523,905 sq.m. of GLA as of March 31, 2021 to approximately 750,000 sq.m. of GLA in 2022. Furthermore, with a further 508,000 sq.m. of GLA of planned office developments in the pipeline, FLI’s office leasing portfolio GLA is expected to exceed 1,000,000 sq.m. by 2027.

The Company believes that the Filinvest Group is the dominant office leasing space developer in Alabang, Muntinlupa City where its flagship Filinvest City master planned development is located. The Filinvest Group controls all 244 hectares of land in Filinvest City – of which 86 hectares of prime commercial land is beneficially owned by the Filinvest Group. The Company believes that this parcel of land is the largest contiguous Metro Manila CBD property controlled by a single group. According to the independent market research report by JLL, the Filinvest Group has approximately 49.5% of the market share as of December 31, 2020 in Muntinlupa City, ahead of Ayala Land, Inc., its closest competitor at 11.9%. As a result, the Company believes that the Filinvest Group is often the first port of call for tenants looking to locate in Alabang, Muntinlupa City. Furthermore, the Filinvest Group’s experience and market share in the Alabang, Muntinlupa City area provides the Filinvest Group with clear visibility of the local office market, allowing it to adapt its provision of new supply to changes in office demand.

As part of the Filinvest Group, and one of the key members of the Filinvest Group in Filinvest City, the Company believes that it has also established itself as a reputable developer of Grade A office buildings in campus-type settings particularly in Alabang.

Filinvest City is an attractive PEZA- and LEEDv4 ND-certified district in the strategic Alabang CBD

Muntinlupa City is one of the 16 cities in Metro Manila, and a major commercial hub in the Philippines. Over the last 10 years, the supply of office space in Muntinlupa City has increased by almost 2.4 times, from 265,000 sq.m. in 2010 to 624,000 sq.m. in 2020 according to JLL. Muntinlupa City has also won multiple awards for being a business-friendly city, including awards from the Philippine Chamber of Commerce and Industry for Most Business Friendly Local Government Unit (“**LGU**”) in 2018 and 2017, and a special citation for Most Business Friendly LGU in 2019. Muntinlupa City also provides a good environment for families, having been hailed as the ‘Most Child-Friendly City’ in the National Capital Region and conferred the Seal of Child-Friendly Local Governance in 2017 by the Regional Committee for the Welfare of Children.

Alabang is a *barangay* (an administrative sub-area) in Muntinlupa City which embraces the “live-work-play-and learn” concept, with retail, dining and entertainment amenities located alongside commercial offices and buildings, making it an ideal environment for working adults and their families.

The Company believes that the Filinvest City development in Alabang best embodies the “live-work-play-and learn” concept, as the center of commerce in Muntinlupa City with approximately 80% of all Grade A office space supply in Muntinlupa City, according to JLL. Filinvest City is the Filinvest Group’s fully integrated, self-contained, master planned urban development located within 244 hectares of prime property in Alabang.

Filinvest City has been awarded the Leadership in Energy and Environmental Design LEEDv4 Gold for Neighborhood Development (“**LEEDv4 ND**”) certification, and is the first CBD in the Philippines to earn such recognition. Filinvest City was also recognized by the Asia Pacific Property Awards 2020 – 2021 with the “Mixed-use Development in the Philippines” award.

The strategic location of Filinvest City makes it both a good destination as well as a gateway to neighboring regions, with CALABARZON, one of the fastest growing industrial regions in the Philippines located within an hour’s drive. In addition, Filinvest City is in close proximity to other major CBDs, and a 30-minute drive away from Makati City and Bonifacio Global City via Skyway. Filinvest City is also in close proximity to key transport nodes such as the NAIA airport, which is a 30-minute drive away.

The Company believes that the transport connectivity of Filinvest City will be improved further in the next few years with the completion of major infrastructure projects that are expected to complement the five major roads that currently already traverse Filinvest City, including both the Skyway and SLEX. In addition, the North-South Commuter Railway which is currently being developed, will connect Filinvest City via railroad all the way from Clark, Pampanga in Central Luzon to the Bicol province in Southern Luzon, and increase the access points at the perimeter of the property. The North-South Commuter Railway project is expected to connect existing Philippine National Railways routes in Clark, Pampanga to Calamba, Laguna, and Central Luzon to CALABARZON. The new NLEX-SLEX Connector Road is also expected to reduce travel time from Filinvest City to Quezon City and Clark, Pampanga significantly, improving accessibility to northern Metro Manila, and New Clark City and Clark International Airport in Pampanga.

Filinvest City’s community is well supported by a full suite of amenities, including three hospitals, a university, bike trails, and Festival Mall, the largest mall in southern Metro Manila, as well as other community facilities

embodying the “live-work-play-and learn” concept. In addition, Filinvest City has embarked on the first phase of its “smart city” initiatives which includes the installation of a fiber optic network and CCTV cameras, provision of public WiFi access and the development of a smart city command center.

The Filinvest Group intends to continue developing and enhancing the amenities available in Filinvest City as an office and BPO destination. For example, The Crib at Block 10, is a co-living space currently under construction that is expected to provide the workforce in the city more affordable, safe and well-designed living accommodations within walking distance to the workplace. The Company believes that the development of co-living space will promote productivity and efficiency and reduce workplace commute time for employees in Filinvest City.

Filinvest City is divided into three major districts that provide a balanced mix of developments: Spectrum District, Civic Plaza and Northgate Cyberzone. Spectrum District and Civic Plaza host mixed-use retail, residential and commercial developments while the 18.7 hectare Northgate Cyberzone is an IT park that caters primarily to IT-BPM and BPO firms.

Filinvest City Masterplan



As part of its vision for Filinvest City, the Filinvest Group has earmarked Northgate Cyberzone in its enhanced masterplan for its own world-class office developments which will define the Filinvest City skyline and act as value enhancers in Filinvest City. For example, the Axis Towers of the Filinvest Group located in Northgate Cyberzone, combine world-class LEED GOLD office spaces, convenient retail options and open green parks.

Sloping Gardens at Axis Complex



Northgate Cyberzone is strategically located in Filinvest City, with good access to nearby hospitals, retail and leisure establishments, hospitality, transport hubs and major thoroughfares. The Axis Towers sloping gardens and central plaza, and Plaza Park allow tenants to enjoy nature and greenery while having the convenience of a highly urbanized city at their doorstep.

Northgate Cyberzone has many amenities and features that cater to tenants in the BPO industry, as well as carbon footprint reduction initiatives. The table below summarizes certain of these amenities and initiatives:

Northgate Cyberzone Selected Amenities	
Amenities	Description
<ul style="list-style-type: none"> Truck-mounted 1400KVA Mobile Generator 	<ul style="list-style-type: none"> Secondary emergency power source (N+2) to each building's backup electricity generators; backup to the backup (N+1) Capable of providing up to 100% emergency power for 48 continuous hours in the event of failure of a building's backup generators Certified and approved by PEZA.
<ul style="list-style-type: none"> Centralized District Cooling System ("DCS") 	<ul style="list-style-type: none"> Centralized production and distribution of cooling energy to existing and future buildings. The biggest district cooling system in the Philippines with a current capacity of 8,000 tons of refrigeration ("TR") expandable up to 12,000 TR to accommodate future developments. Environment friendly - Reduces power and water consumption, greenhouse gas and CO2 emissions through energy efficient operation and use of non-ozone depleting refrigerant.
<ul style="list-style-type: none"> Advanced City IT infrastructure 	<ul style="list-style-type: none"> Buildings have fiber optic ready ladder access and facilities to provide tenants with high-speed fiber-optic data telecommunications systems of telecommunications systems and providers. data center 24/7 CCTV in all common areas with minimum of 30 days of recording storage capacity. Free 1-hour WiFi internet connection within Northgate Cyberzone
<ul style="list-style-type: none"> Eco-Loop transport system and South Station transport hub 	<ul style="list-style-type: none"> The Filinvest City 360 Eco-Loop is the Philippine's first integrated, electric-powered public transport system that provides 24/7 affordable shuttle service for employees via solar-powered e-buses and e-jeeps The South Station transport hub within Filinvest City is the largest multi-modal transport terminal in southern Metro Manila connecting Filinvest City with CALABARZON.
<ul style="list-style-type: none"> Access control, elevator destination control and visitor management systems 	<ul style="list-style-type: none"> Newer buildings equipped with state-of-the-art access control turnstiles integrated with destination control equipped elevators and visitor management systems to ensure security and convenience for tenants and guests
<ul style="list-style-type: none"> Fire station and 24/7 Lifeline ambulance service 	<ul style="list-style-type: none"> Filinvest City has its own fire station, as part of its central emergency command post, which is equipped with a fire truck that can immediately respond to fires within a 3-kilometer radius Lifeline is a dedicated emergency quick response service with a standby 24/7 advanced life support ambulance within Northgate Cyberzone
<ul style="list-style-type: none"> Sports area / Basketball Court 	<ul style="list-style-type: none"> Open-air sports and recreation area within Northgate Cyberzone that may be used by locators and its employees for activities, events and gatherings subject to booking schedules.
<ul style="list-style-type: none"> Retail center 	<ul style="list-style-type: none"> Food and beverage establishments, 24/7 convenience stores and ATMs located at F@stbytes and Axis Towers ground floor retail

Truck-mounted 1400KVA Mobile Generator



24/7 Lifeline emergency ambulance service



Filinvest City Solar Power e-Jeep and e-Bus



Filinvest City Transportation Hub, South Station



Northgate Cyberzone has retail establishments to support the commercial needs of its occupiers on a 24/7 basis with a variety of food and beverage locators, convenience stores, kiosks, and shops. Geographically distributed within Northgate Cyberzone, F@stbytes dining center conveniently caters to the north-eastern area of Northgate Cyberzone while the retail area of the Axis Towers caters to the south-western area.

Filinvest City – retail and dining center amenities complemented by retail F@stbytes Dining Center



Axis Towers Retail



In October 2017, the district cooling system (“DCS”) project for Northgate Cyberzone was launched. Through the DCS, the air conditioning and cooling systems of the existing and upcoming buildings in Northgate Cyberzone were centralized, and the DCS is expected to increase efficiency in the cooling system of all the locators. As of March 31, 2021, the Company believes that the project is the biggest DCS plant in the Philippines with a plant capacity of 12000 TR, backed up by French and Filipino technical expertise. The project was developed through Philippine DCS Development Corporation (“PDDC”), a joint venture between the Filinvest Group and Engie. Engie is the world’s largest independent provider of urban cooling networks.



District Cooling System at Northgate Cyberzone

Dominant Grade A office portfolio located in Filinvest City

As the Philippine economy transitions to a post-lock down macro environment, one key theme is the diversification of office space into satellite areas and cities closer to employees’ homes according to JLL. Further, according to JLL, given the Alabang CBD area’s high quality office space available at lower rental rates compared to Makati and Bonifacio Global City (“BGC”), the Alabang CBD area in Muntinlupa City stands to benefit as one of the primary destinations for BPO companies looking to diversify their office spaces outside Makati CBD and BGC, and looks set to capture this increase in demand.

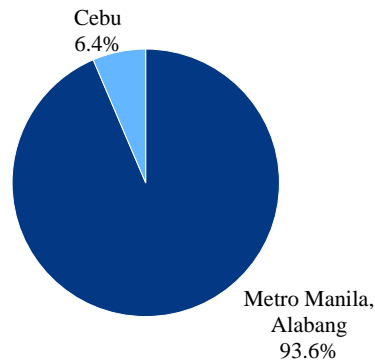
In addition, the moratorium on new economic zones and PEZA accreditation for office projects located in Metro Manila has resulted in a significant reduction of new PEZA-accredited office supply. The Company believes that office space in Filinvest City – and Northgate Cyberzone district in particular – which already has existing PEZA-accreditation, is likely to experience stronger demand given the shortage of new PEZA-accredited space and stands to benefit from the moratorium.

As of March 31, 2021, the Properties were valued at ₱48,547.4 million, comprising 17 Grade A office buildings which cater primarily to major domestic and international BPO and ROHQ (regional operating headquarters) for large corporations. Each of the Properties is PEZA-accredited, enabling the Company’s tenants to enjoy available fiscal and non-fiscal tax incentives including a special tax rate of 5% on gross income, income tax holidays and exemption from creditable withholding taxes, among others. PEZA-related incentives will remain as long as the Company continues to comply with PEZA regulations and requirements.

In addition, the Properties feature large floor plates, amenities and technology for tenants including high-speed fiber-optic data telecommunications systems, and clean and uninterrupted power supply supported by backup generators and additional backup mobile genset trucks in the event of emergencies.

16 of the Properties (comprising 93.6% of the total valuation prepared by Asian Appraisal of ₱48,547.4 million as of March 31, 2021) are located in Northgate Cyberzone, Filinvest City, where the Filinvest Group is the market leader according to JLL, and one Property, Cebu Tower 1 (which accounts for 6.4% of the total valuation prepared by Asian Appraisal of ₱48,547.4 million as of March 31, 2021), located in Filinvest Cyberzone Cebu. In addition, two of the four LEED GOLD certified buildings in Northgate Cyberzone (Vector Three and Axis Tower 1) are owned by the Company.

Portfolio valuation breakdown (%)



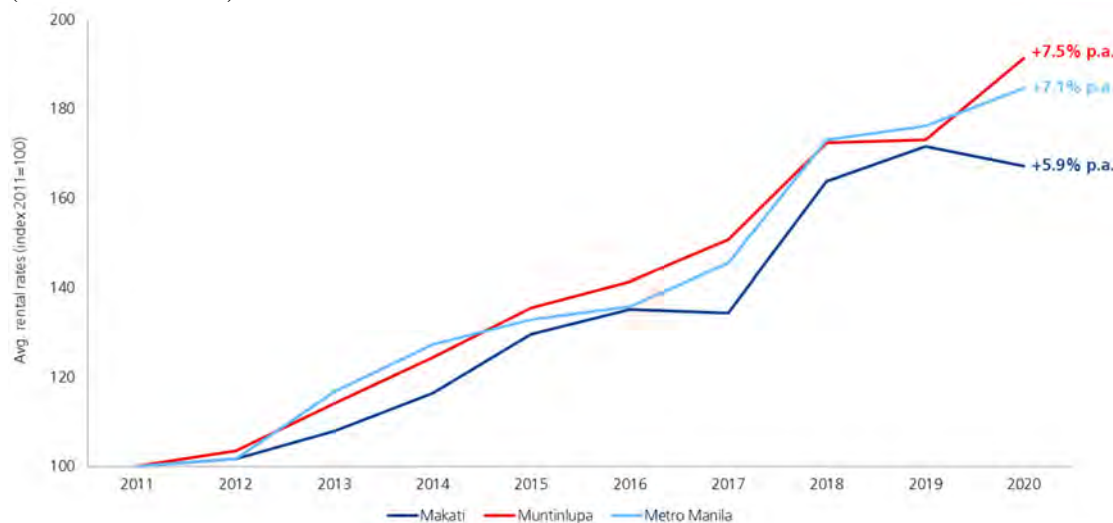
Note: Asian Appraisal valuation as of March 31, 2021

The Muntinlupa City office rental market has demonstrated strong growth from 2011 to 2020, growing by 7.5% per annum, and outperforming the Makati CBD office rental rate growth of 5.9% per annum, and the overall Metro Manila office rental rate growth of 7.1% per annum over the same period according to JLL. In particular, Muntinlupa City rental rates increased in 2020 despite the impact of the COVID-19 pandemic, demonstrating its strategic location, tenants’ continued demand for office space in the area and its overall resilience.

Based on data from JLL, the Metro Cebu office rental market has similarly performed well, with average monthly office rents growing by 5.7% per annum between 2015 to 2020 (higher than Makati CBD’s growth rate of 5.2% per annum over the same period). Metro Cebu’s office market is also set for further growth in the future as local and foreign firms continue to diversify their demand outside of Metro Manila. The total office supply in Metro Cebu is expected to grow to 1.6 million sq.m. of GLA by December 31, 2025, from 1.2 million sq.m. of GLA as of December 31, 2020.

Cebu Tower 1 is located in Filinvest Cyberzone Cebu, a 1.2-hectare development under a BTO arrangement between the Company and the Cebu Provincial Government. Filinvest Cyberzone Cebu is located at Salinas Drive, a strategic gateway to Cebu IT Park. In addition to Cebu Towers 1 and 2 which were recently completed in 2015 and 2018, Filinvest Cyberzone Cebu also has two additional Towers (Cebu Towers 3 and 4) under construction, slated for completion by 2022 and 2023, respectively.

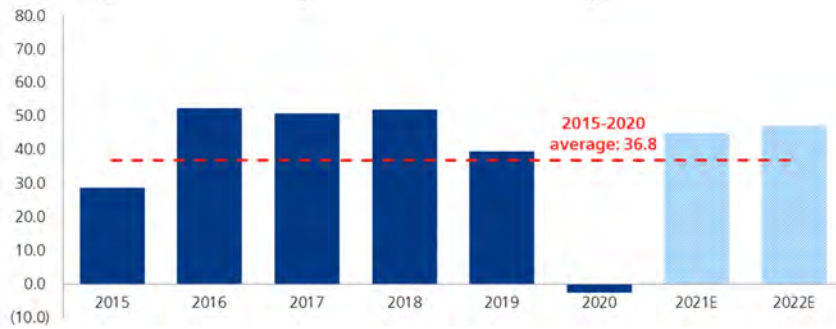
Average office rental rates in Muntinlupa, Makati and Metro Manila
(Indexed: 2011 = 100)



Source: JLL independent market research report

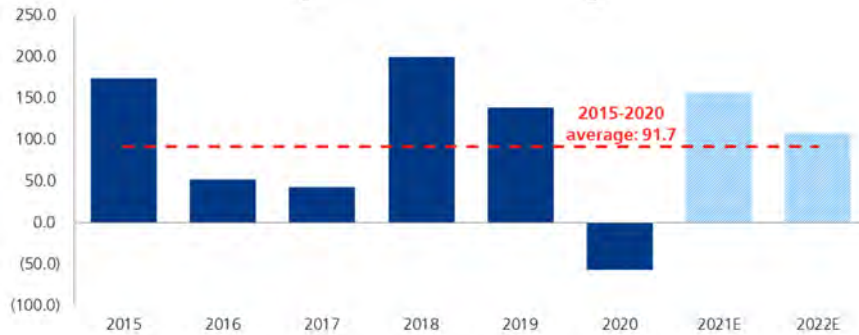
The continued robust office market outlook in Muntinlupa and Cebu is supported by the strong forecast net absorption volumes from 2021 to 2025 based on data from JLL, as demand continues to outstrip supply, particularly for high quality Grade A office space similar to that of the Properties.

Muntinlupa office net absorption 2015 – 2022E ('000 sqm)



Source: JLL independent market research report

Metro Cebu office net absorption 2015 – 2022E ('000 sqm)

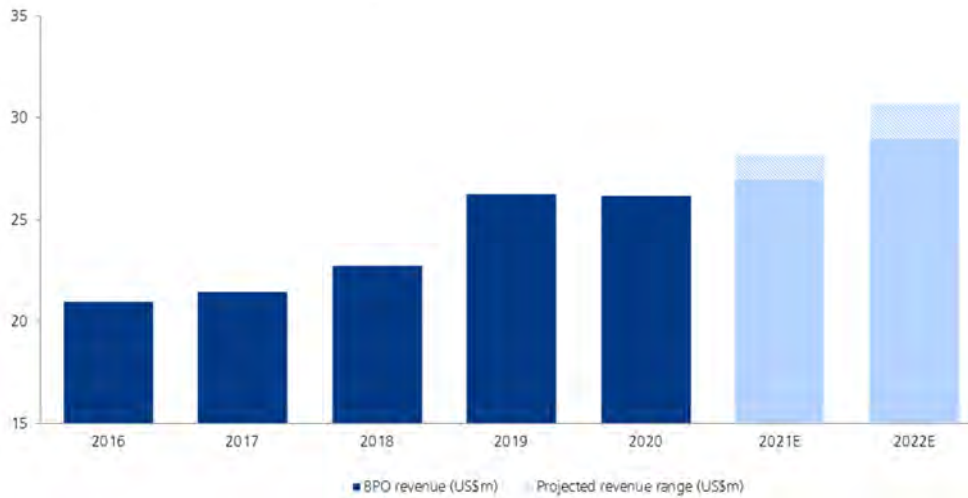


Source: JLL independent market research report

High quality tenants from the Philippines IT-BPM (BPO) sector, providing stable cashflows

The Philippines IT-BPM (BPO) industry is one of the core pillars of the Philippine economy, employing over 1.3 million people and contributing approximately 7.1% of the Philippine’s GDP in 2019 according to JLL. Between 2011 and 2019, the BPO industry revenue grew by approximately 9% per annum, from U.S.\$12.1 billion in 2011 to U.S.\$26.3 billion in 2019, and looks set to continue growing by between 3.2% to 5.5% in 2021E to 2022E as foreign MNCs and international firms continue to outsource part of their operations according to JLL.

Philippines IT-BPM (BPO) industry revenue 2016-2022E (U.S.\$ billion) (source: JLL)



The Philippines was ranked the 6th most digital nation in 2020 in the Tholons Services Globalization Index, demonstrating the widespread recognition of the Philippines as a premier outsourcing destination. The Philippines’ strong competitive advantage in attracting BPO companies is due to its highly skilled, English-speaking talent pool, and competitive wages according to JLL.

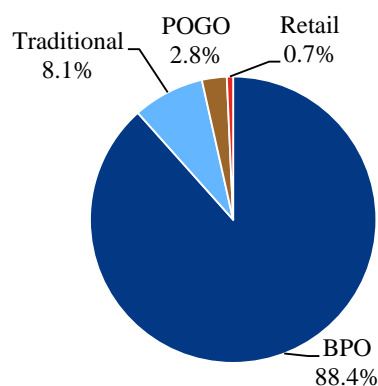
The BPO industry has remained resilient throughout the widespread negative economic impact from the COVID-19 pandemic, as BPO offices remained open and operational throughout both the ECQ and GCQ periods. As a result, the BPO industry’s revenue for 2020 is expected to reach U.S.\$26.2 billion, only a 0.5% decrease from the industry’s revenues in 2019, outperforming the general Philippine economy according to JLL.

The Philippines’ BPO industry demand fundamentals remain strong despite the impact of COVID-19. According to JLL: first, BPO firms provide critical support services to international companies across the world, and are essential to the operational continuity of these global firms. The smooth operational continuity of these essential support services and functions is predicated on a high quality, reliable work environment with good internet connectivity and digital infrastructure that high quality BPO offices provide, and which typical homes in the Philippines lack. Second, the nature of the support services provided may involve data confidentiality requirements which limit the extent to which “work from home” (“WFH”) policies may be adopted. This is particularly true for financial services BPO firms which have strict requirements for data security and confidentiality. Third, the recent trend of WFH initiatives has underscored the fact that certain workflows can be done remotely, outside of high cost developed markets. Combined with the pressure to reduce costs in a difficult economic environment, international firms may look to increase the extent of their outsourcing operations in destinations like the Philippines, where BPO firms can provide high quality services at lower cost.

The BPO industry is expected to recover in 2021-2022 with revenue growth projected to be between 3.2%-5.5%, and employment growth of between 2.7% and 5.0% according to JLL.

As of March 31, 2021, 88.4% of the Properties’ occupied GLA is leased to well-known global tenants in the BPO sector, with a further 8.1% contributed by traditional office tenants and 0.7% by retail tenants. Exposure to tenants in the POGO sector is minimal at under 2.8% of occupied GLA as of March 31, 2021 ensuring the stability and resilience of the Property’s cashflows.

Tenant sector breakdown by occupied GLA



The top 20 tenants of the Properties accounted for 79.2% of total GLA as of March 31, 2021, and include major international BPO and MNC tenants.

Top 20 office tenants information

#	Tenant	Industry	Description	Occupied GLA (sqm)	% of occupied GLA	% of total GLA	Properties
1	Capital One	BPO	BPO services for Capital One, an American bank holding company with over 48,000 employees globally	38,337	14.2%	12.7%	Capital One, Filinvest Three
2	Optum	BPO	BPO services for a pharmacy benefit manager and care services group with operations across 150 countries globally	24,770	9.2%	8.2%	Vector Three, Cebu Tower 1
3	Genpact	BPO	American professional services firm headquartered in New York with over 96,000 employees globally	21,239	7.9%	7.0%	Vector Two, iHub1, 5132 Building
4	Concentrix	BPO	American BPO services company with operations in 40 countries	19,886	7.4%	6.6%	Vector One, Plaza A, iHub2
5	Accenture	BPO	BPO services for Accenture, a Fortune Global 500 consulting and services company	18,643	6.9%	6.2%	Axis Tower 1, Cebu Tower 1
6	Tenant 6	BPO	BPO services for global online payment services company headquartered in the US	16,564	6.1%	5.5%	Axis Tower 1
7	Tenant 7	BPO	BPO services for an international bank with operations across the world	11,959	4.4%	4.0%	Filinvest One
8	Synchrony Global Services Phil. Inc.	BPO	Call center operations and select back office functions for Synchrony, a global financial services company	10,341	3.8%	3.4%	Filinvest Three
9	Majorel (formerly Arvato Corp.)	BPO	BPO company headquartered in Europe, with over 50,000 employees globally	9,160	3.4%	3.0%	Vector Three, Plaza E
10	Tenant 10	BPO	Call center company with 36 facilities in 14 countries, and headquartered in California	8,321	3.1%	2.8%	Plaza B, Plaza C
11	Infosys	BPO	Global business consulting, information technology and outsourcing services company headquartered in India	8,080	3.0%	2.7%	Vector Two
12	AIG Shared Services	BPO	BPO services for AIG, a leading non-life insurer globally	7,853	2.9%	2.6%	iHub2
13	Tenant 13	BPO	BPO company with over 40,000 employees globally	7,411	2.7%	2.5%	Vector Two and Axis Tower One

14	Hinduja Global Solutions	BPO	BPO company, part of the Indian conglomerate Hinduja Group, with over 40,000 employees globally	6,855	2.5%	2.3%	Plaza E
15	FAI	BPO	Leading property developers in Alabang, part of Filinvest group	6,812	2.5%	2.3%	Vector One
16	Tenant 16	BPO	BPO services for an American multinational telecommunications conglomerate	5,384	2.0%	1.8%	Plaza D
17	EXL Service Phils.	BPO	Headquartered in the United States, EXL is a leading operations management and analytics company	5,156	1.9%	1.7%	-Plaza E
18	Tenant 18	BPO	American multinational corporation that provides digital products and digital IT services, including cloud computing services, consulting, and operations services.	4,613	1.7%	1.5%	Vector Three
19	SLK Global	BPO	BPO services company offering technology platforms and solutions for the financial services industry	3,819	1.4%	1.3%	Vector Three and Axis Tower One
20	Tenant 20	BPO	BPO services for a privately owned global hedge fund administrator	3,447	1.3%	1.1%	Filinvest Two
Total				238,649	88.3%	79.2%	

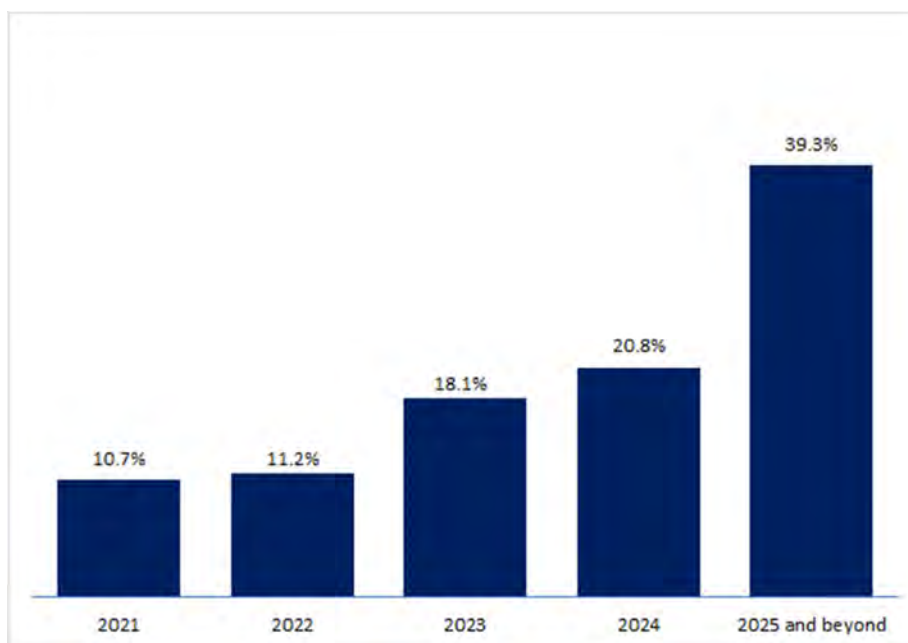
Note: Tenants which are not named did not provide consent to disclose their names. All of these tenants are multinational BPOs.

The stability of the Properties' cashflows is further supported by its WALE of 3.8 years (by GLA) as of March 31, 2021,² and well spread lease maturity profile, with no more than 20% of leases expiring in any given year. BPO tenants tend to take on longer term leases due to the large fit-out cost required for BPO offices. The typical fit-out can cost up to three to six months of rent depending on the leased area, which incentivizes longer term commitment to the existing office spaces for which fit-out costs have already been incurred. In particular, 99% of leases expiring in 2020 (or 52,560 sq.m. in GLA) were renewed at rentals above the previous year's escalated rates. Furthermore, the tenants in the Properties have leased with the Company for five years on average. Over the last 15 years, 90% of leases within the Properties have been successfully renewed, underscoring the long-standing and enduring nature of the Company's tenants.

In addition, the Northgate Cyberzone Properties have a long average remaining land lease tenure of 74.9 years (by GLA) as of March 31, 2021, while Cebu Tower 1 has 22.7 years remaining under the initial term of the BTO arrangement as of March 31, 2021, renewable for another 25 years. The Company believes that the 50-year land lease (renewable for another 25 years) for the Northgate Cyberzone Properties, complements the Company's strong and enduring tenancies, and demonstrates the long term strength and stability of the Properties' cashflows and capital value.

Lease expiry profile as of March 31, 2021 (by occupied GLA)

² The Properties had a WALE of 3.9 years (by GLA) as of April 30, 2021.



Strong organic growth from fixed rental escalations, and inorganic growth from Sponsor pipeline

Approximately 90% of the leases in the Properties have contractual fixed rental escalations of 4% to 10% per annum, with overall average contractual rental escalation of 5.0% per annum, providing for a secure source of organic growth and clear income visibility. The Company believes that the strong organic growth in rental revenues in turn translates into an attractive dividend per share (“DPS”) growth, which will allow investors to benefit from the income growth of the Properties while also benefitting from its tax efficient REIT structure.

The Properties have been well-maintained and operated by professional property managers – ProOffice Work Services, Inc. (“ProOffice”) for the Northgate Cyberzone Properties since 2019, and Santos Knight Frank (“SKF”) for Cebu Tower One since 2018. The management rights of Santos Knight Frank over Cebu Tower One will be transferred to ProOffice, the REIT Property Manager, on or prior to the issuance of the Permit to Sell by the Philippine SEC. The Company has a track record of regular maintenance and renovation to bring up its facilities to meet the needs of its tenants. For instance, the Properties’ cooling system is less than five years old, and substantially all of the elevator systems are less than 10 years old on average. Among the major renovations and asset enhancements conducted for the Properties are:

Project Description	Building	Year	Project Cost (P millions)
Upgrading of Chilled Water System to DCS	All buildings	2017-2019	1,387.0
Modernization of elevators	Vector Two, 5132 Building, iHub 1, Plaza A, Plaza B, Plaza C, Plaza D	2017 to 2021	44.3
BMS Upgrade for Centralization to Command Center	Plaza A, Plaza B, Plaza C, Plaza D, Plaza E Vector One, Vector Two, iHub1, iHub2, 5132 Building	2021	12.1
Integrated BMS (iBMS) Centralization	All buildings	2021	16.8
Major Fan Coil Units Maintenance and Rehab of Air Handling Units	Plaza A, Plaza D, Vector One, Vector Two, iHub1, iHub2, 5132 Building	2019	36.9
Installation of Access Control System (Turnstiles)	Axis Tower 1	2019	47.0
Total replacement of Packaged Air-Conditioning Units (PACU)	Plaza B	2019	27.0
Installation of Accelerograph with FDAS Interface	Plaza A, Plaza D, Plaza E, Vector One, iHub 2, Filinvest One, Filinvest Two, Capital One	2018	9.6
Installation of Visitor Management System	All buildings	2019 - 2021	2.9
Renovation of Common Restrooms	Plaza B and Plaza C	2019	8.5
Total			1,592.1

More than ₱250 million in the next three years of additional renovations and asset enhancements are planned for the Properties, including elevator modernization, refurbishment of building façade and common areas, and installation of turnstiles and visitor management system, among others. The Company intends to fund such additional renovations and asset enhancements through a combination of operating cash flows and debt financing. The upkeep and maintenance of the Properties ensure the reliability of their operations around the clock, and allows the Company to stay current and relevant, and keep its Properties attractive to tenants.

Sponsor's extensive CBD land bank in three major BPO hubs and deep portfolio

In addition to the organic growth from fixed rental escalations built into the leases, the Company has ready access to inorganic growth opportunities from the Sponsor's pipeline of what the Company believes are high quality income-producing commercial assets, in addition to potential acquisitions from unrelated third parties.

The Sponsor has granted the Company a right of first refusal over all significant commercial properties of the Sponsor and its wholly owned subsidiaries that qualify as REIT assets under the REIT Law (excluding land and projects intended for the Sponsor's trading business such as condominium units that are temporarily leased out) (the "ROFR"). The grant of the ROFR will be valid as long as (i) the Company continues to be a REIT under the REIT Law, and (ii) the Company is at least majority-owned by the Filinvest Group.

The Sponsor has an extensive CBD land bank in Metro Manila, Clark, Pampanga and Cebu. The Sponsor has over 250 hectares of land in these CBD areas, and the total additional GLA from these three areas is expected to be approximately 5.3 million sq.m. In addition, the Sponsor has over 140 hectares of land for industrial leasing and warehouse development, which the Company believes highlights the Sponsor's strength in portfolio development for both the office and industrial space.

In addition to the Properties, as of March 31, 2021, FLI has 14 operational office buildings and 11 more under construction (and which are expected to be completed in the next two years) located in key CBDs including Northgate Cyberzone, Makati CBD, Ortigas CBD, Quezon City, Clark Mimosa and others that may form additional pipeline acquisitions for the Company. These buildings are expected to total approximately 315,000 sq.m. of GLA, equivalent to 105% of the aggregate GLA of the Properties. These buildings include the following:

In Filinvest City, Alabang

Axis Tower 2 which was completed in 2019 is currently ramping up its occupancy. The 40,536 sq.m. LEED GOLD certified BPO office tower is located in a 2.6 hectare common compound with Axis Tower 1, as well as Axis Towers 3 and 4 which are currently under construction and expected to be completed in 2022. The towers each have 39,340 sq.m. of office GLA and share 5,948 sq.m. of common retail space, as well as podium and basement parking.

In Makati CBD

The 52-storey landmark Makati CBD office property PBCom Tower, with 37,987 sq.m. of office space and amenities including a food court and retail component may also be considered. Located in Ayala Avenue, PBCom Tower is the tallest office building in the Philippines, and as of March 31, 2020 had an appraised value of ₱ 7,650 million based on latest valuation reports. Also in Makati is 100 West, a mixed use tower in Gil Puyat extension, which has 14,333 sq.m. of office space and 3,896 sq.m. of retail space. As of December 31, 2020, 387 Building with an expected 10,010 sq.m. of GLA and located in Gil Puyat Avenue, is currently under construction and is expected to be completed in 2021

In Other Major Metro Manila Cities

Filinvest Cyberzone Bay City consists of four buildings with a total GLA of 66,589 sq.m.

One Filinvest Ortigas with a GLA of 39,759 sq.m. is under construction as of March 31, 2021, and is scheduled to be completed in 2022.

Studio 7 and Activa in Quezon City were under construction as of March 31, 2021. Studio 7, with a total office GLA of 36,541 sq.m. is scheduled to be completed in 2022 while Activa, with a total office GLA of 51,992 sq.m. is scheduled to be completed in 2025.

In Cebu

Cebu Tower Two which was completed in 2018 and has a total office and retail GLA of 28,927 sq.m. is currently operational. There Cebu Towers Three and Four, with expected GLAs of 21,847 sq.m. and 22,342 sq.m., respectively, were undergoing construction as of December 31, 2020, and are expected to be completed in 2022 and 2023, respectively.

In Clark Mimososa

In Filinvest Mimososa Plus Leisure City in Clark, there are two buildings, Workplus 1 and Workplus 2 that are currently operational with GLA of 21,431 sq.m. while two other buildings were under construction as of March 31, 2021, with total office and retail GLA of 24,623 sq.m., and which are expected to be completed in 2021 and 2022.

In Dumaguete

Marina Town, Dumaguete is a 1.9-hectare mixed-use development fronting Dumaguete Bay. The project is expected to feature a hotel, mall, and an office component of 4,225 sq.m. of GLA that is expected to be completed within the first quarter of 2022.

Experienced management team with accumulated 75 years of property experience

The management team possesses intimate knowledge of the Properties, their competitive strengths and their leasing aspects, having managed the assets since they were initially developed by the Filinvest Group. The Company will benefit from the continuity of service and familiarity of the management team with the assets and the growth commitment of the Sponsor.

The experience that the management team and directors of the Company have in property fund and portfolio management, real estate development, investment, asset and property management, and finance will benefit the REIT. In particular, the Company's President, Maricel Brion-Lirio, has 21 years of experience in the real estate industry, particularly in office leasing and business development. Other key members of the management team include the Chief Financial Officer, Treasurer and Compliance Officer, Ana Venus A. Mejia, who similarly has extensive experience in the real estate industry, with over 20 years of experience. See "Board of Directors and Senior Management" elsewhere in this REIT Plan for more information on the Board and senior management of the Company.

BUSINESS STRATEGIES

The Company's principal strategy is to invest in income-generating real estate property, including office buildings, retail malls, industrial warehouses and buildings, and hotels. Through the services of the Fund Manager and the Property Manager, who will collectively work with the Company's management team, the Company intends to maximize investment returns for its Shareholders. The Company believes it will be able to grow from both its

existing portfolio, and by adding new assets in the future. Please see also the section entitled “*The Fund Manager and the Property Manager*” elsewhere in this REIT plan.

Fund Manager

The Fund Manager plans to achieve its key objectives for the Company through the following strategies:

Organic growth strategy through pro-active asset management

The Fund Manager’s organic growth strategy involves active asset management in the form of asset enhancement initiatives to drive higher rental rates for the Properties and thereby deliver the optimum net operating income. The Company believes that the Fund Manager will be able to achieve the foregoing through proper coordination with the Property Manager in undertaking the following:

- Formulate or rationalize the capital expenditure policy which aims to protect and improve the asset quality of the Properties to be able to command the desired rental rates.
- Pro-actively manage lease renewals in advance of expiries, negotiate higher rental rates for new leases, and reconfigure or expand tenant spaces to best respond to the needs of the Company’s tenants
- Maintain good relationships with tenants and improve their tenancy experience.

Inorganic growth strategy through redevelopment of existing assets and new acquisitions

The Fund Manager intends to pursue inorganic growth through the redevelopment, to the extent allowable by the REIT Law, and in accordance with the Company’s plans, of existing assets with low floor-to-area ratio (“**FAR**”) into taller buildings with higher FAR, which will help maximize land use, increase GLA and consequently, increase property valuation.

In addition, the Fund Manager will consider the acquisition of high quality commercial properties that are dividend yield accretive to the Company’s portfolio of Properties. The Fund Manager will consider potential pipeline assets for acquisition from the Filinvest Group’s wide array of income-producing commercial assets, as well as commercial assets from external parties.

The Company may acquire new projects through direct acquisition, or through tax-free-exchanges, depending on what would be the most beneficial transactional form for the Company at such time. The Company may also procure new land sites can through long-term leases, joint ventures or acquisitions, which shall be studied, and proposed to the Company’ management. The Company believes that the identification and targeting of such new projects and additional locations offer potential opportunities for future income and capital growth.

The Sponsor has granted the Company a right of first refusal over all significant commercial properties of the Sponsor and its wholly owned subsidiaries that qualify as REIT assets under the REIT Law (excluding land and projects intended for the Sponsor’s trading business such as condominium units that are temporarily leased out). The grant of the ROFR will be valid as long as (i) the Company continues to be a REIT under the REIT Law, and (ii) the Company is at least majority-owned by the Filinvest Group.

Focus on key CBDs in Metro Manila and major regional hubs in the Philippines

The Fund Manager intends to primarily focus its growth on Grade A assets situated in prime CBD properties in and around the Metro Manila area and major regional hubs in the Philippines. This strategy aligns with the Sponsor’s expansive land bank in growth centers identified by the IT and Business Process Association of the Philippines. The Fund Manager also intends to actively pursue industrial assets along CALABARZON and the NLEX-SCTEX-TPLEX industrial and logistics corridor.

Active management of capital structure and well-balanced risk management strategy

The Fund Manager will closely monitor and manage the Company’s balance sheet, and resources to optimize overall returns for Shareholders balanced against preserving the long-term financial health of the Company. The Fund Manager may use management tools such as accessing the capital markets for debt, equity, hybrid or other forms of capital as appropriate, and utilizing hedging instruments in order to manage the Company’s financial

risk exposures. The Company has successfully accessed the retail bond market in the past, and is expected to continue to use leverage in growing its leasing portfolio.

Commitment to green initiatives

The Company and the Sponsor are committed to sustainable development and ecological efficiency of the Properties. As such, the Company and the Sponsor have initiated measures to reduce the consumption of natural resources and minimize emissions. For example, the DCS in Northgate Cyberzone is a system that has been implemented to increase the efficiency and sustainability of the buildings in Northgate Cyberzone, and lower air-conditioning and other operational costs for both the Company and its tenants. The Fund Manager intends to work with the Property Manager to promote additional green initiatives and programs for the Properties. The township developments where the Properties are located are also designed to provide wide open spaces to improve the working environment of the BPO workforce.

Please see also the section entitled “The Fund Manager and the Property Manager” elsewhere in this REIT Plan.

Property Manager

The Property Manager shall protect and enhance the assets of the Company and ensure that the Company provides the services required by its tenants, and to deliver the desired revenues.

Active tenancy and leasing management

In order to maximize the leasing revenues of the Company, the Property Manager shall implement the following strategies together with the Fund Manager:

- Proactively negotiate expiring leases at least six to nine months before the expiration date, and renew them at the desired rental rate based on the leasing plans approved by the Company’s management. The Company’s current lease arrangements generally permit tenants to renew their leases for an additional five years, subject to notifying the Company at least six months prior to expiry and revised rental rates in line with the prevailing market. The Property Manager will monitor expiring leases and actively engage tenants in negotiations well in advance of expiry.
- Negotiating increased rental rates, when current leases with below-market rents expire.
- For vacancies, proactively tap the existing tenant base for future expansions, as well as attract new customers. The Property Manager will also work with the Filinvest Group’s in-house office leasing teams as well as with the Company’s third party leasing brokers to reach a wider pool of potential new clients.
- Improve customer services and tenancy occupancy experience to continue the historically high retention rate of tenants.
- Continuing review and analysis of the existing tenant mix; proposing an optimum tenant mix to the Company’s plans and programs, with the goal of achieving the target operating income.

Active property management

The Property Manager will also ensure the Properties are kept in excellent condition, in order to meet the high commercial standards of the Company’s tenants. These efforts include, but are not limited to, the following:

- Ensure that preventive maintenance contracts are in place at all times, by contracting reputable and capable service contractors and monitoring their performances, for the Properties’ machinery, equipment, facilities, amenities and common areas.
- Recommend and implement, the Company’s approved plans and programs for capital expenditure on major maintenance and building enhancements such as modernization of elevators, restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and

equipment upgrades, as well as extraordinary maintenance, such as in the event of damage from weather disturbances, natural disasters, or other unforeseen events.

- Develop and promote systems and strategies to proactively manage facilities and provide prompt feedback to tenants; concerns.
- The Property Manager will also ensure that the IT infrastructure within the Properties meet the requirements of the Company's BPO tenants.
- Work together with the estate manager of townships where the Properties are located, to ensure that the Company continues to have ample, secure and conducive parking spaces for the locators, employees and visitors. The Property Manager will also procure the implementation of house rules and regulations applicable to the Properties.
- Facilitate relocation or expansion of tenants according to their operational requirements by vetting technical plans, monitoring and overseeing tenants' compliance with fire and building codes and regulations, and PEZA and other applicable regulatory requirements.
- Close coordination and cooperation with utility companies to ensure reliable service and supply of power and water at all times.

The Property Manager will work closely with the township managers to ensure the environment of the Properties remains attractive. The Company believes that maintaining and improving green facilities within the townships where the Properties are located, together with its safe and secure setting offered by such developments, the close proximity of the Properties to convenient shopping and transportation all add to the value of the portfolio.

Excellent customer service

The Company believes that the Filinvest Group has built its reputation as one of the top office space providers in the Philippines, not just by delivering the physical building services but also by building a good relationship with its tenants. The Property Manager is likewise committed to delivering a high level of customer service satisfaction. The Property Manager intends to undertake the following activities to continue delivering excellent customer service to the tenants of the Company:

- Continued tenancy and employee surveys to give the Property Manager and the Company updated information and data on the views of its tenants.
- Open communication and feedback system with tenants via traditional and online platforms.
- Continuous market research and studies on new ways to improve customer experience.

Cost efficiency

The Property Manager will always strive to implement the most cost efficient policies and programs without sacrificing the quality of the service. The Company believes that the Property Manager would be able to achieve this through continuous communications and maintaining good working relationships with the Company's existing service providers, to ensure that service contracts are executed properly and effectively. The Property Manager also intends to expand the Company's current pool of vendors by inviting other providers to participate in the bidding process for external service providers. The Property Manager also intends to conduct regular performance evaluation reviews of the contractors and service providers to ensure that the Company continues to engage with appropriate counterparties.

Reduction of operating expense through energy efficiency management together with Engie

The Property Manager is studying an Integrated building management system ("iBMS") together with Engie which will connect all existing building management systems of the Properties via a central system. The iBMS aims to achieve cost-savings in building electricity consumption through efficient operation of connected equipment and continuous monitoring of building energy consumption.

The Property Manager is also studying the feasibility of installing solar panels atop the building roof decks of the Properties as part of the 'Filinvest Green City' concept, and as a way of having renewable clean energy onsite and reducing reliance on non-renewable energy sources.

Please see also the section entitled “*The Fund Manager and the Property Manager*” elsewhere in this REIT Plan.

RECENT DEVELOPMENTS

Occupancy Rate

As of March 31, 2021, the Properties had an overall occupancy rate of 89.7%, comprising 270,424 sq.m. of GLA. As of April 30, 2021, the Properties’ overall occupancy rate increased to 90.3%, comprising 272,258 sq.m. of GLA, as a result of Majorel, one of the Company’s existing tenants, leasing an additional 4,613 sq.m. of office space in Vector Three, combined with a reduction of 2,778.19 sq.m. in occupied GLA due to the non-renewal and pre-termination of leases, respectively, by two other tenants.

Property Disposals and Assignment of Loans

In preparation for the Company’s transition to a REIT company, the Sponsor and the Company identified and selected the Properties as the assets which will comprise the initial REIT portfolio based on the requirements of the REIT Law as well the Company’s investment criteria. As such, the Sponsor and the Company determined that certain of the Company’s assets (other than the Properties) will be transferred from the Company to the Sponsor in the form of property dividends or through assignment of rights. On December 4, 2020, the Company’s Board approved the declaration of property dividends consisting of one building (which has been operational for less than three years) in Northgate Cyberzone (Axis Tower 2), two buildings under construction in Northgate Cyberzone (Axis Tower 3 and Axis Tower 4), and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020 (the “**First Property Dividend**”). On February 11, 2021, the Company’s Board also approved the declaration of property dividends to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, all of which have been identified for redevelopment, and (iv) Cebu Tower 2 in Filinvest Cyberzone Cebu, which has been operating for less than three years (the “**Second Property Dividend**”, and together with the First Property Dividend, the “**Property Dividend**”). On February 11, 2021, the Company’s Board also approved the transfer of its rights under its “build-transfer-operate” (“**BTO**”) arrangement with the Cebu Provincial Government relating to two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor (the “**BTO Rights Transfer**”, and collectively with the Property Dividend, the “**Property Disposals**”). The Philippine SEC’s approval for the First Property Dividend and the Second Property Dividend is expected to be secured prior to the issuance of the Permit to Sell.

On December 9, 2020, the Company and the Sponsor entered into an agreement, whereby the Company would assign to the Sponsor, its loans payable in the aggregate amount of ₱4,233.8 million, in consideration for the aggregate amount of ₱4,233.8 million to be paid by the Company, of which ₱3,746.3 million shall be converted by the Sponsor into equity of the Company. On March 12, 2021, the Company and the Sponsor entered into an agreement whereby a portion of the Sponsor’s receivables from the Company will be converted to equity through the latter’s subscription to 2,565,924,658 common shares of the Company at a subscription price of ₱1.46 per share for a total subscription price of ₱3,746.3 million) (the “**Assignment of Loans**”). The increase in the Company’s authorized capital stock through the assignment of receivables as payment for the subscription of shares of stock was approved by the Philippine SEC on July 2, 2021.

Please refer to the Company’s pro forma financial information for the year ended December 31, 2020 included in this REIT Plan for further details.

Change of Name and Increase in Authorized Capital Stock

On June 25, 2021, the Company’s shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from “Cyberzone Properties, Inc.” to “Filinvest REIT Corp.”, (ii) reduction of the par value of its common shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company’s authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share. As part of the increase in authorized capital stock, the Sponsor will subscribe to 2,565,924,658 common shares.

The change in name of the Company, the reduction in the par value of its common shares and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021.

Sale of ProOffice Works Services, Inc.

The Company was the holding company of the Property Manager, ProOffice Works Services, Inc. (“**ProOffice**”). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice commenced commercial operations on August 1, 2019. On December 23, 2020, the Company entered into a Deed of Assignment to sell its interest in ProOffice to the Sponsor for a total consideration of ₱17.2 million. The assignment did not have any material impact to the consolidated financial statements of the Company as of and for the year ended December 31, 2020.

Impact of COVID-19

The COVID-19 outbreak which commenced in January 2020 and accelerated beyond the first quarter of 2020 has caused disruptions in the Company’s operations. The various quarantine measures imposed by the Government from March 2020 resulted in (i) delays in the construction of pipeline buildings due to the mandatory stoppage of construction activities, and (ii) ceasing of tenant operations at the Properties during the imposition of enhanced community quarantine (“**ECQ**”) measures in the areas where the Properties are located. During the ECQ period, the Company’s tenants were not allowed to operate at the Properties, and such tenants had to set-up work-from-home arrangements for their employees. When the ECQ measures were eased and transitioned to a modified enhance community quarantine (“**MECQ**”), certain tenants of the Company had to reduce their manpower at the Properties by 50%, and certain tenants sought temporary additional workspace to address the 50% density and social distancing requirements under MECQ.

While the Properties continued to be in operation in 2020 and in 2021, as a result of such quarantine measures imposed by the Government (including areas placed under general community quarantine (“**GCQ**”) (which was less restrictive than MECQ), the Company believes that Occupancy Rate of certain buildings will be lower than expected in 2021 as a result of the downsizing of certain smaller traditional tenants and the pre-terminations of some POGO leases and that lease negotiations for either new spaces or expansions would potentially be postponed due to internal business decisions of its tenants.

Nonetheless, the Company anticipates that its rental revenues for 2021 will remain stable as a majority of its lease contracts to top multinational global firms including BPO, IT, and traditional companies and headquarters of companies have fixed rates, and have lease terms ranging from three to five years. Despite the challenging business environment brought about by the COVID-19 pandemic, the Company does not expect any going concern issue affecting its business operations, and considers the events surrounding the COVID-19 outbreak to not have any material impact on its financial position and performance

To continuously ensure the health and safety of its stakeholders, the Company has implemented various measures for the safety of its customers, tenants, suppliers, service providers and employees in compliance with the World Health Organization’s and the Department of Health’s guidelines on COVID-19. The Company has instituted the following measures to ensure safe operation of its Properties:

Screening and minimizing contacts

- Screening of all entrants to its facilities and buildings through temperature scanning. Persons with low-grade fever and up (including employees who must take a sick leave) will be politely refused entry.
- The Company requires any employee with fever and similar symptoms to be tested for COVID-19 subject to the Department of Health’s protocols and official advisories.
- Visitors from outside the Philippines are screened in accordance with the protocols applicable to the jurisdiction of origin.
- Limiting face-to-face contact through online service desks, call center and e-payments for suppliers.
- Use of online platforms for customer and supplier transactions.

- Provision of shuttle services to employees from designated pick-up points to the Company's offices, and from the Company's offices to designated pick-up points to minimize external contacts.

Keeping Office Safe – Reducing Office Density

- Implementation of alternative work arrangements to minimize face-to-face encounters and reduce density within work spaces.
- Cutting work force density to 50% through alternate shifting schedules.
- Developing more work-from-home facilities.
- Strict adherence to self-quarantine protocols for employees who travelled.
- Sanitation of all areas and provision of hygiene supplies in all areas such as alcohol, hand sanitizers, hand soap and facemasks. Disinfection of high traffic areas is done every hour.
- Employee education on COVID-19 through circulars on the disease and protocols to be followed. Nurses are onsite to provide assistance.
- Implementation of “No ID, No Face Mask and Face Shield, No Entry” policy.
- Installation of foot baths at the entrances of its Properties, with disinfectant bleach with water poured over non slip foot mats.
- Installation of isolation booths per Department of Health requirements

INVESTMENT POLICY

Investment Strategy

The Company's principal investment strategy is to invest in income-generating real estate. A core tenet of the Company's investment policy is to invest in properties that meet a select set of criteria designed to provide a Competitive Investment Return to investors. To meet the Company's investment criteria, a potential new property should:

- be located in a prime location in either Metro Manila, key provinces in the Philippines, or other attractive locations as opportunities arise;
- be primarily (but not exclusively) focused on Grade A commercial properties (including industrial properties), but may be related to other types of real estate properties, including retail, residential, hospitality, industrial, etc., available in the market; and
- have stable occupancy, tenancy, and income once operational.

For any property that meets these criteria, the Company's focus will be on investing in the property for the long-term.

For the Company's initial REIT portfolio, the Company selected assets located in Northgate Cyberzone and Filinvest Cyberzone Cebu which are prime business districts and serve mostly multinational BPOs. In addition, the Company selected buildings which have been operating for more than three years (but did not require significant redevelopment or refurbishment) with high occupancy rates, and which are fully owned by the Company.

The Fund Manager and the Property Manager intend to work towards maximizing investment returns by increasing Gross Revenue as well as Net Operating Income over time through active management of the properties owned now and in the future by the Company. The Fund Manager and the Property Manager aim to promote growth in returns by obtaining better lease terms through proactive lease negotiations, by optimizing the use of the GLA at each of the Properties, and by taking advantage of desirable opportunities for property acquisition.

The intention of the Fund Manager is to hold the Properties in the Company's portfolio on a long-term basis. However, where suitable opportunities arise, and subject to applicable laws and regulations, the Fund Manager may also consider divesting properties of the Company or part thereof to realize their optimal market potential and value. In the long run, the Fund Manager may also consider divesting mature and non-core properties which have reached a stage that affords limited growth for income growth in order to free up capital and reinvest proceeds into properties that meet the Company's investment criteria.

Investment Limitations

The Company's business activities and investments are, however, subject to certain limitations under the REIT Law.

Investments

Pursuant to the REIT Law (and in many instances subject to the approval of the Philippine SEC), the Company generally may invest only in:

1. real estate and real estate-related assets;
2. evidence of indebtedness of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Philippines;
3. bonds and other forms of indebtedness issued by:
 - a. the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the Philippine SEC that is at least two notches higher than that of Philippines bonds; and
 - b. supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development, Asian Development Bank);
4. corporate bonds of non-property privately-owned domestic corporations duly registered with the Philippine SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;
5. corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the Philippine SEC and the foreign country grants reciprocal rights to Filipinos;
6. commercial papers duly registered with the Philippine SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;
7. equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess a good track record of growth, and have declared dividends for the past three years;
8. cash and cash equivalents;
9. collective investment schemes, duly registered with the Philippine SEC or organized pursuant to the rules and regulations of the BSP; provided however that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing in the prescribed weekly publication of the net asset value per unit of the collective investment scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds;
10. offshore mutual funds with rating acceptable to the Philippine SEC; and

11. synthetic investment products (i.e. derivatives and other such securities), provided that: (i) synthetic investment products shall not constitute more than 5% of the investible funds of the REIT; (ii) the REIT shall avail of such synthetic investment products solely for the purpose of hedging risk exposures of the existing investments of the REIT; (iii) the synthetic investment products shall be accounted for in accordance with PFRS; (iv) the synthetic investment products shall be issued by authorized banks or non-bank financial institutions in accordance with the rules and regulations of the BSP and/or the Philippine SEC; and (v) the use of synthetic investment products shall be disclosed in this REIT Plan and under special authority from the Philippine SEC derivatives and other such securities.

At least 75% of the Deposited Property must be invested in, or consist of, income generating real estate which is held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees, and storage fees. Geographically, at least 35% of the Deposited Property should be invested in property located in the Philippines, and in no case may the Company's investments in such property fall below 35% of the Deposited Property. Additionally, the Company may invest in income generating real estate located outside of the Philippines, however, such an investment must not exceed 40% of the Deposited Property. Investment in such foreign properties is also subject to special authorization from the Philippine SEC. In issuing such authorization, the Philippine SEC shall consider, among other things, satisfactory proof that the valuation of assets is fair and reasonable.

As described above, a REIT may also invest in real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued, or traded. However, not more than 15% of the funds of the REIT that can be placed in investment vehicles other than income-generating real estate, as allowed under these REIT Law, may be invested in any one issuer's securities or any one managed fund. If the REIT's investment is in Philippine government securities, then the limit is raised to 25%.

Borrowing

Pursuant to the REIT Law, the total borrowing and deferred payments of a REIT should not exceed 35% of the Deposited Property. A REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency, however, may exceed this 35% limit, but in no circumstances may its total borrowing and deferred payments exceed 70% of the Deposited Property. In the event that the Company intends to borrow beyond 35% of the Deposited Property, it shall achieve such a rating and publicly disclose it, as required by the REIT Law. Under no circumstances may the Company's Fund Manager borrow on behalf of the Company from any of the funds under its management.

Property Development

Pursuant to the REIT Law, a REIT shall not undertake property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies, unless:

1. it intends to hold in fee simple the developed property for at least three years from date of completion;
2. the purchase agreement of the property is made subject to the completion of the building with proper cover for construction risks;
3. the development and construction of the real estate shall be carried out on terms which are the best available for the REIT and which are no less favorable to the REIT than an arm's length transaction between independent parties; and
4. the prospects for the real estate upon completion can be reasonably expected to be favorable.

The total contract value of property development activities undertaken and investments in uncompleted property developments shall not exceed 10% of the Deposited Property of the REIT.

Exit Strategy

The Sponsor currently has no plans to divest their ownership in the Company. Upon completion of the Offer, the Sponsor will continue to be a majority Shareholder in the Company, with a direct shareholding of at 63.3%, (assuming the Over-allotment Option is fully exercised). Primarily, the Company will be the commercial REIT platform for the Filinvest Group. As a commercial REIT, the Company will focus on expanding its commercial properties. However, if the opportunity arises, the Company may also explore other types of real estate properties available in the market.

If the Sponsor were to divest its ownership in the Company, the ability of the Company to grow would be affected because the relationship with the Sponsor provides the Company with access to other prime properties for potential acquisition and inclusion in its property portfolio. To manage this risk, the Company continues to maintain a close relationship with the Sponsor who intends to maintain ownership of at least a majority of the capital stock of the Company. In the unlikely event of divestment, the Company expects to be self-sufficient and would continue to pursue its investment strategies. Please see the section entitled “*Business and Properties – Investment Policy*” in this REIT Plan. The Company expects to rely on the quality of the Properties and the capability of the Fund Manager and Property Manager for its operations going forward. Please see the section entitled “*The Fund Manager and the Property Manager*” in this REIT Plan. The Company also believes that it benefits from the Sponsor’s market expertise, business relationships and ability to help identify investment opportunities for the Company in the Philippine property market. Please see the section entitled “*Business and Properties – Competitive Strengths*” in this REIT Plan for a discussion on the Company’s strengths.

The Sponsor has granted the Company a right of first refusal over all significant commercial properties of the Sponsor and its wholly owned subsidiaries that qualify as REIT assets under the REIT Law (excluding land and projects intended for the Sponsor’s trading business such as condominium units that are temporarily leased out) (the “**ROFR**”). The grant of the ROFR will be valid as long as (i) the Company continues to be a REIT under the REIT Law, and (ii) the Company is at least majority-owned by the Filinvest Group. Should the ROFR no longer be valid, the Company’s investment policy would permit the acquisition of assets from third parties. The Company’s investment strategy is primarily to invest in income-generating real estate assets in the Philippines either through acquisitions or own developments to the extent allowed by the REIT Law. The Fund Manager intends to help the Company produce secure and growing income that provides a competitive return to investors. See the section entitled “*Business and Properties – Investment Policy*” on page 207 of this REIT Plan.

Further, the Company has no current joint ownership arrangement. In the event that such an arrangement arises in the future, the Company will provide for an appropriate means of exiting that relationship.

HISTORY

The Company was incorporated in the Philippines on January 14, 2000. As of the date of this REIT Plan, the Company is wholly owned by the Sponsor, which is a Subsidiary of Filinvest Development Corporation. Both the Sponsor and Filinvest Development Corporation are listed on the PSE.

The Company began commercial operations on May 1, 2001, and is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles the Company to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its gross income in lieu of payment of national income taxes. The Company is also a qualified enterprise for the purpose of VAT zero-rating of its transaction with its local suppliers of goods, properties and services related to its provision of services to PEZA-registered enterprises. The VAT zero-rating does not apply to the Company’s facilities at Axis Tower 1 and Vector Three at Northgate Cyberzone and Cebu Tower 1 at Filinvest Cyberzone Cebu.

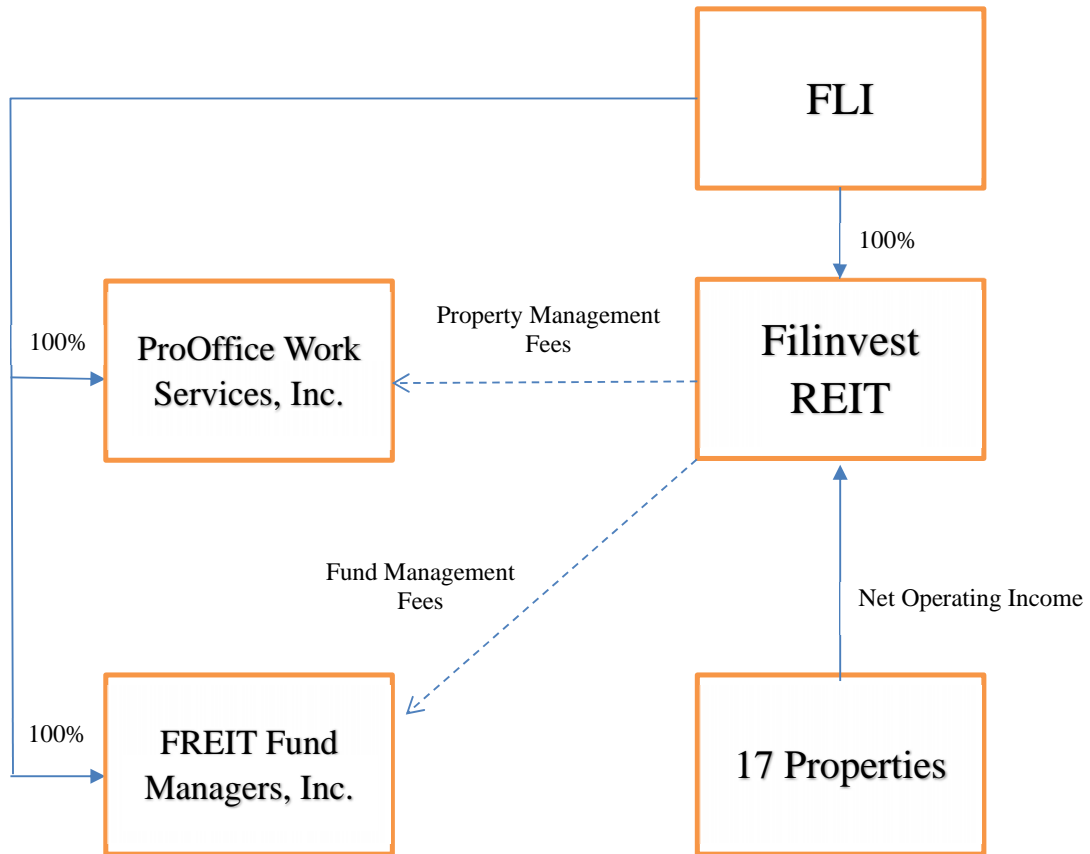
Set out below are the key milestones in the Company’s history:

January 2000	Incorporation of the Company.
June 2000	PEZA registration.
March 2001	Completion of construction of Plaza B and Plaza C at Northgate Cyberzone.
May 2001	Start of commercial operations of the Company
October 2005	Completion of construction of Capital One at Northgate Cyberzone
May 2011	Completion of construction of Vector One, the first high-rise BPO building in Northgate Cyberzone
June 2015	Completion of construction of Cebu Tower 1, the first office building in Filinvest Cyberzone Cebu

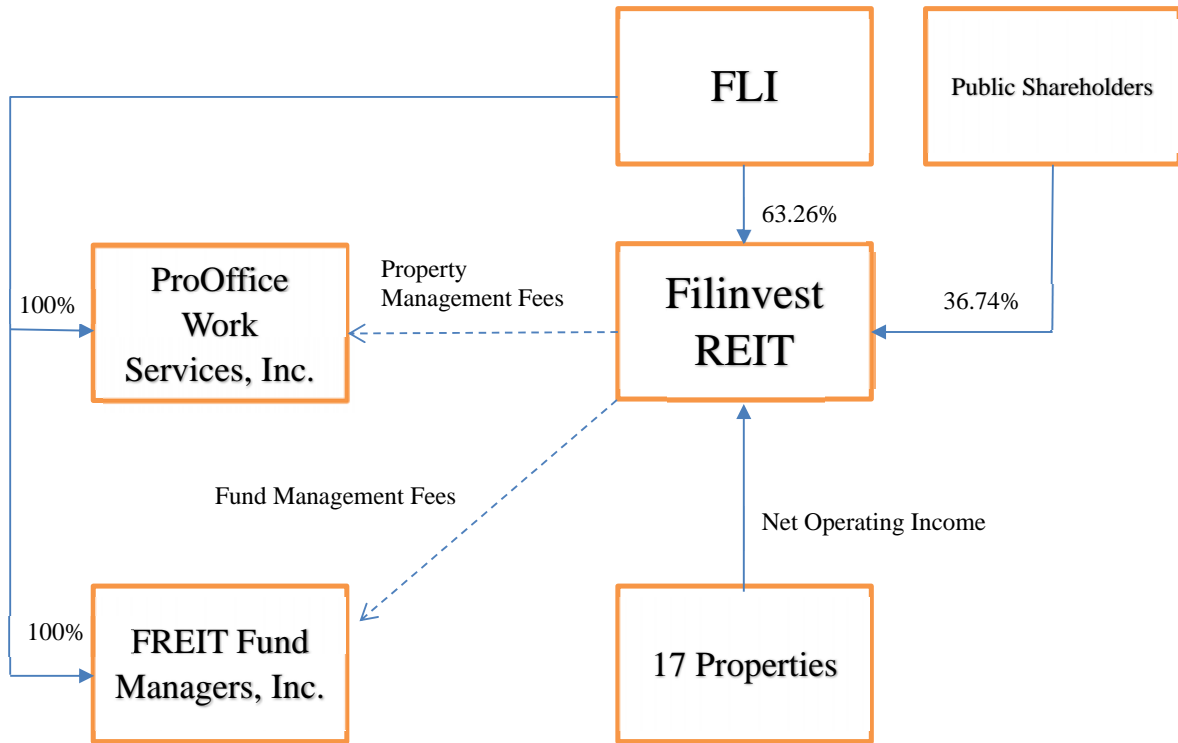
January 2017	Completion of construction of Vector Three, the first LEED building in Northgate Cyberzone
2017	Buildings in Northgate Cyberzone were connected to the district cooling system within Filinvest City
March 2018	Completion of construction of Axis Tower 1 at Northgate Cyberzone
September 2020	Board approval to increase the authorized capital stock of the Company of up to ₱16,985,000,000
December 2020	<p>The Board of the Company approved the declaration of property dividends consisting of Axis Tower 2, Axis Tower 3 and Axis Tower 4 in Northgate Cyberzone and a parcel of land in South Road Properties, Cebu City to stockholders of record as of November 30, 2020. The property dividend will be made effective after the approval from the Philippine SEC, which is expected to be secured prior to the issuance of the Permit to Sell.</p> <p>The Board of the Company approved the amendment of the primary purpose of the Company as indicated in its Articles of Incorporation to allow the Company to engage in the business of a real estate investment trust as provided under the REIT Law.</p>
February 2021	<p>The Board of the Company approved the declaration of property dividends consisting of four existing buildings, Concentrix Building and IT School in Northgate Cyberzone, the Filinvest Building at EDSA, Wack, Mandaluyong City, and Cebu Tower 2 in Filinvest Cyberzone Cebu to stockholders of record as of February 15, 2021. The property dividend will be made effective after the approval from the Philippine SEC, which is expected to be secured prior to the issuance of the Permit to Sell.</p> <p>The Board of the Company approved the transfer of its development rights relating to Cebu Tower 3 and Cebu Tower 4 in Filinvest Cyberzone Cebu (both of which are under construction) under the Company's BTO arrangement with the Cebu Provincial Government to the Sponsor.</p>
July 2021	On July 2, 2021, the Philippine SEC approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from "Cyberzone Properties, Inc." to "Filinvest REIT Corp.", (ii) reduction of the par value of its common shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share.

CORPORATE AND SHAREHOLDING STRUCTURE

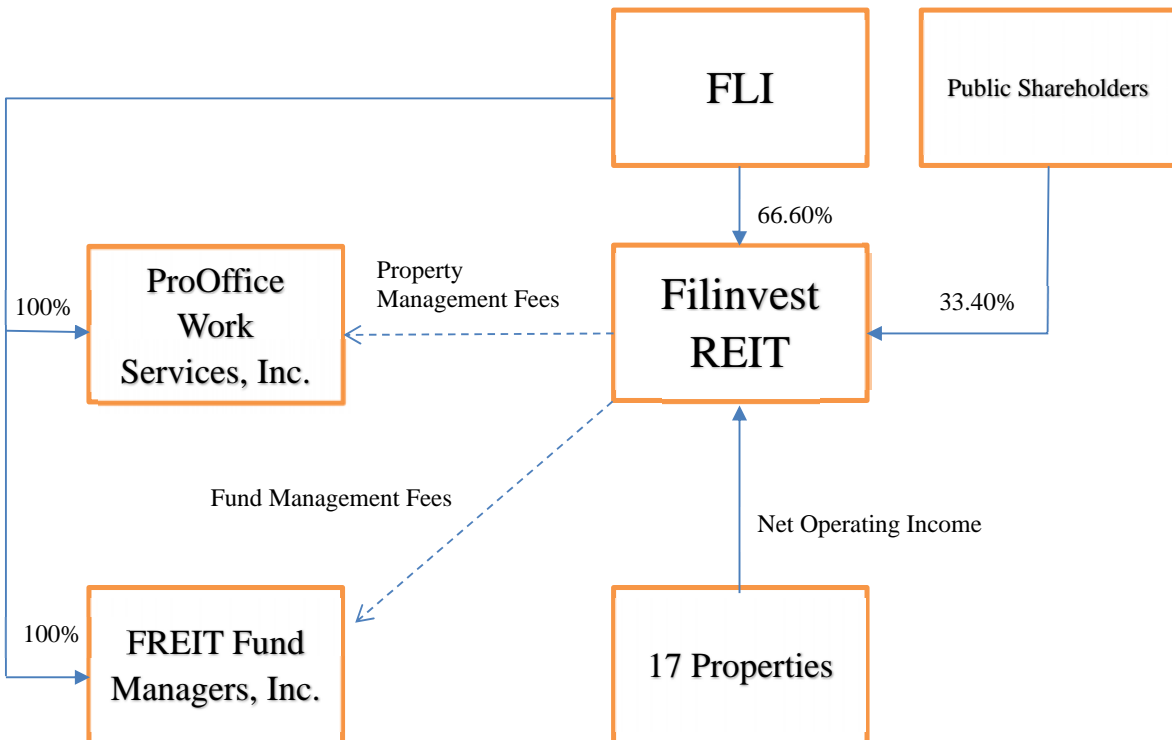
The chart below sets out the corporate and managerial structure relating to the Company as of the date of this REIT Plan.



The chart below sets out the corporate and managerial structure relating to the Company following the Listing Date (assuming the Over-allotment Option is fully exercised).



The chart below sets out the corporate and managerial structure relating to the Company following the Listing Date (assuming the Over-allotment Option is not exercised).



THE PROPERTIES

As of date of this REIT Plan, the Company's property portfolio consists of 17 fully operational office buildings that meet the Company's investment criteria. 16 office buildings are located at Northgate Cyberzone, and one office building, Cebu Tower 1, is located in Filinvest Cyberzone Cebu, Cebu City, Cebu. Axis Tower 1 in Northgate Cyberzone and Cebu Tower 1 in Filinvest Cyberzone Cebu, also have retail components.

The Company owns the Northgate Cyberzone Properties. Cebu Tower 1 is owned by the Cebu Provincial Government and is operated by the Company under a BTO arrangement, with a remaining term of 22.7 years as of March 31, 2021, renewable for another 25 years.

The land on which the Properties are built do not form part of the Company's asset portfolio and are not owned by the Company. The land on which each of the Northgate Cyberzone Properties is located is under a long-term land lease between the Company and the Sponsor, which was entered into on arm's length-terms. The land on which Cebu Tower 1 is located is also owned by the Cebu Provincial Government under a BTO arrangement, with a remaining term of 22.7 years as of March 31, 2021, renewable for another 25 years. See the section entitled "Certain Agreements Relating to the Company and the Properties" in this REIT Plan for more details on these arrangements.

For an explanation of how certain historical operating data relating to the Properties has been prepared, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in this REIT Plan.

The table below sets out certain information with respect to each of the Properties as of March 31, 2021:

Property	Total Office Space GLA (sq.m.)	Construction completion date ⁽²⁾ (Year)	Completion of most recent expansion/ renovation (Year)	Land Lease Expiry Date ⁽⁴⁾ (Year)
Axis Tower 1 ⁽¹⁾	39,340	2018	2018	February 2096
Filinvest One.....	19,637	2013	2020	February 2096
Filinvest Two.....	23,784	2015	2020	February 2096
Filinvest Three.....	23,784	2015	2020	February 2096
Vector One.....	17,764	2011	2020	February 2096
Vector Two.....	17,889	2014	2020	February 2096
Vector Three.....	36,345	2017	2017	February 2096
Plaza A.....	10,860	2007	2018	February 2096
Plaza B.....	6,488	2001	2019	February 2096
Plaza C.....	6,540	2001	2019	February 2096
Plaza D.....	10,860	2007	2018	February 2096
Plaza E.....	14,859	2014	2017	February 2096
iHub1.....	9,480	2008	2019	February 2096
iHub2.....	14,181	2009	2019	February 2096
5132 Building.....	9,409	2007	2019	February 2096
Capital One.....	18,000	2005	2005	February 2096 November
Cebu Tower 1 ⁽¹⁾⁽³⁾	19,937	2015	2020	2043
Total	299,158	—	—	—

Notes:

- (1) Axis Tower 1 and Cebu Tower 1 also have retail areas with GLA of approximately 1,529 sq.m. and 675 sq.m., respectively, as of March 31, 2021.
- (2) Completion date refers to the date of the necessary government approval for the purpose of business occupation.
- (3) Cebu Tower 1 and the land on which it is constructed are owned by the Cebu Provincial Government and operated by the Company under a BTO arrangement, with 22.7 years remaining as of March 31, 2021, renewable for another 25 years. The BTO arrangement between the Company and the Cebu Provincial Government is renewable for another 25 years.
- (4) The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and FLI.

The Properties generated total Gross Revenue (including other income) of ₱2,783.4 million for the year ended December 31, 2020. The table below sets out certain financial and other details for each of the Properties as of and for the year ended December 31, 2020:

Property	Gross Revenue as a percentage of total Gross Revenue		Costs and expenses less depreciation and amortization	Net Operating Income as a percentage of Gross Revenue		Number of tenants ⁽³⁾	Percentage leased ⁽²⁾
	Gross Revenue ⁽¹⁾	Gross Revenue		Net Operating Income	Net Operating Income		
	(₱ millions)	(%)	(₱ millions)	(₱ millions)	(%)	(count)	(%)
Axis Tower 1	334.1	12.0%	119.4	214.7	64.3%	14 ⁽⁴⁾	89.6% ⁽⁴⁾
Filinvest One	195.5	7.0%	17.8	177.8	90.9%	6	100.0%
Filinvest Two	228.4	8.2%	19.0	209.4	91.7%	2	100.0% ⁽⁷⁾
Filinvest Three	160.5	5.8%	21.7	138.8	86.5%	4	66.5%
Vector One	165.6	6.0%	16.7	149.0	89.9%	4	100.0%
Vector Two	183.8	6.6%	19.0	164.8	89.6%	7	100.0%
Vector Three	308.2	11.1%	42.7	265.5	86.2%	5	68.3%
Plaza A	114.5	4.1%	14.1	100.4	87.7%	2	100.0%
Plaza B	74.4	2.7%	10.5	63.9	85.9%	18	100.0% ⁽⁶⁾
Plaza C	64.3	2.3%	7.5	56.8	88.4%	1	100.0%
Plaza D	103.1	3.7%	13.8	89.3	86.6%	3	83.2%
Plaza E	160.1	5.8%	20.6	139.5	87.1%	3	100.0%
iHub1	86.7	3.1%	11.7	75.0	86.5%	4	87.5%
iHub2	142.9	5.1%	10.7	132.2	92.5%	3	100.0%
5132 Building	98.5	3.5%	11.5	87.0	88.3%	1	100.0%
Capital One	163.6	5.9%	24.2	139.4	85.2%	1	100.0%
Cebu Tower 1	199.2	7.2%	3.5	195.6	98.2%	6 ⁽⁴⁾	99.1% ⁽⁴⁾⁽⁸⁾
Total	2,783.4	100.0%	384.2	2,399.0	86.2%	84	91.1%

Notes:

- (1) Includes income from straight-line method of recognizing Rental Revenues.
- (2) Based on the date of lease commencement specified in the relevant Committed Leases.
- (3) This number reflects all tenants, including all commercial office and retail tenants.
- (4) Including the retail tenants for Axis Tower 1 and Cebu Tower 1.
- (5) Net operating income is calculated as gross revenues less costs and expenses but including depreciation and amortization.
- (6) Includes areas leased by telecommunication carriers for their cell towers. Office GLA is inclusive of executed lease agreements valid as of December 31, 2020.
- (7) Includes 3,447.1 sq.m. of GLA with leases expiring on December 31, 2020 but were renewed effective January 1, 2021.
- (8) Includes 1,933.72 sq.m. of GLA with a lease effective in March 2021, but covered by a Committed Lease signed in November 2020.

The Properties generated total Gross Revenue (including other income) of ₱954.3 million for the three months ended March 31, 2021. The table below sets out certain financial and other details for each of the Properties as of and for the three months ended March 31, 2021:

Property	Gross Revenue as a percentage of total Gross Revenue		Costs and expenses less depreciation and amortization	Net Operating Income as a percentage of Gross Revenue		Number of tenants ⁽³⁾	Percentage leased ⁽²⁾
	Gross Revenue ⁽¹⁾	Gross Revenue		Net Operating Income	Net Operating Income		
	(₱ millions)	(%)	(₱ millions)	(₱ millions)	(%)	(count)	(%)
Axis Tower 1	128.2	13.4%	35.7	92.5	72.1%	14 ⁽⁴⁾	89.6% ⁽⁴⁾
Filinvest One	62.6	6.6%	28.9	33.7	53.8%	6	100.0%
Filinvest Two	85.7	9.0%	28.1	57.5	67.2%	2	100.0%
Filinvest Three	49.8	5.2%	18.9	30.9	62.1%	4	66.5%
Vector One	58.0	6.1%	22.4	35.6	61.4%	3	92.0%
Vector Two	63.2	6.6%	19.7	43.6	68.9%	7	100.0%
Vector Three	91.5	9.6%	35.7	55.8	61.0%	5	68.3%
Plaza A	40.9	4.3%	16.3	24.6	60.2%	2	100.0%
Plaza B	23.6	2.5%	8.7	14.9	63.2%	17	85.2% ⁽⁶⁾
Plaza C	24.5	2.6%	8.7	15.8	64.4%	1	100.0%
Plaza D	32.9	3.5%	10.7	22.2	67.4%	3	83.2%
Plaza E	57.4	6.0%	19.8	37.6	65.6%	3	100.0%
iHub1	33.1	3.5%	11.0	22.1	66.7%	3	70.7%
iHub2	52.1	5.5%	17.5	34.6	66.4%	3	100.0%
5132 Building	34.5	3.6%	12.1	22.4	64.9%	1	100.0%
Capital One	50.6	5.3%	8.1	42.6	84.1%	1	100.0%
Cebu Tower 1	65.7	6.9%	27.2	38.5	58.6%	6 ⁽⁴⁾	99.1% ⁽⁴⁾
Total	954.3	100.0%	329.5	624.8	65.5%	81	89.7%

Notes:

- (1) Includes income from straight-line method of recognizing Rental Revenues.
- (2) Based on the date of lease commencement specified in the relevant Committed Leases.
- (3) This number reflects all tenants, including all commercial office and retail tenants.
- (4) Including the retail tenants for Axis Tower 1 and Cebu Tower 1.
- (5) Net operating income is calculated as gross revenues less costs and expenses but including depreciation and amortization.
- (6) Includes areas leased by telecommunication carriers for their cell towers.

Valuation

The Properties were valued by Asian Appraisal as of March 31, 2021 as follows:

Property	Valuation ⁽¹⁾ (₱ millions)	Percentage of Total Valuation (%)
Axis Tower 1	6,442.0	13.3%
Filinvest One	3,423.3	7.0%
Filinvest Two	4,180.0	8.6%
Filinvest Three	3,716.1	7.6%
Vector One	2,768.8	5.7%
Vector Two	3,134.1	6.5%
Vector Three	6,053.1	12.5%
Plaza A	1,655.0	3.4%
Plaza B	893.4	1.8%
Plaza C	1,034.4	2.1%
Plaza D	1,483.1	3.1%
Plaza E	2,421.0	5.0%
iHub1	1,449.0	3.0%
iHub2	2,335.6	4.8%
5132 Building	1,442.9	3.0%
Capital One	2,997.8	6.2%
Cebu Tower 1	3,117.7	6.4%
Total	48,547.4	100.0%

Notes:

- (1) See the "Independent Property Valuation Summary Report" attached at Annex 2.

The valuation was made on the basis of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. To arrive at the market value of the Properties, Asian Appraisal used the income approach, specifically a discounted cash flow analysis. Asian Appraisal's assumptions include the following:

- average rent revenue growth rates are 5%;
- operating expenses are projected based on an average growth rate of 5%;
- capital expenditures of 3% of projected gross revenues for all Properties ;
- discount rate of 9% for all Properties; and
- terminal value or reversion value based on Gordon growth model.

Rental Rates

Rental rates for the Properties are generally fixed in advance for the tenure of the lease term and are subject to review and renegotiation on expiry of the lease. In line with market practice in the Philippines, the lease agreements with tenants for the Properties generally do not provide for rent reviews during the period of the lease. In addition, leases include annual escalation rates negotiated at the time of entering into a lease, whereby the base rent is increased by a fixed quantum/percentage annually during the lease term. With respect to lease renewals, the Company typically negotiates with the tenant for a rental rate at the prevailing market rent at the time of renewal that are comparable in size, location, age and quality, and taking into consideration space efficiency, the fitted handover condition of the leased premises, the total area leased by the tenant, and any leasing concessions which are granted at such comparable buildings to tenants which are similar in size and credit standing with such tenant.

Property	Weighted Average Yearly Rental Escalation Rate
	(%)
Axis Tower 1	5.0
Filinvest One	5.0
Filinvest Two	5.0
Filinvest Three	5.0
Vector One	5.0
Vector Two	5.0
Vector Three	5.0
Plaza A	5.0
Plaza B	5.0
Plaza C	5.0
Plaza D	5.0
Plaza E	5.0
iHub1	5.0
iHub2	5.0
5132 Building	5.0
Capital One	5.0
Cebu Tower 1	5.0
Consolidated weighted average	5.0

As of December 31, 2020 and March 31, 2021, the consolidated weighted average yearly rental escalation for the office space GLA of the Properties was 5.0%. The table below sets forth the weighted average yearly rental escalation for the office space GLA of each of the Properties. These weighted average figures were calculated based on the yearly escalation rate of all active office tenants as of December 31, 2020 and March 31, 2021 and were weighted by the office tenant's GLA.

For the year ended December 31, 2020, the Northgate Cyberzone Properties and Cebu Tower 1 generated 92.8% and 7.2%, respectively, of the aggregate Gross Revenue of the Properties. For the three months ended March 31, 2021, the Northgate Cyberzone Properties and Cebu Tower 1 generated 93.1% and 6.9%, respectively, of the aggregate Gross Revenue of the Properties.

The tables below set out information on the GLA, Gross Revenue, and Gross Revenue per sq.m. derived from each of the Properties as of and for the years ended December 31, 2018, 2019, and 2020 and as of and for the three months ended March 31, 2021:

Property	Office Space GLA as of				Total Gross Revenue for the year ended ⁽²⁾⁽³⁾⁽⁴⁾				Total Gross Revenue for the three months ended ⁽²⁾⁽³⁾⁽⁴⁾	Monthly Gross Revenue per sq.m. of Office Space GLA for the year ended ⁽²⁾⁽³⁾			Monthly Gross Revenue per sq.m. of Office Space GLA for the three months ended ⁽²⁾⁽³⁾
	December 31, ⁽¹⁾		March 31, ⁽¹⁾		December 31,				March 31,	December 31,			March 31,
	(sq.m.)				(P millions)					(P)			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021	
Axis Tower 1 ⁽⁴⁾	39,340	39,340	39,340	39,340	75.7	309.2	334.1	128.2	160.4	654.9	707.7	271.5	
Filinvest One.....	19,637	19,637	19,637	19,637	152.8	174.3	195.5	62.6	648.7	739.8	829.8	265.8	
Filinvest Two.....	23,784	23,784	23,784	23,784	213.5	219.1	228.4	85.7	748.1	767.5	800.1	300.2	
Filinvest Three.....	23,784	23,784	23,784	23,784	192.5	215.0	160.5	49.8	674.4	753.3	562.4	174.5	
Vector One.....	17,764	17,764	17,764	17,764	149.2	159.7	165.6	58.0	699.8	749.1	777.0	271.9	
Vector Two.....	17,889	17,889	17,889	17,889	166.8	170.4	183.8	63.2	777.2	794.0	856.2	294.6	
Vector Three.....	36,345	36,345	36,345	36,345	299.8	350.5	308.2	91.5	687.3	803.6	706.7	209.7	
Plaza A.....	10,860	10,860	10,860	10,860	85.5	99.1	114.5	40.9	656.2	760.5	878.3	313.8	
Plaza B.....	6,488	6,488	6,488	6,488	41.6	38.9	74.4	23.6	533.7	499.5	955.7	302.9	
Plaza C.....	6,540	6,540	6,540	6,540	72.8	58.9	64.3	24.5	927.2	751.0	818.9	312.2	
Plaza D.....	10,860	10,860	10,860	10,860	93.1	107.7	103.1	32.9	714.1	826.1	791.2	252.7	
Plaza E.....	14,859	14,859	14,859	14,859	119.2	136.2	160.1	57.4	668.6	763.8	897.8	321.9	
iHub1.....	9,480	9,480	9,480	9,480	80.7	86.9	86.7	33.1	709.5	763.8	761.8	290.7	
iHub2.....	14,181	14,181	14,181	14,181	120.7	128.2	142.9	52.1	709.3	753.3	839.7	306.4	
5132 Building.....	9,409	9,409	9,409	9,409	73.6	82.3	98.5	34.5	652.0	728.7	872.0	305.6	
Capital One.....	18,000	18,000	18,000	18,000	144.2	144.8	163.6	50.6	667.5	670.2	757.3	234.5	
Cebu Tower 1 ⁽⁴⁾	19,937	19,937	19,937	19,937	141.3	154.6	199.2	65.7	590.4	646.1	832.4	274.4	
Total.....	299,158	299,158	299,158	299,158	2,223.0	2,635.8	2,783.4	954.3	11,224.5	12,425.3	13,645.0	4,703.3	

Notes:

- (1) Refers to GLA dedicated to office space.
- (2) The financial information in this table is based on the Company's financial statements as of and for the years ended December 31, 2018, 2019, 2020 and as of and for the three months ended March 31, 2021 elsewhere in this REIT Plan.
- (3) Includes income from straight-line method of recognizing Rental Revenues.
- (4) Axis Tower 1 and Cebu Tower 1 also have retail areas with GLA of approximately 1,529 sq.m. and 675 sq.m.

In addition to the Properties described above, the Company believes that other office or commercial properties owned by FLI, which are currently operational or under construction, are potential expansion projects to add to its asset portfolio. The Company may consider acquiring properties under construction after these developments are completed and cashflows from the operations of such properties stabilize. As of March 31, 2021, FLI had 14 operational office buildings and 12 office buildings under construction. In addition to office buildings, FLI has retail malls and logistics parks and warehouses forming part of its investment properties which the Company may also consider acquiring in the future.

Occupancy

Over the last three years, the Properties have benefited from high occupancy levels. As of December 31, 2018, 2019 and 2020, the Properties had overall office and retail space occupancy levels of 90.6%, 98.2% and 91.1%, respectively. As of March 31, 2021, the Properties had an overall office and retail space occupancy level of 89.7%. The Properties' occupancy levels were also consistently above the average occupancy levels for office space in Metro Manila, which recorded an average vacancy rate of 10.6% in 2019 and 10.9% in 2020, according to data from JLL.

The tables below set out information on the percentage of the total office and retail space GLA of each of the Properties that was leased as of December 31, 2018, 2019, and 2020 and as of March 31, 2021:

Property	As of December 31,			As of
	2018	2019	2020	March 31, 2021
Axis Tower 1 ⁽¹⁾⁽³⁾				
Total GLA leased (sq.m.).....	12,569	36,335	36,609	36,609
Total available GLA (sq.m.).....	40,869	40,869	40,869	40,869
Occupancy Rate ⁽²⁾	30.8%	88.9%	89.6%	89.6%
Filinvest One				
Total GLA leased (sq.m.).....	19,637	19,637	19,637	19,637
Total available GLA (sq.m.).....	19,637	19,637	19,637	19,637
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Filinvest Two				
Total GLA leased (sq.m.).....	23,784	23,784	23,784 ⁽⁶⁾	23,784
Total available GLA (sq.m.).....	23,784	23,784	23,784	23,784
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Filinvest Three				
Total GLA leased (sq.m.).....	23,784	23,784	15,804	15,804
Total available GLA (sq.m.).....	23,784	23,784	23,784	23,784
Occupancy Rate.....	100.0%	100.0%	66.5%	66.5%
Vector One				
Total GLA leased (sq.m.).....	17,764	17,764	17,764	16,348
Total available GLA (sq.m.).....	17,764	17,764	17,764	17,764
Occupancy Rate.....	100.0%	100.0%	100.0%	92.0%
Vector Two				
Total GLA leased (sq.m.).....	17,889	17,889	17,889	17,889
Total available GLA (sq.m.).....	17,889	17,889	17,889	17,889
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Vector Three				
Total GLA leased (sq.m.).....	36,345	36,345	24,813	24,813
Total available GLA (sq.m.).....	36,345	36,345	36,345	36,345
Occupancy Rate.....	100.0%	100.0%	68.3%	68.3%
Plaza A				
Total GLA leased (sq.m.).....	10,860	10,860	10,860	10,860
Total available GLA (sq.m.).....	10,860	10,860	10,860	10,860
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Plaza B				
Total GLA leased (sq.m.).....	6,488	6,488	6,488 ⁽⁵⁾	5,525 ⁽⁵⁾
Total available GLA (sq.m.).....	6,488	6,488	6,488	6,488
Occupancy Rate.....	100.0%	100.0%	100.0%	85.2%
Plaza C				
Total GLA leased (sq.m.).....	6,540	6,540	6,540	6,540
Total available GLA (sq.m.).....	6,540	6,540	6,540	6,540
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Plaza D				
Total GLA leased (sq.m.).....	10,860	10,860	9,035	9,035
Total available GLA (sq.m.).....	10,860	10,860	10,860	10,860
Occupancy Rate.....	100.0%	100.0%	83.2%	83.2%
Plaza E				
Total GLA leased (sq.m.).....	14,859	14,859	14,859	14,859
Total available GLA (sq.m.).....	14,859	14,859	14,859	14,859

Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
iHub1				
Total GLA leased (sq.m.).....	9,480	8,826	8,291	6,701
Total available GLA (sq.m.).....	9,480	9,480	9,480	9,480
Occupancy Rate.....	100.0%	93.1%	87.5%	70.7%
iHub2				
Total GLA leased (sq.m.).....	14,181	14,181	14,181	14,181
Total available GLA (sq.m.).....	14,181	14,181	14,181	14,181
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
5132 Building				
Total GLA leased (sq.m.).....	9,409	9,409	9,409	9,409
Total available GLA (sq.m.).....	9,409	9,409	9,409	9,409
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Capital One				
Total GLA leased (sq.m.).....	18,000	18,000	18,000	18,000
Total available GLA (sq.m.).....	18,000	18,000	18,000	18,000
Occupancy Rate.....	100.0%	100.0%	100.0%	100.0%
Cebu Tower 1				
Total GLA leased (sq.m.).....	20,431	20,374	20,431 ⁽⁷⁾	20,431
Total available GLA (sq.m.).....	20,612	20,612	20,612	20,612
Occupancy Rate ⁽²⁾	99.1%	98.8%	99.1%	99.1%
Total				
Total GLA leased.....	272,881	295,936	274,393	270,424
Total available GLA.....	301,362	301,362	301,362	301,362
Occupancy Rate.....	90.6%	98.2%	91.1%	89.7%

Notes:

- (1) Axis Tower 1 was completed in March 2018.
- (2) Occupancy Rate includes both office and retail.
- (3) Axis Tower 1 had a retail area with GLA of approximately 1,529 sq.m. as of December 31, 2018, 2019 and 2020 and as of March 31, 2021. As of December 31, 2018, 2019, and 2020, the retail area of Axis Tower 1 was 9.5%, 74.3% and 92.2%, respectively, leased out. As of March 31, 2021, the retail area of Axis Tower 1 was 92.2% leased out.
- (4) Cebu Tower 1 had a retail area with GLA of approximately 675 sq.m. as of December 31, 2018, 2019 and 2020 and as of March 31, 2021. As of December 31, 2018, 2019, and 2020, the retail area of Cebu Tower 1 was 73.2%, 64.8% and 73.2%, respectively, leased out. As of March 31, 2021, the retail area of Cebu Tower 1 was 73.2% leased out.
- (5) Includes areas leased by telecommunication carriers for their cell towers. Office GLA is inclusive of executed lease agreements valid as of December 31, 2020 for data as of December 31, 2020.
- (6) Includes 3,447.1 sq.m. of GLA with leases expiring on December 31, 2020 but were renewed effective January 1, 2021.
- (7) Includes 1,933.72 sq.m. of GLA with a lease effective in March 2021, but covered by a Committed Lease signed in November 2020.

The Properties' high occupancy levels principally reflect the high levels of demand for commercial space from potential tenants in each of the Properties, in turn reflecting their strategic locations in Northgate Cyberzone and Filinvest Cyberzone Cebu. The Company believes that the high levels of occupancy are also a result of proactive lease management policies with respect to the renewal and replacement of tenants in order to minimize periods of vacancy.

Tenant Profile

As of March 31, 2021, commercial office space comprised approximately 99.3% of the total GLA of the Properties and retail space comprised approximately 0.7% of the total GLA of the Properties. The major office tenants of the Properties include major multinational corporations, BPO and IT companies, and headquarters of companies. The Company's tenants include those that provide BPO services for corporations in the health care, banking & finance, outsourcing services, call center services, knowledge process outsourcing and information technology industries. In addition, some of the Company's tenants are traditional MNCs, with those from the automobile, construction, engineering, banking & finance, information technology, real estate and semi-conductor industries amongst the occupants in the Properties. Exposure to tenants in the POGO sector is minimal at under 2.8% of occupied GLA as of March 31, 2021 ensuring the stability and resilience of the Property's cashflows. Furthermore, the tenants in the Properties have leased with the Company for five years on average.

In addition, for the year ended December 31, 2020 and the three months ended March 31, 2021, not more than 13.6% and 13.9%, respectively, of total Rental Revenues from the Properties was derived from any one unique tenant. For the year ended December 31, 2020 and the three months ended March 31, 2021, BPOs contributed the largest proportion of Rental Revenues at the Northgate Cyberzone Properties and Cebu Tower 1.

The table below sets out details of the 20 largest office tenants of the Properties (including those with Committed Leases), in terms of total GLA, as of March 31, 2021:

		As of March 31, 2021			
Tenant	Industry	Total GLA (sq.m.)	Percentage of total GLA of the Properties (%)	Property	
1	Capital One	BPO – Captive Market	38,337	12.7%	Capital One, Filinvest Three
2	Optum	BPO	24,770	8.2%	Vector Three, Cebu Tower 1
3	Genpact Services LLC	BPO	21,239	7.0%	Vector Two, iHub1, 5132 Building
4	Concentrix	BPO	19,886	6.6%	Vector One, Plaza A, iHub2
5	Accenture	BPO	18,643	6.2%	Axis Tower 1, Cebu Tower 1
6	Tenant 6	BPO	16,564	5.5%	Axis Tower 1
7	Tenant 7	BPO – Captive Market	11,959	4.0%	Filinvest One
8	Synchrony Global Services	BPO	10,341	3.4%	Filinvest Three
9	Majorel	BPO	9,160	3.0%	Vector Three, Plaza E
10	Tenant 10	BPO	8,321	2.8%	Plaza B, Plaza C
11	Infosys	BPO	8,080	2.7%	Vector Two
12	AIG	BPO	7,853	2.6%	iHub2
13	Tenant 13	BPO	7,411	2.5%	Vector Two and Axis Tower One
14	Hinduja Global	BPO	6,855	2.3%	Plaza E
15	Filinvest Alabang	Traditional	6,812	2.3%	Vector One
16	Tenant 16	BPO	5,384	1.8%	Plaza D
17	EXL Service Philippines	BPO	5,156	1.7%	-Plaza E
18	Tenant 18	BPO	4,613	1.5%	Vector Three
19	SLK Global Philippines	BPO	3,819	1.3%	Vector Three and Axis Tower One
20	Tenant 20	BPO	3,447	1.1%	Filinvest Two
	Total		238,649	79.2%	

The table below sets out details of the Properties' overall distribution of leased space, in terms of overall tenant diversification, in terms of industry sector, as of March 31, 2021:

Office type and industry sector	As of March 31, 2021	
	Total GLA leased ⁽¹⁾ (except for vacant space) (sq.m.)	Percentage of total GLA ⁽²⁾ (%)
BPO	239,138	79.3%
Traditional	21,905	7.3%
Retail	1,903	0.6%
POGO	7,477	2.5%
Vacant space	30,938	10.3%
Total	301,362	100.0%

Notes:

(1) Based on Committed Leases which have commenced on the specified lease term.

(2) Based on a total GLA of the Properties of 301,362 sq.m. as of March 31, 2021.

The tenancy profile of the Properties reflects their strategic location in the business centers of the Northgate Cyberzone, Filinvest Cyberzone Cebu and their target markets. A large proportion of tenants at the Northgate Cyberzone Properties and Cebu Tower 1 consist of companies in the BPO industry.

Leasing Activities, Expiry, and Renewals

The Company offers two types of leasing: (1) standard office spaces, and (ii) build-to-suit office spaces. Standard office spaces are standardized properties designed, developed and constructed by the Company with basic features and amenities to cater to the general needs of any BPO company. On the other hand, build-to-suit office spaces

are properties designed in coordination with and with the cooperation of the prospective tenant. These spaces are custom-built and fit-out by the tenant in accordance with its specifications and operational requirements. As of March 31, 2021, 93.3% of the Company's occupied office space GLA of 268,520 sq.m. consist of standard office spaces, while 6.7% of the Company's occupied office space GLA consist of build-to-suit office spaces.

The Company has a standard set of terms and conditions for each of its lease agreements signed with potential tenants, although these are amended and negotiated as appropriate based on the particular requirements and circumstances of each tenant. The minimum lease term for the Company's standard office spaces is three years, while the minimum lease term for the Company's build-to-suit office spaces is ten years. The current lease contracts of the Company have terms that typically range from three to ten years. Tenants of the Properties typically pay a security deposit equal to three months' rent which is forfeited in case the tenant pre-terminates the lease agreement before the effectivity of its pre-termination option (if any) or if the tenant pre-terminates the lease without providing three or six months' prior written notice. The security deposit is also forfeited in the event the tenant defaults (e.g., non-payment of rent). Where granted, the tenant's pre-termination option typically is effective after the full third year of the lease, subject to a six months' prior written notice from the tenant to the Company. Tenants are also required to pay advance rental payments equivalent to three months' rent, which are applied to the first three months of the lease term. Tenants of the Properties generally pay monthly rent as well as a monthly service charge for the maintenance of the building, public utilities and services, and the upkeep of common areas. The tenants are typically required to pay rent on a quarterly basis, on or before the fifth day of the first month of the quarter to which the rent corresponds, without need of further demand from the Company.

All alterations, additions, or improvements made by or on behalf of the tenant shall become the property of the Company at the expiry of the termination of the lease, without further compensation to the tenant, except for alterations, additions or improvements which are movable or detachable without defacing, injuring or damaging the leased premises. However, the Company may also require tenants to restore the leased space to its original condition prior to the commencement of the lease wear and tear excepted.

The Properties have not historically experienced a high concentration of expiring leases. See *"Risk Factors – Risks relating to the Company's Properties – A substantial percentage of the Properties' leases in terms of GLA will expire in the next three years, which may expose the Properties to reduced Occupancy Rates in the future"* in this REIT Plan. The Properties currently enjoy favorable occupancy levels, and the Fund Manager will work with the Property Manager to manage lease renewals and new leases diligently in order to minimize gaps arising due to either lease expiries or early terminations, including through advance lease negotiations with tenants whose leases are about to expire, searching for potential tenants to take over expected vacancies, and monitoring rent arrears to minimize defaults by tenants.

The Company believes that it has been successful in renewing leases with existing, high-quality tenants at rental rates in line with current market rates. The table below sets out information on the Properties' top 20 existing tenants whose commercial office leases have been renewed or replaced since the commencement of the Properties' operations until March 31, 2021:

Tenants	Number of leases expired (count)	GLA of expired leases (sq.m.)	Number of expired leases renewed (count)	Total renewed GLA (sq.m.)	Renewal rate by number of leases (%)	Renewal rate by expired lease area (%)
Capital One	2	18,000	2	18,000	100.0%	100.0%
Tenant 2	1	9,969	1	9,969	100.0%	100.0%
Concentrix	5	19,886	5	19,886	100.0%	100.0%
Genpact Services	11	21,239	11	21,239	100.0%	100.0%
Tenant 7	1	11,959	1	11,959	100.0%	100.0%
Majorel.....	1	4,547	1	4,547	100.0%	100.0%
Tenant 10	4	8,321	4	8,321	100.0%	100.0%
Tenant 11	1	6,445	1	6,445	100.0%	100.0%
AIG	2	6,274	2	6,274	100.0%	100.0%
Hinduja Global	2	6,855	2	6,855	100.0%	100.0%
Filinvest Alabang	2	4,904	2	4,904	100.0%	100.0%
Tenant 16	2	5,384	2	5,384	100.0%	100.0%
SLK Global Phil.	3	3,165	2	1,749	66.7%	55.3%
Tenant 20	1	3,447	1	3,447	100.0%	100.0%
Total	38	130,394	37	128,978	97.6%	96.8%

The table below sets out details of lease expiration for the Properties which are scheduled to take place for the years or periods indicated as of March 31, 2021:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues⁽²⁾ (%)	Expiring GLA as a percentage of occupied GLA⁽³⁾ (%)
2021.....	28,881	9.6%	10.3%	10.7%
2022.....	30,301	10.1%	9.7%	11.2%
2023.....	48,852	16.2%	17.8%	18.1%
2024.....	56,153	18.6%	20.9%	20.8%
2025.....	24,712	8.2%	10.0%	9.1%
2026.....	1,994	0.7%	0.9%	0.7%
2027.....	39,972	13.3%	15.3%	14.8%
2028.....	11,552	3.8%	4.6%	4.3%
2029.....	19,834	6.6%	7.1%	7.3%
2030.....	—	—	—	—
2031.....	8,174	2.7%	2.1%	3.0%
Average.....	24,584	8.2%	9.0%	9.1%

Notes:

- (1) The total office space GLA is 299,158 sq.m. and the total retail space GLA is 2,204 sq.m.
- (2) Rental Revenues from commercial offices leases (including parking fees) and retail space leases in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.
- (3) Occupied GLA is 270,424 sq.m. as of March 31, 2021.

The Committed Leases of the Properties have a WALE of 3.8 years (by GLA) as of March 31, 2021. As of April 30, 2021, the WALE was 3.9 years (by GLA).

The lease terms of the retail Committed Leases of the Properties as of March 31, 2021 range from one to six years. The Company's retail leases, however, are generally staggered, and the Company has historically high levels of continued occupancy with the Company's retail lessees. As of March 2021, 1,904 sq.m. out of the Company's 2,204 sq.m. of retail GLA was occupied by retail lessees.

In order to maximize the number of expiring leases which are renewed and maintain a stable tenant base, the Property Manager intends to continue to proactively manage the renewal of tenancy arrangements. Under the lease agreements, tenants generally have the right to renew the lease for an additional five years, subject to (i) notifying the Company in writing of such tenant's intention to renew the lease at least six months prior to the expiry of the lease, and (ii) the rental rates under the renewed contract being the prevailing rate for rent and escalation in office buildings in the vicinity of the Property that are comparable in size, location, age and quality, and taking into consideration space efficiency, the fitted handover condition of the leased premises, the total area leased by the tenant, and any leasing concessions which are granted at such comparable buildings to tenants which are similar in size and credit standing with such tenant. If no renewal contract is signed within such six-month period, then the lease contract shall expire on the last day of such period.

In addition, the Fund Manager intends to work with the Property Manager towards growing the Net Operating Income earned through pursuing an active leasing strategy. The Fund Manager expects to implement its strategy in two principal ways: first, the Company will maintain the fixed increases in the rental rates of tenants during the course of their lease terms. Second, the Company will attempt to negotiate increased rental rates when current leases with below-market rents expire. As leases expire, the Company will have the opportunity to bring rental rates in line with current market rates, and to reconfigure or expand tenant spaces. For the Company's retail space, the Property Manager may negotiate to expand a successful retailer's space or to take back space from an underperforming retailer or may seek to obtain commitments from new retailers for existing available space or planned expansions.

Each of the Properties can be re-designed to meet the changing needs of the corporate consumer. Ongoing industry research gives the Fund Manager and the Property Manager access to information on changes in trends and allows the Company to tailor the tenant mix to movements in the Philippines and global economy. The Company believes that the Properties can continue to be desirable locations for multinational corporations by combining a diverse mix of Anchor Locators and specialty retailers, competitive amenities, and responsive tenant services.

Green Initiatives

The Company believes that it is compliant with all applicable Philippine environmental laws and regulations, including such laws and regulations that are specifically applicable to the Properties.

In line with the Company's and the Sponsor's commitment to sustainable development, the Company has received Leadership in Energy & Environmental Design ("LEED") Gold certification for Vector Three and Axis Tower 1 in Northgate Cyberzone. LEED is a green building certification program developed by the U.S. Green Building Council which evaluates environmental performance to provide a definitive standard for green buildings. LEED recognizes best-in-class building strategies and practices. By designing and building to LEED standards, the Company benefits from a number of value-added incentives such as reduced construction waste, increased recycled content, lower long-term operating costs, efficient water usage, and improved indoor air quality.

Pursuant to the goal of ensuring ecological efficiency for the Properties, the Company and the Sponsor have initiated measures to address the continuing loss of natural resources, by using them judiciously and efficiently, reducing consumption and emissions. In 2017, Philippine DCS Development Corporation ("PDDC"), an affiliate of the Company, completed the construction of the district cooling system ("DCS") for Northgate Cyberzone. The DCS is a system which centralizes the production, distribution, and re-cooling of chilled water for the cooling requirements of buildings connected to the DCS. The DCS increases the efficiency and sustainability of the buildings within Northgate Cyberzone and also contributes to lower operational costs relating to air conditioning. Each of the Northgate Cyberzone Properties continue to retain their independent air conditioning systems as a back-up to the DCS. The Company and the Property Manager intend to continue to promote programs and mechanisms pursuant to the goal of making all the Properties sustainable.

The Properties are also strategically located to ensure pedestrian mobility and transport connectivity. The Properties are located within areas that promote alternatives to motorized transportation, and is connected to infrastructure that promote walking, and efficient commuting with designated transport stops and terminals for public utility vehicles. For example, the Northgate Cyberzone Properties are within the "360 Eco-Loop", a solar powered electric public transportation system for commuters traveling within the different districts of Filinvest City.

Maintenance

Over the course of the useful life of the Properties, the Property Manager will have primary responsibility for the maintenance of the Properties. The Company endeavors to keep the Properties in good working order, subject to high commercial standards, with amenities and facilities that address the requirements of the Company's tenants. These efforts mean expending funds and engaging suppliers and service providers to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances, such as typhoons, earthquakes, or floods, and from other unforeseen events. The Company has, in the past, and expects to, in the future, fund such necessary maintenance by the Property Manager with cash. The Company intends to maintain a cash reserve, representing 3% of its Rental Revenues, to fund routine and extraordinary maintenance activities.

The Company has also historically engaged Professional Operations and Maintenance Experts Incorporated (PROMEI), an affiliate of the Company, for the maintenance and repair of ventilation and air-conditioning of, and technical building and facilities maintenance services (excluding special equipment service maintenance e.g., elevators, fire protection system, electrical testing, CCTV, etc.) required by, the Company's Properties.

In the past five years, building improvements and maintenance were done for all the Properties. These improvements include the upgrades to elevator systems, renovation of common areas and facilities, and replacement and upgrading of equipment. The Company has also undertaken routine maintenance procedures on a regular basis.

The Company's projections for future refurbishment of its Properties are included in its provisions for capital expenditure. See "*Profit Forecast and Profit Projection*" for more information.

Third-Party Suppliers

Presently, the third-party suppliers of the Properties are primarily companies in charge of particular building functions. These include manpower services, such as technical maintenance, housekeeping services, security services, landscape maintenance, toilet supplies, pest control services, garbage hauling services, elevator maintenance, CCTV maintenance, generator maintenance, BMS maintenance, thermal scanning services, fire detection and alarm system maintenance, fire and jockey pump maintenance, and generator set smoke emission test services.

Marketing and Sales

The Company has historically made use of its in-house leasing team and marketing team to approach potential tenants or existing tenants (for office expansion) for the Company's Northgate Cyberzone Properties and Cebu Tower 1. However, as part of the Company's transition into a REIT, the Company will transfer its sales and marketing team to Affiliates within the Filinvest Group.

The Company has also historically engaged various professional and multinational commercial real estate leasing agents such as Jones Lang LaSalle, Colliers, CB Richard Ellis, Santos Knight Frank and KMC Savills, to find tenants for its Properties. The Company markets and presents all its office and retail space for lease to such agents. The Company also relies on third-party multinational brokerage firms that are engaged as BPO / tenant representative by multinational BPO firms. These third-party multinational brokerage firms typically have pre-existing tenant representative agreements with most multinational BPO firms and multinational headquarters through such brokerage firms' offices in Asia Pacific.

The Company likewise engages landlord representatives for its buildings in Filinvest Cyberzone Cebu.

Following the transition of the Company into a REIT, the leasing and marketing activities for the Company's Properties will primarily be the responsibility of the Property Manager. The Property Manager's marketing expenses are expected to primarily comprise advertising and promotion expenses, leasing expenses, and tenant renovation allowances. The Company plans to continue to improve the marketing and promotional activities for the Company's Properties with the goal of maximizing the pool of eligible and desirable tenants. To achieve this, the in-house leasing and marketing team of the Property Manager is also expected to continue to engage, on a non-exclusive basis, professional, multinational commercial real estate leasing agents such as Jones Lang LaSalle, Colliers, CB Richard Ellis, and Santos Knight Frank and KMC Savills to find tenants for the Properties. For Filinvest Cyberzone Cebu, the Company shall continue to engage on an exclusive basis, Santos Knight Frank as landlord representative, representing the Company onsite and providing the needs and requirements of tenants, which appointment shall be assessed on a yearly basis. The Company may also engage related parties and affiliates to provide leasing brokerage services in the future. Please see the section entitled "*The Fund Manager and the Property Manager – the Property Manager*" in this REIT Plan.

NORTHGATE CYBERZONE PROPERTIES

Northgate Cyberzone is an IT and BPO park located within the Filinvest City township in Alabang, Muntinlupa City in the southern part of Metro Manila. Northgate Cyberzone is an 18.7 hectare, PEZA-registered IT zone, located along Alabang-Zapote Road, and is designed, master-planned and built around the needs of technology-based companies. Northgate Cyberzone is the third largest IT hub in Metro Manila as of March 31, 2021 based on PEZA records.

Aerial Photos of the Northgate Cyberzone Properties



Location Map of Northgate Cyberzone

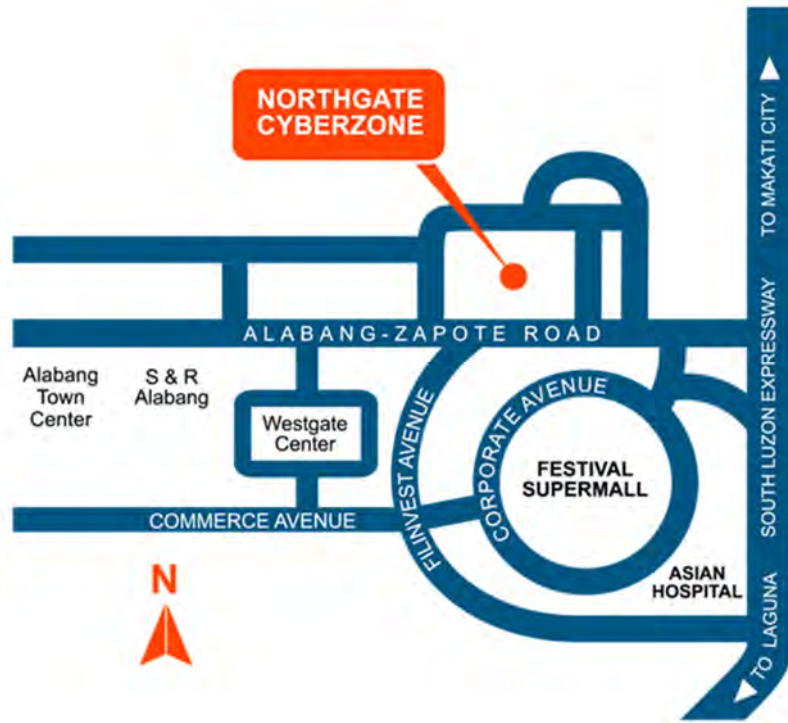


Diagram of Northgate Cyberzone



The Northgate Cyberzone Properties have an aggregate of 279,221 sq.m. of office space GLA, and 1,529 sq.m. of retail GLA. All of the Northgate Cyberzone Properties are Grade A, PEZA-accredited office buildings that are owned by the Company. Each of the Northgate Cyberzone Properties also have appurtenant parking spaces, and are within walking distance of F@stbytes, a retail and dining block catering to locators and tenants of properties at Northgate Cyberzone. The Northgate Cyberzone Properties also benefit from a DCS, and are within the “360 Eco-Loop”, a public transportation system for commuters traveling within the different districts of Filinvest City.

The Company believes it is the only developer that provides a 14-wheeler mobile generator set with 1,400KVA that has been certified and approved by PEZA as an additional back-up power source in the event a Northgate Cyberzone Property loses power and such property’s back-up generators fail to run.

The Company also has a special arrangements with lifeline ambulance services which is available 24/7 to assist locators and their employees in Northgate Cyberzone. An ambulance is on standby 24/7 within Northgate Cyberzone.

Amenities



14-wheeler mobile genset on standby with 1,400KVA. Can provide power for 48 continuous hours



District Cooling System
The largest in the Philippines. Joint Venture of Filinvest and Engie. Centralized chilled water production system that provides reliable and energy efficient cooling to multiple buildings distributed through underground piping network which reduces CO₂ emissions, water consumption and use of chemicals.



24/7 Lifeline emergency ambulance service



Fire Station

In 2017, PDDC, an affiliate of the Company, completed the construction of the DCS for Northgate Cyberzone. The DCS is a system which centralizes the production, distribution, and re-cooling of chilled water for the cooling requirements of buildings connected to the DCS. The DCS increases the efficiency and sustainability of the buildings within Northgate Cyberzone and also contributes to lower operational costs relating to air conditioning. Each of the Northgate Cyberzone Properties continue to retain their independent air conditioning systems as a back-up to the DCS.

The Northgate Cyberzone Properties also feature new technology such as turnstiles with elevator-destination controls and/or visitor management systems which enhance security and convenience of the locators and visitors within the Northgate Cyberzone Properties.

Each of the parcels of land on which each of the Northgate Cyberzone Properties is located is under a long-term land lease between the Company and the Sponsor. The lease agreement was entered into on arm’s length-terms. The initial term of such lease is for 50 years, commencing on February 2021, and ending on February 2071, renewable for another 25 years. As of March 31, 2021, the remaining lease term for each of the land leases for the Northgate Cyberzone Properties was 74.9 years. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on these lease arrangements.

Axis Tower 1

Axis Tower 1 is a 25-storey office building, has approximately 39,340 sq.m. of office space GLA and 1,529 sq.m. of retail GLA located in Northgate Cyberzone. Axis Tower 1 is certified LEED Gold. Axis Tower 1 also has 460 parking spaces. Axis Tower 1 commenced commercial operations in August 2018 and was completed in March 2018.



As of March 31, 2021 and as of December 31, 2020, Axis Tower 1 was 89.6% leased, with five individual leases. As of December 31, 2019, Axis Tower 1 was 89.5% leased, with six individual leases. As of December 31, 2018, Axis Tower 1 was 31.6% leased, with four individual leases.

Axis Tower 1 has car parking facilities in its podium levels (second to sixth floors) and level two basement, comprising 460 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱43.4 million, ₱31.9 million, ₱35.9 million and ₱9.0 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Axis Tower 1 is particularly suited for BPOs and ROHQs. Axis Tower 1 features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Axis Tower 1 also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, Axis Tower 1 generated ₱75.7 million, ₱309.2 million, ₱334.1 million and ₱128.2 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Axis Tower 1 was valued at ₱6,442.0 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Axis Tower 1's largest tenants include international BPO corporations and ROHQs of corporations with strong brand recognition globally. The majority of the lease commitments of Axis Tower 1's tenants are for a term of five years or more, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Axis Tower 1, accounting for 91.2% and 91.3%, respectively, of Axis Tower 1's aggregate Rental Revenues.

Five of the Properties' top 20 tenants (in terms of GLA) lease office space in Axis Tower 1. These tenants occupied 35,036 sq.m., or 85.7% of the total GLA of Axis Tower 1 as of March 31, 2021, and contributed 11.9% and 11.8% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

FAI leases office space from the Company, comprising approximately 4.7% of the GLA of Axis Tower 1 as of March 31, 2021.

Lease Expiries and Renewals

Since Axis Tower 1 was completed in 2018 and the Company's typical commercial office lease terms for the building run between five and 10 years, Axis Tower 1's office leases are expected to expire between 2023 and 2029.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Axis Tower 1 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	6,212	15.8%	19.5%
2024.....	12,423	31.6%	34.6%
2025.....	—	—	—
2026.....	—	—	—
2027.....	—	—	—
2028.....	—	—	—
2029.....	16,564	42.1%	45.8%
Average.....	3,911	9.9%	11.1%

Notes:

(1) Calculated using the current GLA of Axis Tower 1 for office space: 39,340 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Axis Tower 1 had 4,141 sq.m. of GLA that was vacant.

The land on which Axis Tower 1 is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Axis Tower 1's rental revenue, per month.

Axis Tower 1's retail leases are for periods of three to five years, and are expected to expire between 2022 and 2025.

The table below sets out details of lease expirations in respect of the retail space Committed Leases for Axis Tower 1 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	0.0	0.0%	0.0%
2022.....	597.4	39.1%	45.6%
2023.....	149.5	9.8%	8.5%
2024.....	496.3	3.2%	34.8%
2025.....	166.1	10.9%	11.1%
Average	281.9	12.6%	20.0%

Notes:

(1) Calculated using the current GLA of Axis Tower 1 for retail space: 1,529 sq.m.

(2) Rental Revenues from retail space leases in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Axis Tower 1 had vacant retail GLA of 120 sq.m.

Filinvest One

Filinvest One is a 10-storey office building with approximately 19,637 sq.m. of office space GLA located in Northgate Cyberzone. Filinvest One also has 109 parking spaces. Filinvest One commenced commercial operations in August 2013 and was completed in June 2013.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Filinvest One was 100.0% leased, with six individual leases.

Filinvest One has car parking facilities at its basement level, comprising 109 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱4.4 million, ₱5.2 million, ₱5.6 million and ₱1.4 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Filinvest One is particularly suited for BPOs. Filinvest One features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Filinvest One also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Filinvest One generated ₱152.8 million, ₱174.3 million, ₱195.5 million and ₱62.6 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Filinvest One was valued at ₱3,423.3 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Filinvest One's largest tenants include international BPO corporations and ROHQs of corporations with strong brand recognition globally. The majority of the lease commitments of Filinvest One's tenants are for a term of three to five, with an option for the Company to renew.

For the year ended December 31, 2020 and March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Filinvest One, accounting for 80.0% of Filinvest One's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Filinvest One. As of March 31, 2021, these tenants occupied 13,657 sq.m., or 69.5% of the total GLA of Filinvest One, and contributed 5.0% and

5.0% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Filinvest One.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Filinvest One's office leases are expected to expire between 2021 and 2024.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Filinvest One which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	953	4.9%	4.9%
2022.....	1,041	5.3%	5.4%
2023.....	12,999	66.2%	65.6%
2024.....	4,644	23.7%	24.1%
Average.....	4,909	25.0%	25.0%

Notes:

(1) Calculated using the current GLA of Filinvest One for office space: 19,637 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Filinvest One is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Filinvest One's rental revenue, per month.

Filinvest Two

Filinvest Two is a 14-storey office building with approximately 23,784 sq.m. of office space GLA located in Northgate Cyberzone. Filinvest Two also has 89 parking spaces. Filinvest Two commenced commercial operations in 2016 and was completed in September 2015.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Filinvest Two was 100.0% leased, with two individual leases. The Occupancy Rate of Filinvest Two as of December 31, 2020 includes 3,447.1 sq.m. of GLA with leases expiring on December 31, 2020 but were renewed effective January 1, 2021.

Filinvest Two has car parking facilities at its basement level, comprising 89 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.9 million, ₱3.9 million, ₱3.9 million and ₱1.0 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Filinvest Two is particularly suited for BPOs. Filinvest Two features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Filinvest Two also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Filinvest Two generated ₱213.5 million, ₱219.1 million, ₱228.4 million and ₱85.7 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Filinvest Two was valued at ₱4,180.0 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Filinvest Two's largest tenants include international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Filinvest Two's tenants are for a term of five years or more, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Filinvest Two, accounting for 100.0% of Filinvest Two's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Filinvest Two. As of March 31, 2021, these tenants occupied 23,784 sq.m., or 100.0% of the total GLA of Filinvest Two, and contributed 7.7% and 8.2% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Filinvest Two.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between five and 10 years, Filinvest Two's office leases are expected to expire between 2025 and 2027.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Filinvest Two which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	—	—	—
2024.....	—	—	—
2025.....	3,447	14.5%	19.5%
2026.....	—	—	—
2027.....	20,337	85.5%	80.5%
Average.....	3,398	14.3%	14.3%

Notes:

(1) Calculated using the current GLA of Filinvest Two for office space: 23,784 sq.m.

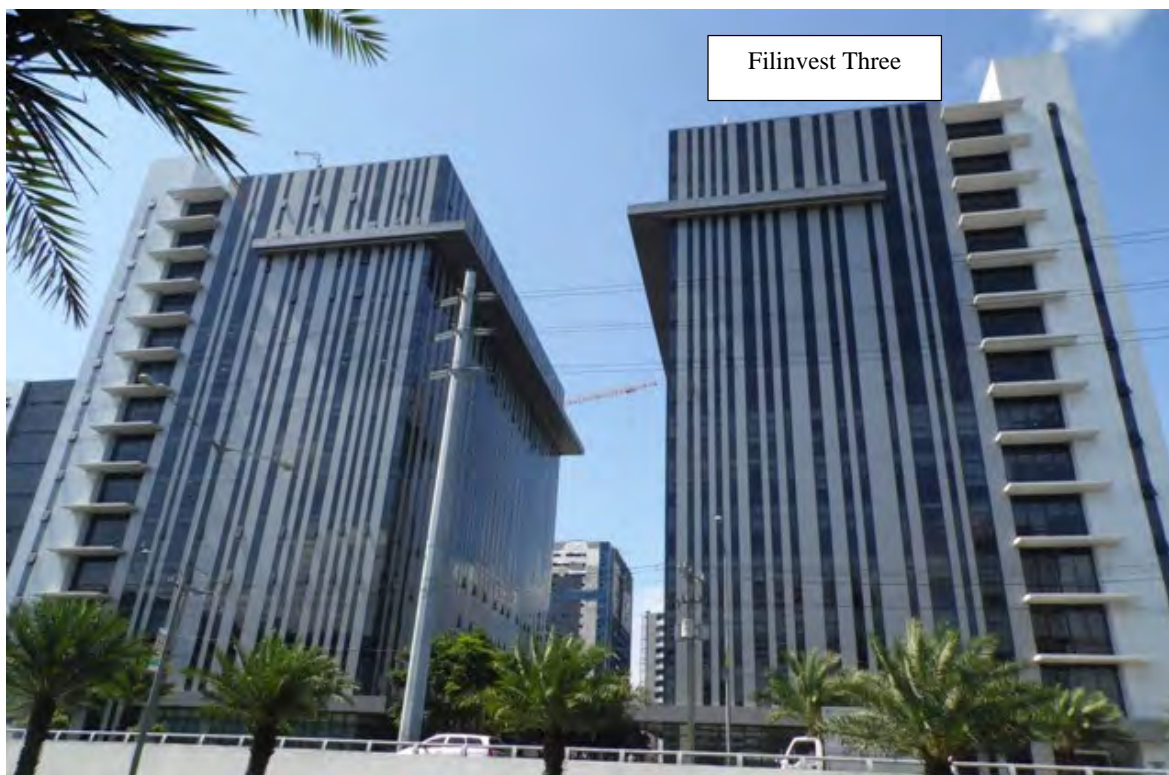
(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

(3) Filinvest Two had leases of 3,447.1 sq.m. of GLA that expired on December 31, 2020 but were renewed effective January 1, 2021.

The land on which Filinvest Two is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Filinvest Two's rental revenue, per month.

Filinvest Three

Filinvest Three is a 14-storey office building with approximately 23,784 sq.m. of office space GLA located in Northgate Cyberzone. Filinvest Three also has 87 parking spaces. Filinvest Three commenced commercial operations in 2016 and was completed in January 2015.



As of December 31, 2020 and March 31, 2021, Filinvest Three was 66.5% leased, with four individual leases. As of December 31, 2018 and 2019, Filinvest Three was 100.0% leased, with four individual leases.

Filinvest Three has car parking facilities at its basement level, comprising 87 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.4 million, ₱4.6 million, ₱3.9 million and ₱1.0 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Filinvest Three is particularly suited for BPOs. Filinvest Three features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Filinvest Three also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Filinvest Three generated ₱192.5 million, ₱215.0 million, ₱160.5 million and ₱49.8million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Filinvest Three was valued at ₱3,716.1 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Filinvest Three's largest tenants include international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Filinvest Three's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Filinvest Three, accounting for 50.2% and 71.1% of Filinvest Three's aggregate Rental Revenues.

One of the Properties' top 20 tenants (in terms of GLA) lease office space in Filinvest Three. As of March 31, 2021, this tenant occupied 10,341 sq.m., or 43.5% of the total GLA of Filinvest Three, and contributed 3.1% and 3.1% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

Corporate Technologies, Inc., an affiliate of the Company, leased office space comprising approximately 1.2% of the GLA of Filinvest Three as of March 31, 2021.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Filinvest Three's office leases are expected to expire between 2021 and 2023.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Filinvest Three which, as of the date of this REIT Plan, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	1,724	7.2%	13.9%
2022.....	3,447	14.5%	12.7%
2023.....	10,634	44.7%	73.4%
Average.....	5,268	22.2%	33.3%

Notes:

(1) Calculated using the current GLA of Filinvest Three for office space: 23,784 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Filinvest Three had 7,979 sq.m. of GLA that was vacant.

The land on which Filinvest Three is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Filinvest Three's rental revenue, per month.

Vector One

Vector One is a 14-storey office building with approximately 17,764 sq.m. of office space GLA located in Northgate Cyberzone. Vector One also has 166 parking spaces. Vector One commenced commercial operations in 2011 and was completed in May 2011.



As of March 31, 2021, Vector One was 92.0% leased with three individual leases. As of December 31, 2018, 2019 and 2020, Vector One was 100.0% leased, with four individual leases.

Vector One has car parking facilities in its podium first to third levels (second to fourth floors), comprising 166 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱7.4 million, ₱7.3 million, ₱6.5 million and ₱1.6 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Vector One is particularly suited for BPOs and ROHQs. Vector One features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Vector One also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Vector One generated ₱149.2 million, ₱159.7 million, ₱165.6 million and ₱58.0 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Vector One was valued at ₱2,768.8 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Vector One's largest tenants include Philippine and international BPO and traditional corporations with strong brand recognition globally. The majority of the lease commitments of Vector One's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Vector One, accounting for 54.3% and 53.4%, respectively, of Vector One's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Vector One. As of March 31, 2021, these tenants occupied 13,078 sq.m., or 73.6% of the total GLA of Vector One, and contributed 4.6% and 4.5% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company's related party tenants are FAI and FLI, which are leasing, in the aggregate, approximately 46.0% of the GLA of Vector One as of March 31, 2021.

Lease Expiries and Renewals

The Company's typical commercial office lease terms for the building run between three and five years, and Vector One's current tenants' office leases are expected to expire in 2021.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Vector One which, as of March 31, 2021, are scheduled to take place during the year indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	8,174	46.0%	53.4%
2022.....	—	—	—
2023.....	—	—	—
2024.....	—	—	—
2025.....	—	—	—
2026.....	—	—	—
2027.....	—	—	—
2028.....	—	—	—
2029.....	—	—	—
2030.....	—	—	—
2031.....	8,174	46.0%	46.6%
Average.....	1,486	8.4%	8.4%

Notes:

(1) Calculated using the current GLA of Vector One for office space: 17,764 sq.m.

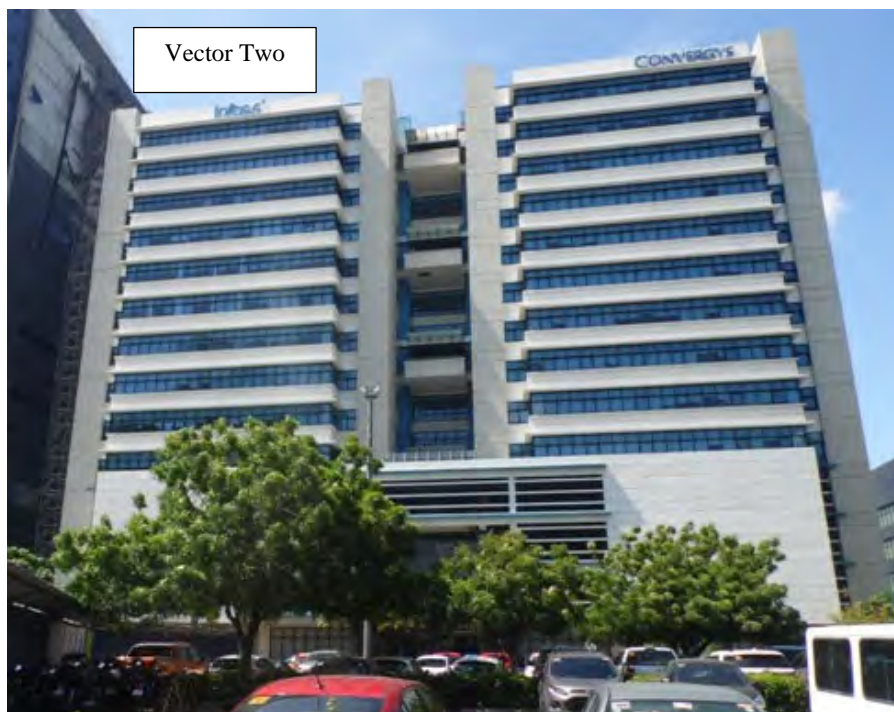
(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Vector One had 1,416 sq.m. of GLA that was vacant.

The land on which Vector One is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Vector One's rental revenue, per month.

Vector Two

Vector Two is a 14-storey office building, with approximately 17,889 sq.m. of office space GLA located in Northgate Cyberzone. Vector Two also has 153 parking spaces. Vector Two commenced commercial operations and was completed in 2014.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Vector Two was 100.0% leased, with seven individual leases.

Vector Two has car parking facilities in its podium first to third levels (second to fourth floors), comprising 153 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱4.8 million, ₱5.0 million, ₱5.1 million and ₱1.4 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Vector Two is particularly suited for BPOs. Vector Two features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Vector Two also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Vector Two generated ₱166.8 million, ₱170.4 million, ₱183.8 million and ₱63.2 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Vector Two was valued at ₱3,134.1 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Vector Two's largest tenants include Philippine and international BPO and traditional corporations with strong brand recognition globally. The majority of the lease commitments of Vector Two's tenants are for a term of five years or more, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Vector Two, accounting for 90.0% of Vector Two's aggregate Rental Revenues.

Four of the Properties' top 20 tenants (in terms of GLA) lease office space in Vector Two. As of March 31, 2021, these tenants occupy 16,254 sq.m., or 90.9% of the total GLA of Vector Two, and contributed 5.7% and 5.7% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company's related party tenants at Vector Two are Filinvest Hospitality Corporation, Chroma Hospitality, Inc. and Festival Supermall, Inc., which are leasing, in the aggregate, approximately 9.1% of the GLA of Vector Two as of March 31, 2021.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and 10 years, Vector Two's office leases are expected to expire between 2022 and 2029.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Vector Two which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	9,770	54.6%	49.7%
2023.....	1,635	9.1%	9.4%
2024.....	1,579	8.8%	9.5%
2025.....	—	—	—
2026.....	—	—	—
2027.....	1,635	9.1%	10.0%
2028.....	—	—	—
2029.....	3,270	18.3%	21.4%
Average.....	1,988	11.1%	11.1%

Notes:

(1) Calculated using the current GLA of Vector Two for office space: 17,889 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Vector Two is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Vector Two's rental revenue, per month.

Vector Three

Vector Three is a 22-storey office building with approximately 36,345 sq.m. of office space GLA located in Northgate Cyberzone. Vector Three is certified LEED Gold. Vector Three also has 365 parking spaces. Vector Three commenced commercial operations in September 2017 and was completed in January 2017.



As of December 31, 2020 and March 31, 2021, Vector Three was 68.3% leased, with five individual leases. As of December 31, 2018 and 2019, Vector Three was 100.0% leased, with six individual leases.

Vector Three has car parking facilities in its podium levels one to six (second to seventh floors), comprising 365 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱12.6 million, ₱15.3 million, ₱1.6 million and ₱2.8 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Vector Three is particularly suited for BPOs. Vector Three features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Vector Three also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Vector Three generated ₱299.8 million, ₱350.5 million, ₱308.2 million and ₱91.5 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Vector Three was valued at ₱6,053.1 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Vector Three's largest tenants include international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Vector Three's tenants are for a term of five years or more, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Vector Three, accounting for 82.8% and 91.1%, respectively, of Vector Three's aggregate Rental Revenues.

Three of the Properties' top 20 tenants (in terms of GLA) lease office space in Vector Three. As of March 31, 2021, these tenants occupied 17,894 sq.m., or 49.2% of the total GLA of Vector Three, and contributed 8.0% and 8.0% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Vector Three.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between five and 10 years, Vector Three's office leases are expected to expire between 2022 and 2028.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Vector Three which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	6,919	19.0%	24.2%
2023.....	6,362	17.5%	26.6%
2024.....	—	—	—
2025.....	—	—	—
2026.....	—	—	—
2027.....	—	—	—
2028.....	11,532	31.7%	49.2%
Average.....	3,102	8.5%	12.5%

Notes:

(1) Calculated using the current GLA of Vector Three for office space: 36,345 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Vector Three had 11,352 sq.m. of GLA that was vacant.

The land on which Vector Three is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Vector Three's rental revenue, per month.

Plaza A

Plaza A is a six-storey office building with approximately 10,860 sq.m. of office space GLA located in Northgate Cyberzone. Plaza A also has 64 parking spaces. Plaza A commenced commercial operations in July 2006 and was completed in 2007.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Plaza A was 100.0% leased, with two individual leases.

Plaza A has car parking facilities located at its basement level, comprising 64 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.0 million, ₱3.2 million, ₱3.4 million and ₱0.9 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Plaza A is particularly suited for BPOs. Plaza A features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Plaza A also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Plaza A generated ₱85.5 million, ₱99.1 million, ₱114.5 million and ₱40.9 million in Gross Revenue (including other income), respectively.

As of March 2021, Plaza A was valued at ₱1,655.0 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Plaza A's largest tenants are international BPO corporations with strong brand recognition globally. The lease terms of current tenants in Plaza A are for five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Plaza A, accounting for 100.0% of Plaza A's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Plaza A. As of December 31, 2020 and March 31, 2021, these tenants occupied 10,860 sq.m., or 100.0% of the total GLA of Plaza A, and contributed

3.9% and 3.8% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Plaza A.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Plaza A's current tenants' lease terms are expected to expire in 2024.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Plaza A which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	—	—	—
2024.....	10,860	100.0%	100.0%
Average.....	2,715	25.0%	25.0%

Notes:

(1) Calculated using the current GLA of Plaza A for office space: 10,860 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Plaza A is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of Plaza A's rental revenue, per month.

Plaza B

Plaza B is a four-storey office building with approximately 6,488 sq.m. of office space GLA located in Northgate Cyberzone. Plaza B also has 58 parking spaces. Plaza B was completed in March 2001 and commenced commercial operations in the same year.



As of March 31, 2021, Plaza B was 85.2% leased, with 17 individual leases. As of December 31, 2019 and 2020 and March 31, 2021, Plaza B was 100.0% leased, with 18 individual leases. The leases as of December 31, 2020 and March 31, 2021 include areas leased by telecommunication carriers for their cell towers and executed lease agreements valid as of December 31, 2020 and March 31, 2021, respectively. As of December 31, 2018, Plaza B was 100.0% leased, with 17 individual leases.

Plaza B has car parking facilities at its basement level, comprising 58 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱2.6 million, ₱2.4 million, ₱2.5 million and ₱0.6 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Plaza B is particularly suited for BPOs. Plaza B features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Plaza B also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Plaza B generated ₱41.6 million, ₱38.9 million, ₱74.4 million and ₱23.6 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Plaza B was valued at ₱893.4 million by Asian Appraisal. The valuation of Plaza B as of March 31, 2021 does not include areas leased by telecommunication carriers for their cell towers. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Plaza B's largest tenants include Philippine and international corporations with strong brand recognition globally. The majority of the lease commitments of Plaza B's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Plaza B, accounting for 54.3% and 44.3%, respectively, of Plaza B's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Plaza B. As of March 31, 2021, these tenants occupied 2,097 sq.m., or 32.3% of the total GLA of Plaza B, and contributed 0.7% and 0.7% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Plaza B.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Plaza B's office leases are expected to expire between 2021 and 2025.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Plaza B which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	786	12.1%	13.9%
2022.....	259	4.0%	4.0%
2023.....	2,732	42.1%	44.7%
2024.....	1,473	22.7%	29.0%
2025.....	255	3.9%	7.4%
2026.....	—	—	—
2027.....	—	—	—
2028.....	20	0.3%	0.9%
Average.....	691	10.6%	12.5%

Notes:

(1) Calculated using the current GLA of Plaza B for office space: 6,488 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Plaza B had 963 sq.m. of GLA that was vacant.

The land on which Plaza B is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of Plaza B's rental revenue, per month.

Plaza C

Plaza C is a four-storey office building with approximately 6,540 sq.m. of office space GLA located in Northgate Cyberzone. Plaza C also has 58 parking spaces. Plaza C was completed in March 2001 and commenced commercial operations in the same year.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Plaza C was 100.0% leased, with one individual lease.

Plaza C has car parking facilities at its basement level, comprising 58 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.3 million, ₱3.2 million, ₱3.2 million and ₱0.9 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Plaza C is particularly suited for BPOs. Plaza C features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Plaza C also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Plaza C generated ₱72.8 million, ₱58.9 million, ₱64.3 million and ₱24.5 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Plaza C was valued at ₱1,034.4 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Plaza C's sole tenant is an international corporation with strong brand recognition globally. The current lease term of Plaza C's sole tenant is for five years and three months commencing in 2018, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Plaza C, accounting for 100.0% of Plaza C's aggregate Rental Revenues.

The sole tenant of Plaza C is one of the Properties' top 20 tenants (in terms of GLA). As of March 31, 2021, this tenant occupied 100% of the GLA of Plaza C, and contributed 2.1% and 2.2% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Plaza C.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Plaza C's current tenant's lease term is expected to expire in 2023.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Plaza C which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA	Expiring GLA as a percentage of total GLA⁽¹⁾	Percentage of expiring Rental Revenues to total Rental Revenues⁽²⁾
	(sq.m.)	(%)	(%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	6,540	100.0%	100.0%
Average.....	2,180	33.3%	33.3%

Notes:

(1) Calculated using the current GLA of Plaza C for office space: 6,540 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Plaza C is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of Plaza C's rental revenue, per month.

Plaza D

Plaza D is a six-storey office building with approximately 10,860 sq.m. of office space GLA located in Northgate Cyberzone. Plaza D also has 64 parking spaces. Plaza D commenced commercial operations in February 2007 and was completed in the same year.



As of December 31, 2020 and March 31, 2021, Plaza D was 83.2% leased, with three individual leases. As of December 31, 2018 and 2019, Plaza D was 100.0% leased, with four individual leases.

Plaza D has car parking facilities at its basement level, comprising 64 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.4 million, ₱3.4 million, ₱3.2 million and ₱0.7 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Plaza D is particularly suited for BPOs. Plaza D features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Plaza D also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. Plaza D's largest tenant, Verizon, which has been leasing space in the building since 2007, is a BPO.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Plaza D generated ₱93.1 million, ₱107.7 million, ₱103.1 million and ₱32.9 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Plaza D was valued at ₱1,483.1 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Plaza D's largest tenants include international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Plaza D's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Plaza D, accounting for 75.6% of Plaza D's aggregate Rental Revenues.

One of the Properties' top 20 tenants (in terms of GLA) lease office space in Plaza D. As of March 31, 2021, this tenant occupied 5,384 sq.m., or 49.6% of the total GLA of Plaza D, and contributed 1.8% and 1.9% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Plaza D.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Plaza D's office leases are expected to expire between 2022 and 2024.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Plaza D which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	7,209	66.4%	74.3%
2023.....	—	—	—
2024.....	1,825	16.8%	25.7%
Average.....	2,259	20.8%	25.0%

Notes:

(1) Calculated using the current GLA of Plaza D for office space: 10,860 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Plaza D had 1,826 sq.m. of GLA that was vacant.

The land on which Plaza D is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of Plaza D's rental revenue, per month.

Plaza E

Plaza E is a 12-storey office building with approximately 14,859 sq.m. of office space GLA located in Northgate Cyberzone. Plaza E also has 127 parking spaces. Plaza E commenced commercial operations and was completed in February 2014.



As of December 31, 2018, 2019 and 2020 and March 31, 2021, Plaza E was 100.0% leased, with three individual leases.

Plaza E has car parking facilities in its podium first to third levels (second to fourth floors), comprising 127 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱2.7 million, ₱3.1 million, ₱3.6 million and ₱0.9 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that Plaza E is particularly suited for BPOs. Plaza E features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Plaza E also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Plaza E generated ₱119.2 million, ₱136.2 million, ₱160.1 million and ₱57.4million in Gross Revenue(including other income), respectively.

As of March 31, 2021, Plaza E was valued at ₱2,421.0 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Plaza E's largest tenants include international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Plaza E's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Plaza E, accounting for 100.0% of Plaza E's aggregate Rental Revenues.

Three of the Properties' top 20 tenants (in terms of GLA) lease office space in Plaza E. As of March 31, 2021, these tenants occupied 14,859 sq.m., or 100.0% of the total GLA of Plaza E, and contributed 5.3% and 5.6% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Plaza E.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Plaza E's office leases are expected to expire in 2024 and 2025.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Plaza E which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	—	—	—
2024.....	10,313	69.4%	63.7%
2025.....	4,546	30.6%	36.3%
Average.....	2,972	20.0%	20.0%

Notes:

(1) Calculated using the current GLA of Plaza E for office space: 14,859 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Plaza E is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of Plaza E's rental revenue, per month.

iHub1

iHub1 is a six-storey office building forming part of the iHub two-tower complex, with approximately 9,480 sq.m. of office space GLA located in Northgate Cyberzone. iHub1 also has 46 parking spaces. iHub1 commenced commercial operations and was completed in June 2008.



As of March 31, 2021, iHub1 was 70.7% leased with three individual leases. As of December 31, 2020, iHub1 was 87.5% leased, with four individual leases. As of December 31, 2019, iHub1 was 93.1% leased, with four individual leases. As of December 31, 2018, iHub1 was 100.0% leased, with five individual leases.

iHub1 has car parking facilities at its basement level comprising 46 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱2.4 million, ₱2.6 million, ₱2.4 million and ₱0.6 million for the years ended December 31, 2018, 2019 and 2020, respectively.

As part of Northgate Cyberzone, the Company believes that iHub1 is particularly suited for BPOs. iHub1 features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. iHub1 also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, iHub1 generated ₱80.7 million, ₱86.9 million, ₱86.7 million and ₱33.1 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, iHub1 was valued at ₱1,449.0 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

iHub1's largest tenants include international BPO and traditional corporations with strong brand recognition globally. The majority of the lease commitments of iHub1's tenants are for a term of three to five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of iHub1, accounting for 64.4% and 70.1%, of iHub1's aggregate Rental Revenues.

One of the Properties' top 20 tenants (in terms of GLA) lease office space in iHub1. As of March 31, 2021, this tenant occupied 4,719 sq.m., or 49.8% of the total GLA of iHub1, and contributed 1.6% and 1.7% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in iHub1.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, iHub1's office leases are expected to expire between 2020 and 2024.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for iHub1 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	1,055	11.1%	16.7%
2022.....	927	9.8%	11.8%
2023.....	1,590	16.8%	20.2%
2024.....	3,129	33.0%	38.2%
Average.....	1,675	17.7%	21.7%

Notes:

(1) Calculated using the current GLA of iHub1 for office space: 9,480 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, iHub1 had 2,779 sq.m. of GLA that was vacant.

The land on which iHub1 is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of iHub1's rental revenue, per month.

iHub2

iHub2 is a nine-storey office building forming part of the iHub two-tower complex, with approximately 14,181 sq.m. of office space GLA located in Northgate Cyberzone. iHub2 also has 84 parking spaces. iHub2 commenced commercial operations in and was completed in August 2009.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, iHub2 was 100.0% leased, with three individual leases.

iHub2 has car parking facilities at its basement level, comprising 84 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱3.8 million, ₱3.9 million, ₱3.9 million and ₱1.1 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that iHub2 is particularly suited for BPOs. iHub2 features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. iHub2 also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, iHub2 generated ₱120.7 million, ₱128.2 million, ₱142.9 million and ₱52.1 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, iHub2 was valued at ₱2,335.6 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

iHub2's largest tenants include international corporations with strong brand recognition globally. The majority of the lease commitments of iHub2's tenants are for a term of three to five, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of iHub2, accounting for 100.0% of iHub2's aggregate Rental Revenues.

Three of the Properties' top 20 tenants (in terms of GLA) lease office space in iHub2. As of March 31, 2021, these tenants occupied 14,181 sq.m., or 100.0% of the total GLA of iHub2, and contributed 4.5% and 4.8% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in iHub2.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, iHub2's office leases are expected to expire between 2021 and 2025.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for iHub2 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	7,853	55.4%	54.2%
2022.....	—	—	—
2023.....	—	—	—
2024.....	—	—	—
2025.....	6,328	44.6%	45.8%
Average	2,836	20.0%	20.0%

Notes:

(1) Calculated using the current GLA of iHub2 for office space: 14,181 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which iHub2 is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 10% of iHub2's rental revenue, per month.

5132 Building

5132 Building is a six-storey office building with approximately 9,409 sq.m. of office space GLA located in Northgate Cyberzone. 5132 Building also has 55 parking spaces. 5132 Building commenced commercial operations and was completed in November 2007.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, 5132 Building was 100.0% leased, with one individual lease.

5132 Building has car parking facilities at its basement level, comprising 55 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱2.8 million, ₱3.0 million, ₱3.2 million and ₱0.8 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Northgate Cyberzone, the Company believes that 5132 Building is particularly suited for BPOs. 5132 Building features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. 5132 Building also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, 5132 Building generated ₱73.6 million, ₱82.3 million, ₱98.5 million and ₱34.5 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, 5132 Building was valued at ₱1,442.9 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

5132 Building's sole tenant is an international BPO corporation with strong brand recognition globally. The lease commitment of 5132 Building's sole tenant is for a term of five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of 5132 Building, accounting for 100.0% of 5132 Building's aggregate Rental Revenues.

The sole tenant of 5132 Building is one of the Properties' top 20 tenants (in terms of GLA). As of March 31, 2021, the sole tenant occupies 100.0% of the total GLA of 5132 Building, and contributed 3.3% and 3.5% of the

Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021.

Related Party Tenants

The Company does not have any related party tenants in 5132 Building.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, 5132 Building's office leases are expected to expire in 2024.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for 5132 Building which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	—	—	—
2024.....	9,409	100.0%	100.0%
Average.....	2,352	25.0%	25.0%

Notes:

(1) Calculated using the current GLA of 5132 Building for office space: 9,409 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which 5132 Building is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of 5132 Building's rental revenue, per month.

Capital One

Capital One is a five-storey office building with approximately 18,000 sq.m. of office space GLA located in Northgate Cyberzone. Capital One was constructed on a “build-to-suit” arrangement to accommodate its previous tenant, HSBC, and is currently occupied by Capital One. Capital One also has 93 parking spaces. Capital One commenced commercial operations in August 2005 and was completed in the same year.



As of December 31, 2018, 2019 and 2020 and as of March 31, 2021, Capital One was 100.0% leased, with one individual lease.

Capital One has car parking facilities at its basement level, comprising 93 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱4.1 million, ₱4.1 million, ₱4.4 million and ₱1.2 million for the years ended December 31, 2018, 2019 and 2020, respectively.

As part of Northgate Cyberzone, the Company believes that Capital One is particularly suited for BPOs. Capital One features amenities and technology for its sole lessee, including advanced broadband infrastructure and an integrated building management system. Capital One also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Capital One generated ₱144.2 million, ₱144.8 million, ₱163.6 million and ₱50.6 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Capital One was valued at ₱2,997.8 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Capital One Building’s sole tenant, Capital One Philippines Support Services Corporation (“COPSSC”) is an international corporation with strong brand recognition globally. COPSSC’s current lease term is for seven years commencing in 2020, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Capital One, accounting for 100.0% of Capital One’s aggregate Rental Revenues.

COPSSC is one of the Properties' top 20 tenants (in terms of GLA). As of March 31, 2021, COPSSC occupied 100.0% of the total GLA of Capital One, and contributed 6.2% and 6.6% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021.

Related Party Tenants

The Company does not have any related party tenants in the Capital One building.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between five and seven years, Capital One's office leases are expected to expire in 2027.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Capital One which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	—	—	—
2022.....	—	—	—
2023.....	—	—	—
2024.....	—	—	—
2025.....	—	—	—
2026.....	—	—	—
2027.....	18,000	100.0%	100.0%
Average.....	2,571	14.3%	14.3%

Notes:

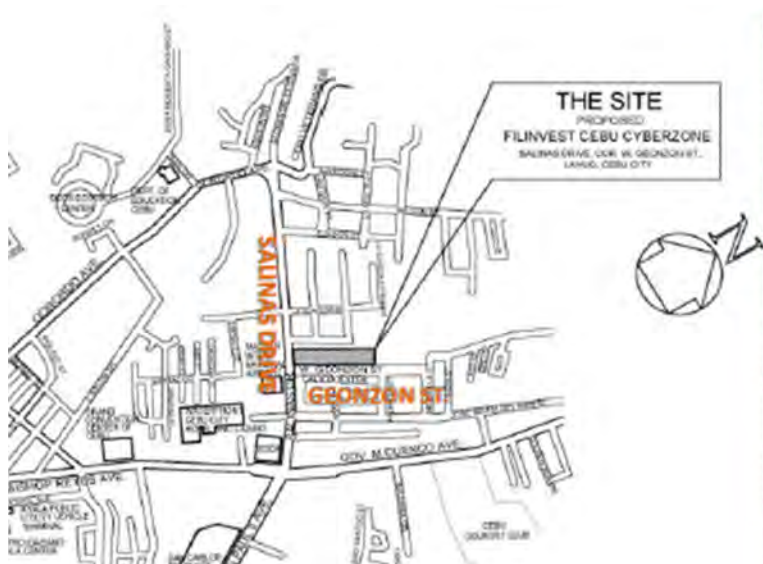
(1) Calculated using the current GLA of Capital One for office space: 18,000 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

The land on which Capital One is located is leased by the Company from the Sponsor pursuant to a land lease agreement. The land lease rate is 15% of Capital One's rental revenue, per month.

FILINVEST CYBERZONE CEBU

Filinvest Cyberzone Cebu is a 1.2 hectare joint commercial development of the Company with the Cebu Provincial Government under a 30-year “build-transfer-operate” (“BTO”) arrangement. Filinvest Cyberzone Cebu, located along Salinas Drive, Cebu City, is centrally located between Cebu City and Mandaue City. Filinvest Cyberzone Cebu is adjacent to the Cebu IT Park, a prime business district development of Cebu Property Ventures Development Corporation which accommodates several BPO office buildings in Cebu.



Cebu Tower 1

Cebu Tower 1, is a 13-storey Grade A, PEZA-accredited office building, with approximately 19,937 sq.m. of office space GLA, 274 parking slots, and 675 sq.m. of retail GLA. Cebu Tower 1 was completed on June 11, 2015, and commenced commercial operations on the same date. Cebu Tower 1 has appurtenant parking spaces, and its retail area located on its ground floor includes shops and dining options for its tenants and tenants of surrounding office buildings. Cebu Tower 1 has a centralized chilled water-type air-conditioning system, has provisions for 100% emergency back-up power, is equipped with automatic sprinkler systems with smoke detectors and fire alarms, and has underground fiber-optic cabling facilities with dark fiber provisions for all major telecommunications providers.

Cebu Tower 1 and the land on which it is located are owned by the Cebu Provincial Government and operated by the Company under a BTO arrangement. The BTO arrangement has an initial term of 25 years which was extended by five years through a subsequent MOA, renewable for another 25 years. The initial term of the BTO arrangement (as extended by the MOA) commenced in 2013 and will expire in 2043. There are 22.7 years remaining in the initial term of the BTO arrangement as of March 31, 2021. See the section entitled “*Certain Agreements Relating to the Company and the Properties*” in this REIT Plan for more details on this BTO arrangement.



As of December 31, 2018, 2019 and 2020, Cebu Tower 1 was 99.1%, 98.8%, and 99.1% leased, with three individual leases. The Occupancy Rate of Cebu Tower 1 as of December 31, 2020 includes 1,933.72 sq.m. of GLA with a lease renewal effective in March 2021, but covered by a Committed Lease signed in November 2020. As of March 31, 2021, Cebu Tower 1 was 99.1% leased, with three individual leases.

Cebu Tower 1 has car parking facilities on the ground and first and second podium levels (second and third floors), comprising 274 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱2.7 million, ₱2.7 million, ₱2.9 million and ₱1.0million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively.

As part of Filinvest Cyberzone Cebu, the Company believes that Cebu Tower 1 is particularly suited for BPOs. Cebu Tower 1 features amenities and technology for lessees, including advanced broadband infrastructure and an integrated building management system. Cebu Tower 1 also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, Cebu Tower 1 generated ₱141.3 million, ₱154.6 million, ₱199.2 million and ₱65.7 million in Gross Revenue (including other income), respectively.

As of March 31, 2021, Cebu Tower 1 was valued at ₱3,117.7 million by Asian Appraisal. See the Independent Property Valuation Summary Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Cebu Tower 1's largest tenants include Philippine and large international BPO corporations with strong brand recognition globally. The majority of the lease commitments of Cebu Tower 1's tenants are for a term of five years, with an option for the Company to renew.

For the year ended December 31, 2020 and for the three months ended March 31, 2021, the BPO industry was the most significant contributor to the Rental Revenues of Cebu Tower 1, accounting for 99.9% of Cebu Tower 1's aggregate Rental Revenues.

Two of the Properties' top 20 tenants (in terms of GLA) lease office space in Cebu Tower 1. As of March 31, 2021, these tenants occupied 17,943 sq.m., or 90.0% of the total GLA of Cebu Tower 1, and contributed 4.2%

and 3.8% of the Properties' total Rental Revenues for the year ended December 31, 2020 and for the three months ended March 31, 2021, respectively.

Related Party Tenants

The Company does not have any related party tenants in Cebu Tower 1.

Lease Expiries and Renewals

Since the Company's typical commercial office lease terms for the building run between three and five years, Cebu Tower 1's office leases are expected to expire between 2021 and 2026.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Cebu Tower 1 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	7,975	40.0%	32.6%
2022.....	—	—	—
2023.....	—	—	—
2024.....	—	—	—
2025.....	9,969	50.0%	57.1%
2026.....	1,994	10.0%	10.2%
Average.....	3,323	16.7%	16.7%

Notes:

(1) Calculated using the current GLA of Cebu Tower 1 for office space: 19,937 sq.m.

(2) Rental Revenues from commercial offices leases (including parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

Cebu Tower 1's retail leases are for periods of one to five years, and are expected to expire between 2021 and 2023.

The table below sets out details of lease expirations in respect of the retail space Committed Leases for Cebu Tower 1 which, as of March 31, 2021, are scheduled to take place during the years indicated:

Year	Expiring GLA (sq.m.)	Expiring GLA as a percentage of total GLA ⁽¹⁾ (%)	Percentage of expiring Rental Revenues to total Rental Revenues ⁽²⁾ (%)
2021.....	437	64.8%	26.3%
2023.....	57	8.4%	0.8%
Average.....	247	36.6%	9.1%

Notes:

(1) Calculated using the current GLA of Cebu Tower 1 for retail space: 675 sq.m.

(2) Rental Revenues from retail space leases in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Revenues payable for 2021.

As of March 31, 2021, Cebu Tower 1 had vacant retail GLA of 181 sq.m.

COMPETITION

The real estate industry in the Philippines, particularly in Metro Manila, is a competitive market. The principal competitive factors include rental rates, quality and location of properties, and supply of comparable retail space.

The Properties are Grade A office buildings located in Northgate Cyberzone in Filinvest City and Filinvest Cyberzone Cebu. The Company believes that it competes with companies in the office leasing industry such as Megaworld Corporation, SM Prime Holdings, Inc., Ayala Land, Inc., Robinsons Land, Inc and Eton Properties Philippines, Inc. in Metro Manila, and Ayala Land, Inc., and Megaworld Corporation in Metro Cebu.

The Company believes it is able to compete by maintaining a flexible approach to negotiation of commercial terms with its tenants. The Company is open to tenant negotiations on the length of the rent-free period or fit out period as well as rent escalation rates. The Company also believes that the rental rates it offers at its Properties are on par with competing properties.

The Company also believes that its Northgate Cyberzone Properties offer lower cost alternatives to Makati CBD, Ortigas CBD and Bonifacio Global City. According to JLL, Alabang is still one of the lowest cost options for BPOs in terms of leasing costs, which the Company believes make Northgate Cyberzone an attractive location for BPO companies looking to minimize costs.

Further, according to JLL, there could potentially be an increased interest for office space outside Makati CBD and Bonifacio Global City, particularly in Quezon City and Muntinlupa City, as companies may opt to set up office spaces closer to employees' homes in the post-COVID-19 pandemic environment. JLL believes that Madrigal Business Park and Filinvest City could also capture the potential increase in office space demand outside Makati City and Taguig City. However, according to JLL, vacancy rates may remain above historical average levels as most offices will likely retain flexible work arrangements resulting in more vacant office space.

The Company believes that the significant accumulated experience of the management teams of both the Fund Manager and the Property Manager in real estate development, leasing, and management, as well as the Filinvest Group's understanding of local market preferences and conditions will enable the Company to compete effectively.

TENANCY AGREEMENTS AND LEASE MANAGEMENT

The Company has a standard set of terms and conditions for each of its lease agreements signed with potential tenants, although these are amended and negotiated as appropriate based on the particular requirements and circumstances of each tenant. The minimum lease term for the Company's standard office spaces is three years, while the minimum lease term for the Company's build-to-suit office spaces is ten years. The current lease contracts of the Company have terms that typically range from three to five years. Tenants of the Properties typically pay a security deposit equal to three months' rent which is forfeited in case the tenant pre-terminates the lease agreement before the effectivity of its pre-termination option (if any) or if the tenant pre-terminates the lease without providing three or six months' prior written notice. The security deposit is also forfeited in the event the tenant defaults (e.g., non-payment of rent). Where granted, the tenant's pre-termination option typically is effective after the full third year of the lease, subject to a six months' prior written notice from the tenant to the Company. Tenants are also required to pay advance rental payments equivalent to three months' rent, which are applied to the first three months of the lease term. Tenants of the Properties generally pay monthly rent as well as a monthly service charge for the maintenance of the building, public utilities and services, and the upkeep of common areas. The tenants are typically required to pay rent on a quarterly basis, on or before the fifth day of the first month of the quarter to which the rent corresponds, without need of further demand from the Company.

The Company's lease rates are based on the Company's market studies of the property landscape and rental prices in Alabang and surrounding areas (for Northgate Cyberzone Properties) and Metro Cebu (for Cebu Tower 1). Most of the Company's lease contracts provide fixed rental escalation rates of 4% to 10% per annum, which the Company believes is in line with industry standards.

Under the lease agreements, tenants generally have the right to renew the lease for an additional three or five years, subject to (i) notifying the Company in writing of such tenant's intention to renew the lease at least six months prior to the expiry of the lease, and (ii) the rental rates under the renewed contract being the prevailing rate for rent and escalation in office buildings in the vicinity of the Property that are comparable in size, location, age and quality, and taking into consideration space efficiency, the fitted handover condition of the leased

premises, the total area leased by the tenant, and any leasing concessions which are granted at such comparable buildings to tenants which are similar in size and credit standing with such tenant. If no renewal contract is signed within such six-month period, then the lease contract shall expire on the last day of such period.

The Company offers two types of leasing: (1) standard office spaces, and (ii) build-to-suit office spaces. Standard office spaces are standardized properties designed, developed and constructed by the Company with basic features and amenities to cater to the general needs of any BPO company. On the other hand, build-to-suit office spaces are properties designed in coordination with and with the cooperation of the prospective tenant. These spaces are custom-built and fit-out by the tenant in accordance with its specifications and operational requirements.

Leasable spaces are generally delivered in “bare shell” form by the Company to its tenants. Pursuant to the Company’s lease agreements, the Company’s tenants are also given a right to occupy the leased premises rent-free for a certain number of months prior to the commencement of the lease to fit-out the premises provided that the tenant has signed the contract of lease, paid all required deposits, advance rents and bonds, and obtained relevant occupancy and business permits, and that the building manager has issued a notice to proceed or its approval after reviewing the fit-out plans of the tenant.

All alterations, additions, or improvements made by or on behalf of the tenant shall become the property of the Company at the expiry of the termination of the lease, without further compensation to the tenant, except for alterations, additions or improvements which are movable or detachable without defacing, injuring or damaging the leased premises. However, the Company may also require tenants to restore the leased space to its original condition prior to the commencement of the lease.

In addition, the Company has the right to terminate leases upon the occurrence of certain events, such as non-payment of rent, insolvency of the tenant, breach of covenants by the tenant, failure of the tenant to pay, for at least two months, its share in the electricity, water, or other utility charges, when the principal stockholder(s) of the tenant shall have changed or ceased to own or control a majority of the shares or interest, and the new controlling principal stockholder(s) shall not be acceptable to the Company, or the Company shall be unwilling to continue the lease with the tenant, among others.

INSURANCE

The Company generally requires its tenants to obtain insurance coverage for such tenant’s improvements, furniture, equipment, supplies and all other properties within the leased premises against fire, lightning, flood and/or other perils and an adequate public liability insurance with an insurance company acceptable to the Company.

The Company has insurance for the Properties that the Fund Manager believes is consistent with industry practice in the Philippines and in such amounts and covering such risks as the Company believes are usually carried by companies engaged in similar businesses and using similar properties in the same geographical areas as those in which the Company operates. This includes risk of sudden, accidental and unforeseen, direct and physical loss, destruction of or damage to the property including but not limited to the following: comprehensive general liability; personal accident insurance for directors and officers; fire and lightning; windstorm, typhoon, flood, tidal wave and tsunami; water damage caused by overflowing or bursting of water tanks, pipes or other apparatus or sprinkler; explosion, falling aircraft, impact by road vehicles and smoke; earthquake shock and earthquake fire; volcanic eruption; subsidence, collapse and landslide; riot and strike, malicious acts; robbery and burglary; third-party bodily injury and property damage, and business interruption resulting from property damage. The Company also secured insurance cover for property losses resulting from sabotage and terrorism. There are no significant or unusual excess or deductible amounts required under such policies.

EMPLOYEES

The executive officers of the Company will be seconded from other companies in the Filinvest Group. The Company believes that the Company, the Property Manager, and the Fund Manager are in compliance with all minimum compensation and benefit standards, as well as applicable labor and employment regulations.

INTELLECTUAL PROPERTY

As of the date of this REIT Plan, the Company owns the following trademarks or intellectual property.

Trademark/ Intellectual Property	Registration No.	Date of application	Registration Date	Expiration Date
Cyberzone Properties, Inc.	04-2016-00008917	July 27, 2016	February 16, 2017	February 16, 2027

Further, on June 2, 2021, the Company filed applications for the trademarks set out below with the Intellectual Property Office of the Philippines (“IPOPIL”).

Trademark/ Intellectual Property	Application No.	Date of application
FILINVEST REIT CORP.	04/2021/00512912	June 2, 2021
FILINVEST REIT CORPORATION	04/2021/00512913	June 2, 2021
FILINVEST REIT	04/2021/00512916	June 2, 2021
FILREIT	04/2021/00512915	June 2, 2021
FILRT	04/2021/00512917	June 2, 2021

As of June 15, 2021, the trademark applications are pending approval by the IPOPIL.

The Company is also the owner of the following domain names: (i) cyberzoneproperties.com; (ii) cyberzoneproperties.com.ph; (iii) filinvestreit.com.ph; (iv) filreit.com; and (v) filreit.com.ph. Visitors accessing the above websites are re-directed to <https://www.filinvestreit.com>, where the Company’s website is currently hosted.

REGULATORY COMPLIANCE

The Property Manager is responsible for ensuring the Company’s continued compliance with applicable laws and regulations, including any changes or updates that may materially impact or adversely affect the Company’s operations and business. As of the date of the REIT Plan, the Company had obtained, or is in the process of renewing, all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities, which are necessary to conduct the Company’s business and operations. As of date of this REIT Plan, the Company has applied and paid the necessary fees for the issuance of material licenses, permits, and certifications. The Company is also awaiting issuance of certain permits from the appropriate government agencies in the ordinary course of renewal.

Renewal applications for all the expired licenses, permits and certifications have been filed by the Company with the concerned regulatory agencies. Should any licenses, permits and certifications be denied or will not be renewed, the Company and its tenants may be subject to payment of fines and surcharges imposed by each regulatory agency. The Company is not aware of any reason why renewal of the licenses, permits and certifications will be denied or will not be renewed. See “*Risk Factors—Risks Relating to the Company’s Business—The Company may fail to fulfill the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration*” in this REIT Plan.

The Company’s material licenses, permits, and certifications are as follows:

General Licenses, Permits, and Certifications of the Company				
Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Securities and Exchange Commission	Certificate of Incorporation	Cyberzone Properties, Inc.	Jan. 14, 2000	n/a
Bureau of Internal Revenue	Certificate of Registration-Muntinlupa	Cyberzone Properties, Inc.	Jan. 27, 2000	n/a
Bureau of Internal Revenue	Certificate of Registration-Cebu	Cyberzone Properties, Inc.	February 10, 2010	n/a
Bureau of Customs	Certificate of Registration	Cyberzone Properties, Inc.	Nov. 23, 2020	Nov. 25, 2021

Department of Labor and Employment	Registry of Establishment	Cyberzone Properties, Inc.	Mar. 29, 2016	n/a
Social Security System	Certificate of Registration	Cyberzone Properties, Inc.	Feb. 9, 2012	n/a
Home Development Mutual Fund	Certificate of Employer's Registration	Cyberzone Properties, Inc.	Apr. 11, 2013	n/a
Philippine Health Insurance Corporation	Employer's Data Record	Cyberzone Properties, Inc.	Feb. 15, 2012	n/a
National Privacy Commission	Certificate of Registration	Cyberzone Properties, Inc.	2019	Mar. 8, 2022 ³
City Government of Muntinlupa	Business Permit	Cyberzone Properties, Inc. – Northgate	Jan. 19, 2021	Dec. 31, 2021
City Government of Cebu	Business Permit – Official Receipt	Cyberzone Properties, Inc. – Filinvest	February 16, 2021	Dec. 31, 2021
City Government of Mandaluyong	Business Permit	Cyberzone Cebu Properties, Inc. – Filinvest EDSA	Feb. 18, 2021	Dec. 31, 2021
Barangay Alabang, Muntinlupa	Barangay Clearance	Cyberzone Properties, Inc. – Northgate	Jan. 12, 2021	Dec. 31, 2021
Bureau of Fire and Protection - Muntinlupa	Fire Safety Inspection Certificate	Cyberzone Properties, Inc. – Northgate	July 29, 2020	July 29, 2021
Philippine Economic Zone Authority	Incentives Certification	Cyberzone Properties, Inc.	Jan. 15, 2021	Dec. 31, 2021

Licenses, Permits, and Certifications relating to Axis Tower 1

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties, Inc.	October 20, 2014	n/a
Philippine Economic Zone Authority (PEZA)	Certificate of Occupancy	Cyberzone Properties, Inc.	March 6, 2018	n/a
Philippine Economic Zone Authority (PEZA)	Certificate of Annual Inspection**	Cyberzone Properties, Inc.	January 14, 2020	January 13, 2021
Philippine Economic Zone Authority (PEZA)	Mechanical Permit to Operate**	Cyberzone Properties, Inc.	January 14, 2020	January 14, 2021
Philippine Economic Zone Authority (PEZA)	Electrical Permit to Operate**	Cyberzone Properties, Inc.	January 14, 2020	January 14, 2021
Philippine Economic Zone Authority (PEZA)	Electronics Permit to Operate**	Cyberzone Properties, Inc.	January 14, 2020	January 14, 2021
Bureau of Fire Protection (BFP)	Fire Safety Inspection Certificate	Cyberzone Properties, Inc.	August 12, 2020	August 12, 2021
Department of Environment and Natural Resources (DENR)	Environmental Compliance Certificate	Filinvest Corporate City (FCC)	December 28, 1994	n/a
Department of Environment and Natural Resources (DENR)	Hazardous Waste Generator Registration	Ongoing Application	n/a	n/a
Department of Environment and Natural Resources (DENR)	PCO Accreditation	Cyberzone Properties, Inc.	July 30, 2018 certification	July 30, 2021
Department of Environment and Natural Resources (DENR)	Permit to Operate - Genset	Filinvest Development Corporation and Public Estate Authority	Waiting for Release of PTO	n/a

³ The National Privacy Commission has extended the validity of all existing certificates of registration issued in 2019 and 2020 to March 8, 2022.

Licenses, Permits, and Certifications relating to Axis Tower 1

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Energy Regulatory Commission (ERC)	Certificate of Contestability	Cyberzone Properties, Inc.	October 9, 2019	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties, Inc.	February 5, 2018	February 2023
Laguna Lake Development Authority (LLDA)	LLDA Clearance		April 14, 2015	n/a
Muntinlupa LGU	Business/Sanitary Permit	Cyberzone Properties, Inc.	January 19, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Filinvest One Building

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	January 11, 2012	n/a
	Occupancy Permit		June 24, 2013	n/a
	Certificate of Annual Inspection**		February 7, 2020	February 6, 2021
	Mechanical Permit to Operate**		February 7, 2020	February 6, 2021
	Electrical Permit to Operate**		February 7, 2020	February 6, 2021
Bureau of Fire Protection	Electronics Permit to Operate**		February 7, 2020	February 6, 2021
	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	December 13, 2018	December 13, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		March 5, 2019	January 31, 2024
	Hazardous Waste Generator Registration (DENR)		December 28, 1994	n/a
Laguna Lake Development Authority	Clearance (LLDA)	Cyberzone Properties Inc.	January 30, 2014	n/a
			July 16, 2012	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	October 10, 2018	October 9, 2023
	Certificate of Contestability (ERC)		April 23, 2015	n/a
Muntinlupa LGU	Business Permit	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
	Sanitary Permit* (OR)		January 19, 2021	December 31, 2021
Filinvest Alabang Inc.	Community Tax Certificate		January 12, 2021	December 31, 2021
	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Filinvest Two Building

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	November 22, 2012	n/a
	Occupancy Permit		September 11, 2015	n/a
	Certificate of Annual Inspection*		March 29, 2021	March 3, 2022
	Mechanical Permit to Operate*		March 29, 2021	March 2, 2022
	Electrical Permit to Operate*		March 30, 2021	March 2, 2022
Bureau of Fire Protection	Electronics Permit to Operate*		March 30, 2021	March 2, 2022
	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	December 1, 2020	December 3, 2021

Licenses, Permits, and Certifications relating to Filinvest Two Building

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	December 13, 2018	December 13, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		July 2, 2020 December 28, 1994	March 7, 2025 n/a
	Hazardous Waste Generator Registration (DENR)		Ongoing application	n/a
	Clearance (LLDA)		November 26, 2012	n/a
Laguna Lake Development Authority		Cyberzone Properties Inc		
Energy Regulatory Commission (ERC)	Certificate of Compliance**	Cyberzone Properties Inc.	Awaiting certificate	n/a
	Certificate of Contestability (ERC)		March 20, 2018	n/a
Muntinlupa LGU	Business Permit Sanitary Permit* (OR)	Cyberzone Properties Inc	January 19, 2021 January 19, 2021	December 31, 2021 December 31, 2021
Filinvest Alabang Inc.	Community Tax Certificate Certificate of Interconnection (STP)	Filinvest City / LLDA	January 12, 2021 February 24, 2021	December 31, 2021 February 24, 2022

Licenses, Permits, and Certifications relating to Filinvest Three Building

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	n/a	n/a
	Occupancy Permit		January 13, 2015	n/a
	Certificate of Annual Inspection*		March 29, 2021	March 3, 2022
	Mechanical Permit to Operate*		March 29, 2021	March 2, 2022
	Electrical Permit to Operate*		March 30, 2021	March 2, 2022
	Electronics Permit to Operate*		March 30, 2021	March 2, 2022
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	December 1, 2020	December 1, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	December 13, 2018	December 31, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		July 2, 2020 December 28, 1994	March 7, 2025 n/a
	Hazardous Waste Generator Registration (DENR)		Ongoing application	n/a
	Clearance (LLDA)		November 13, 2012	n/a
Laguna Lake Development Authority				
Energy Regulatory Commission (ERC)	Certificate of Compliance**	Cyberzone Properties Inc.	Awaiting certificate	n/a
Muntinlupa LGU	Business Permit Sanitary Permit* (OR)	Cyberzone Properties Inc.	January 19, 2021 January 19, 2021	December 31, 2021 December 31, 2021
Filinvest Alabang Inc.	Community Tax Certificate Certificate of Interconnection (STP)	Filinvest City / LLDA	January 12, 2021 February 24, 2021	December 31, 2021 February 24, 2022

Licenses, Permits, and Certifications relating to Vector One

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	December 8, 2010	n/a
	Occupancy Permit		May 2, 2011	n/a
	Certificate of Annual Inspection**		January 27, 2020	January 26, 2021
	Mechanical Permit to Operate**		January 27, 2020	January 26, 2021
	Electrical Permit to Operate**		January 27, 2020	January 26, 2021
	Electronics Permit to Operate**		January 27, 2020	January 26, 2021
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	March 28, 2019	March 28, 2022
	Permit To Operate - Genset Environmental Compliance Certificate (ECC)		December 15, 2017 December 28, 1994	March 15, 2021 n/a
	Hazardous Waste Generator Registration		December 1, 2014	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance*	Cyberzone Properties Inc.	March 2, 2016	March 1, 2021
Muntinlupa LGU	Business Permit	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
	Sanitary Permit* (OR)		January 19, 2021	December 31, 2021
	Community Tax Certificate		January 12, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Vector Two

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	December 8, 2010	n/a
	Occupancy Permit		Mar 27, 2012	n/a
	Certificate of Annual Inspection**		January 27, 2020	January 26, 2021
	Mechanical Permit to Operate**		January 27, 2020	January 26, 2021
	Electrical Permit to Operate**		January 27, 2020	January 26, 2021
	Electronics Permit to Operate**		January 27, 2020	January 26, 2021
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	March 28, 2019	March 28, 2022
	Permit To Operate - Genset Environmental Compliance Certificate (ECC)		April 25, 2016 December 28, 1994	March 18, 2021 n/a
	Hazardous Waste Generator Registration		December 1, 2014	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	October 10, 2018	October 9, 2023
Muntinlupa LGU	Business Permit	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
	Sanitary Permit* (OR)		January 19, 2021	December 31, 2021
	Community Tax Certificate		January 12, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Vector Two

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
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Licenses, Permits, and Certifications relating to Vector Three

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties, Inc.	July 21, 2014	n/a
	Electrical Permit to Operate		March 30, 2021	March 12, 2022
	Certificate of Annual Inspection		March 30, 2021	March 12, 2022
	Mechanical Permit to Operate		March 30, 2021	March 11, 2022
	Electrical Permit to Operate		March 30, 2021	March 11, 2022
	Certificate of Occupancy		January 19, 2021	n/a
Bureau of Fire Protection (BFP)	Fire Safety Inspection Certificate	Cyberzone Properties, Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Environmental Compliance Certificate	Filinvest Corporate City (FCC)	December 28, 1994	n/a.
	Hazardous Waste Generator Registration	Cyberzone Properties, Inc.	Ongoing Application	n/a
Department of Environment and Natural Resources (DENR)	PCO Accreditation	Cyberzone Properties, Inc.	July 30, 2018	July 30, 2021
Department of Environment and Natural Resources (DENR)	Permit to Operate - Genset	Filinvest Development Corporation and Public Estate Authority	Waiting for Release of PTO	n/a
Energy Regulatory Commission (ERC)	Certificate of Contestability	Cyberzone Properties, Inc.	August 2, 2019	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties, Inc.	Ongoing Application	
Laguna Lake Development Authority (LLDA)	LLDA Clearance	Filinvest Development Corporation	April 14, 2020	n/a
Muntinlupa LGU	Business/Sanitary Permit	Cyberzone Properties, Inc.	January 19, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Plaza A

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	April 20, 2006	n/a
	Occupancy Permit		October 8, 2007	n/a
	Certificate of Annual Inspection		April 8, 2021	March 1, 2022
	Mechanical Permit to Operate		March 29, 2021	February 28, 2022
	Electrical Permit to Operate		March 29, 2021	March 1, 2022
	Electronics Permit to Operate		March 29, 2021	February 28, 2022
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	October 25, 2018	October 25, 2021
	Permit To Operate - Genset		August 14, 2018	July 30, 2023
	Environmental Compliance Certificate		December 28, 1994	n/a
	Hazardous Waste Generator Registration		May 18, 2010	n/a
	Permit to Operate Air Pollution Source Installations		August 14, 2018	July 30, 2023

Licenses, Permits, and Certifications relating to Plaza A

<u>Issuing agency</u>	<u>Permit/License/Certification</u>	<u>Issued to</u>	<u>Date issued</u>	<u>Date of expiration</u>
Energy Regulatory Commission (ERC)	Certificate of Compliance Certificate of Contestability (ERC)	Cyberzone Properties Inc.	March 20, 2020 April 23, 2015	March 29, 2025 n/a
Muntinlupa LGU	Business Permit Sanitary Permit* (OR) Community Tax Certificate	Cyberzone Properties Inc.	January 19, 2021 January 19, 2021 January 12, 2021	December 31, 2021 December 31, 2021 December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Plaza B

<u>Issuing agency</u>	<u>Permit/License/Certification</u>	<u>Issued to</u>	<u>Date issued</u>	<u>Date of expiration</u>
Philippine Economic Zone Authority (PEZA)	Building Permit Occupancy Permit Certificate of Annual Inspection* Mechanical Permit to Operate* Electrical Permit to Operate* Electronics Permit to Operate*	Cyberzone Properties Inc.	June 9, 2000 March 15, 2001 September 12, 2019 September 12, 2019 September 12, 2019 September 12, 2019	n/a n/a February 8, 2020 February 8, 2020 February 8, 2020 February 8, 2020
Bureau of Fire Protection	Fire Safety Inspection Cert.*	Cyberzone Properties Inc.	August 6, 2019	August 6, 2020
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO) Permit To Operate - Genset* Environmental Compliance Certificate (DENR) Hazardous Waste Generator Registration (DENR)	Cyberzone Properties Inc.	October 25, 2018 March 30, 2015 December 28, 1994 May 18, 2010	October 25, 2021 March 6, 2020 n/a n/a
Laguna Lake Development Authority	Clearance (LLDA)	Cyberzone Properties Inc.	October 26, 2001	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance**	Cyberzone Properties Inc.	March 2, 2016	March 1, 2021
Muntinlupa LGU	Business Permit Sanitary Permit* (OR) Community Tax Certificate	Cyberzone Properties Inc.	January 19, 2021 January 19, 2021 January 12, 2021	December 31, 2021 December 31, 2021 December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Plaza C

<u>Issuing agency</u>	<u>Permit/License/Certification</u>	<u>Issued to</u>	<u>Date issued</u>	<u>Date of expiration</u>
Philippine Economic Zone Authority (PEZA)	Building Permit Occupancy Permit Certificate of Annual Inspection** Mechanical Permit to Operate** Electrical Permit to Operate** Electronics Permit to Operate**	Cyberzone Properties Inc.	June 9, 2000 March 15, 2001 February 14, 2020 February 14, 2020 February 14, 2020 February 14, 2020	n/a n/a February 13, 2021 February 13, 2021 February 13, 2021 February 13, 2021
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021

Licenses, Permits, and Certifications relating to Plaza C

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	October 25, 2018	October 25, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		December 10, 2019 December 28, 1994	March 30, 2024 n/a
	Hazardous Waste Generator Registration (DENR)		May 18, 2010	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	April 16, 2021	April 15, 2026
Muntinlupa LGU Filinvest Alabang Inc.	Business Permit Sanitary Permit* (OR)	Cyberzone Properties Inc.	January 19, 2021 January 19, 2021	December 31, 2021 December 31, 2021
	Community Tax Certificate Certificate of Interconnection (STP)	Filinvest City / LLDA	January 12, 2021 February 24, 2021	December 31, 2021 February 24, 2022

Licenses, Permits, and Certifications relating to Plaza D

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	April 6, 2006	n/a
	Occupancy Permit		June 25, 2007	n/a
	Certificate of Annual Inspection*		September 12, 2019	February 22, 2020
	Mechanical Permit to Operate*		September 12, 2019	February 22, 2020
	Electrical Permit to Operate*		September 12, 2019	February 22, 2020
Bureau of Fire Protection	Fire Safety Inspection Cert.*	Cyberzone Properties Inc.	August 6, 2019	August 6, 2020
	Electronics Permit to Operate*		September 12, 2019	February 22, 2020
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	October 25, 2018	October 25, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		April 12, 2017 December 28, 1994	March 16, 2022 n/a
	Hazardous Waste Generator Registration (DENR)		May 18, 2010	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	March 30, 2020	March 30, 2025
Muntinlupa LGU Filinvest Alabang Inc.	Business Permit Sanitary Permit*	Cyberzone Properties Inc.	January 19, 2021 January 16, 2019	December 31, 2021 December 31, 2019
	Community Tax Certificate Certificate of Interconnection (STP)	Filinvest City / LLDA	January 12, 2021 February 24, 2021	December 31, 2021 February 24, 2022

Licenses, Permits, and Certifications relating to Plaza E

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	June 26, 2012	n/a
	Occupancy Permit		February 6, 2014	n/a
	Certificate of Annual Inspection**		September 13, 2019	February 4, 2020
	Mechanical Permit to Operate**		September 13, 2019	February 4, 2020
	Electrical Permit to Operate**		September 13, 2019	February 4, 2020
Bureau of Fire Protection	Electronics Permit to Operate**		September 13, 2019	February 4, 2020
	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	October 25, 2018	October 25, 2021
	Permit To Operate - Genset		June 4, 2019	March 31, 2024

Licenses, Permits, and Certifications relating to Plaza E

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
	Environmental Compliance Certificate (DENR)		December 28, 1994	n/a
	Hazardous Waste Generator Registration		June 6, 2014	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	October 10, 2018	October 9, 2023
Muntinlupa LGU	Business Permit		January 19, 2021	December 31, 2021
Filinvest Alabang Inc.	Sanitary Permit* (OR)	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
	Community Tax Certificate		January 12, 2021	December 31, 2021
	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to iHub1

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	September 3, 2007	n/a
	Occupancy Permit		June 5, 2008	n/a
	Certificate of Annual Inspection**		September 12, 2019	September 12, 2020
	Mechanical Permit to Operate**		-	-
	Electrical Permit to Operate**		September 12, 2019	September 12, 2020
	Electronics Permit to Operate**		September 12, 2019	September 12, 2020
Bureau of Fire Protection	Fire Safety Inspection Cert.*	Cyberzone Properties Inc.	August 6, 2019	August 6, 2020
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	March 28, 2019	March 28, 2022
	Permit To Operate - Genset		December 12, 2019	March 30, 2024
	Environmental Compliance Certificate (ECC)		December 28, 1994	n/a
	Hazardous Waste Generator Registration		May 20, 2010	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	March 30, 2020	March 29, 2025
Muntinlupa LGU	Business Permit	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
	Sanitary Permit* (OR)		January 19, 2021	December 31, 2021
	Community Tax Certificate		January 12, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to iHub2

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit	Cyberzone Properties Inc.	September 3, 2007	n/a
	Occupancy Permit		August 27, 2009	n/a
	Certificate of Annual Inspection**		September 12, 2019	February 15, 2020
	Mechanical Permit to Operate**		-	-
	Electrical Permit to Operate**		September 12, 2019	February 15, 2020
	Electronics Permit to Operate**		September 12, 2019	February 15, 2020
Bureau of Fire Protection	Fire Safety Inspection Cert.*	Cyberzone Properties Inc.	August 6, 2019	August 6, 2020

Licenses, Permits, and Certifications relating to iHub2

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	March 28, 2019	March 28, 2022
	Permit To Operate - Genset Environmental Compliance Certificate (ECC)		December 10, 2019 December 28, 1994	March 30, 2024 n/a
	Hazardous Waste Generator Registration		May 18, 2010	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	March 30, 2020	March 29, 2025
Muntinlupa LGU	Business Permit Sanitary Permit* (OR) Community Tax Certificate	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
			January 19, 2021	December 31, 2021
			January 12, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to 5132 Building

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit Occupancy Permit Certificate of Annual Inspection** Mechanical Permit to Operate** Electrical Permit to Operate** Electronics Permit to Operate**	Cyberzone Properties Inc.	November 9, 2006	n/a
			November 29, 2007	n/a
			September 12, 2019	September 12, 2020
			September 12, 2019	September 12, 2020
			September 12, 2019	September 12, 2020
			September 12, 2019	September 12, 2020
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	August 3, 2020	August 3, 2021
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO) Permit To Operate - Genset Environmental Compliance Certificate (ECC) Hazardous Waste Generator Registration	Cyberzone Properties Inc.	March 28, 2019	March 28, 2022
			April 12, 2017 December 28, 1994	March 19, 2022 n/a
			May 18, 2010	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	March 30, 2020	March 29, 2025
Muntinlupa LGU	Business Permit Sanitary Permit* (OR) Community Tax Certificate	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
			January 19, 2021	December 31, 2021
			January 12, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Capital One

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Philippine Economic Zone Authority (PEZA)	Building Permit Occupancy Permit (GF and 5F) Occupancy Permit (2F) Occupancy Permit (3F) Occupancy Permit (4F)	Cyberzone Properties Inc.	February 12, 2001	n/a
			No date	n/a
			December 7, 2017	n/a
			No date	n/a
			February 20, 2018	n/a
Bureau of Fire Protection	Fire Safety Inspection Cert.	Cyberzone Properties Inc.	October 12, 2020	October 12, 2021

Licenses, Permits, and Certifications relating to Capital One

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources (DENR)	Certificate of Accreditation (PCO)	Cyberzone Properties Inc.	October 25, 2018	October 25, 2021
	Permit To Operate - Genset Environmental Compliance Certificate (DENR)		December 10, 2019 December 28, 1994	March 7, 2024 n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance	Cyberzone Properties Inc.	February 27, 2018	February 26, 2023
Muntinlupa LGU	Business Permit Sanitary Permit* (OR) Community Tax Certificate	Cyberzone Properties Inc.	January 19, 2021	December 31, 2021
			January 19, 2021	December 31, 2021
Filinvest Alabang Inc.	Certificate of Interconnection (STP)	Filinvest City / LLDA	January 12, 2021	December 31, 2021
			February 24, 2021	February 24, 2022

Licenses, Permits, and Certifications relating to Cebu Tower 1

Issuing agency	Permit/License/Certification	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources (DENR)	Permit to Operate - Genset	Filinvest Cyberzone Cebu	January 3, 2020	October 16, 2023
Department of Environment and Natural Resources (DENR)	Environmental Compliance Certificate	Filinvest Cyberzone Cebu	August 27, 2013	n/a
Department of Environment and Natural Resources (DENR)	Hazardous Waste Generator Registration	Filinvest Cyberzone Cebu	August 27, 2015	n/a
Energy Regulatory Commission (ERC)	Certificate of Compliance*	Cyberzone Properties, Inc.	September 2, 2015	September 1, 2020
Energy Regulatory Commission (ERC)	Certificate of Contestability	Cyberzone Properties, Inc.	March 27, 2019	n/a
Cebu LGU	Business Permit Official Receipt Business Permit	Filinvest Cyberzone Cebu	February 16, 2021	December 31, 2021
			September 15, 2020	December 31, 2021
Department of Public Works, Transportation	Occupancy Permit	Filinvest Cyberzone Cebu	June 11, 2015	n/a

Note:

*Ongoing renewal

** fees paid, awaiting release of permits and certificates

LEGAL PROCEEDINGS

As of the date of this REIT Plan, to the best of the Company's knowledge and belief and after due inquiry, none of the Company, the Fund Manager, or the Property Manager is currently involved in any material litigation claims or arbitration, either as plaintiff or defendant, which could be expected to have a material and adverse effect on the Company's financial position.

In addition except as disclosed below, to the best of either the Company's or the Fund Manager's knowledge and belief and after due inquiry, none of the directors, nominees for election as director, or executive officers of the Company, the Fund Manager, or the Property Manager have in the five year period prior to the date of this REIT Plan been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; nor have they been subjected 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 their involvement in any type of business, securities, commodities or

banking activities, or from acting as a director, officer, employee, consultant, or agent occupying any fiduciary position.

To the best of either the Company's or the Fund Manager's knowledge and belief and after due inquiry, none of the directors, nominees for election as director or executive officers of the Company, the Fund Manager, or the Property Manager have been convicted by final judgment of any violation of the REIT Act, the Corporation Code, the General Banking Law, the Insurance Code, the Securities Regulation Code, or any other related laws and any rules or regulations, or orders thereunder; nor have they been found insolvent or incapacitated to contract. Similarly, to the best of either the Company's or the Fund Manager's knowledge and belief and after due inquiry, none of the Company's Properties are the subject of any pending material litigation, claims or arbitration, which could be expected to have a material and adverse effect on the Company's financial position.

MPMII Complaint

On February 24, 2016, a complaint for syndicated estafa was filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, in their capacity as such, including Lourdes Josephine Gotianun – Yap and Val Antonio B. Suarez. The allegations in the complaint related to the ownership and sale by FLI of portions of one of its projects – The Glens at Parkspring Phases 2, 3 and 4 located at San Pedro, Laguna. Complainant claims to be the owner of such portions. The respondents were sued in their capacities as majority stockholders/members of the Board of Directors of FLI.

The complaint was dismissed by the Office of the City Prosecutor of Dasmariñas, Cavite on November 16, 2016, and MPMII has filed for a petition for review with the Philippine Secretary of Justice on February 21, 2017, which is pending as of the date of this REIT Plan.

INDUSTRY

Certain industry information in this REIT Plan has been extracted or quoted from the commissioned industry report prepared by JLL attached to this REIT Plan as Annex 3, and such information reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and was prepared primarily as a material research tool. References to JLL should not be considered as the opinion of JLL as to the value of any security or the advisability of investing in the Company.

The information prepared by JLL in the attached commissioned industry report and elsewhere in this REIT Plan has not been independently verified by the Company, the Sponsor, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters, and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

The commissioned industry report includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. Investors should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance. Unless otherwise indicated, certain forward-looking statements contained herein were made prior to the outbreak of the COVID-19 pandemic and have not been updated to account for the impact of such outbreak. There can be no assurance that such forward-looking statements would not have been materially different if the COVID-19 pandemic had been taken into account.

THE SPONSOR

Overview of the Sponsor

The Company's sponsor, Filinvest Land Inc., is a corporation organized under the laws of the Philippines (the "Sponsor" or "FLI").

FLI is a public corporation that was incorporated on November 24, 1989. FLI began commercial operations in August 1993 after its parent company, Filinvest Development Corporation ("FDC"), spun off most of its real estate operations and transferred all related assets and liabilities to FLI. FLI's shares were listed on the PSE on October 25, 1993. As of March 31, 2021, 64.92% of FLI's common shares were held by FDC, and 35.08% were held publicly.

FLI is one of the Philippines' leading real estate developers. Together with its predecessors, FLI has over 50 years of real estate expertise, having developed over 2,500 hectares of land and providing home/home sites for over 200,000 families through the years. The Filinvest Group has an established brand name and reputation in real estate, combining sales of lots and other residential developments with a growing commercial and mall leasing portfolio. FLI was a pioneer in focusing on the incentive-laden BPO industry. FLI has also accumulated a considerable land bank in strategic locations, comprising some of the largest contiguous areas of developable land in the country, laying a foundation for continued growth.

In its early days in the 1990s when most developers were still focused on the higher end of the market, FLI entered the affordable housing space, allowing it to benefit from the growth of OFW remittances and a housing supply shortage. FLI primarily targets the affordable and middle-income residential markets, which FLI believes are the largest addressable markets in residential development in the Philippines. According to the Philippine Statistics Authority and Housing and Land Use Regulatory Board, there is an expected housing backlog across the affordable and middle-income segments of about 3.2 million by 2030. FLI believes it is well-positioned to take advantage of the housing backlog through its varied product offerings and geographic presence. FLI has residential developments in 53 cities and towns in 19 provinces in the Philippines and is one of the largest mid-rise building ("MRB") developers in the country today.

FLI was one of the pioneers in providing projects and office space catering to the BPO industry, which started in 2000 and quickly became a key driver for the Philippines' strong economic growth. As a result of this early entry into the BPO space and the reputation it has built, FLI has more than doubled its aggregate office GLA from 175,565 sq.m. in 2012 to 524,188 sq.m. in 2020. Its existing portfolio of 31 office buildings are mainly located in business parks or in mixed-used complexes highly accessible to public transport. FLI believes its business park model, wherein it builds on areas specifically suited for business and industrial establishments supported, in certain cases, by incentives from the government, makes it a preferred site of major BPO tenants. FLI's buildings are located primarily in Northgate Cyberzone in Filinvest City, Alabang, Muntinlupa, an 18.7-hectare PEZA-registered information technology park that enjoys developer incentives. This is also the site of its DCS, the largest district cooling system plant in the country. Other office developments are in Bay City, Pasay, EDSA near Ortigas MRT station, Clark Mimosas and Cebu IT Park. Meanwhile, among FLI's standalone projects is the 52-storey Grade A, PEZA-registered PBCOM Tower along Ayala Avenue in the Makati CBD, which is the tallest building in the country.

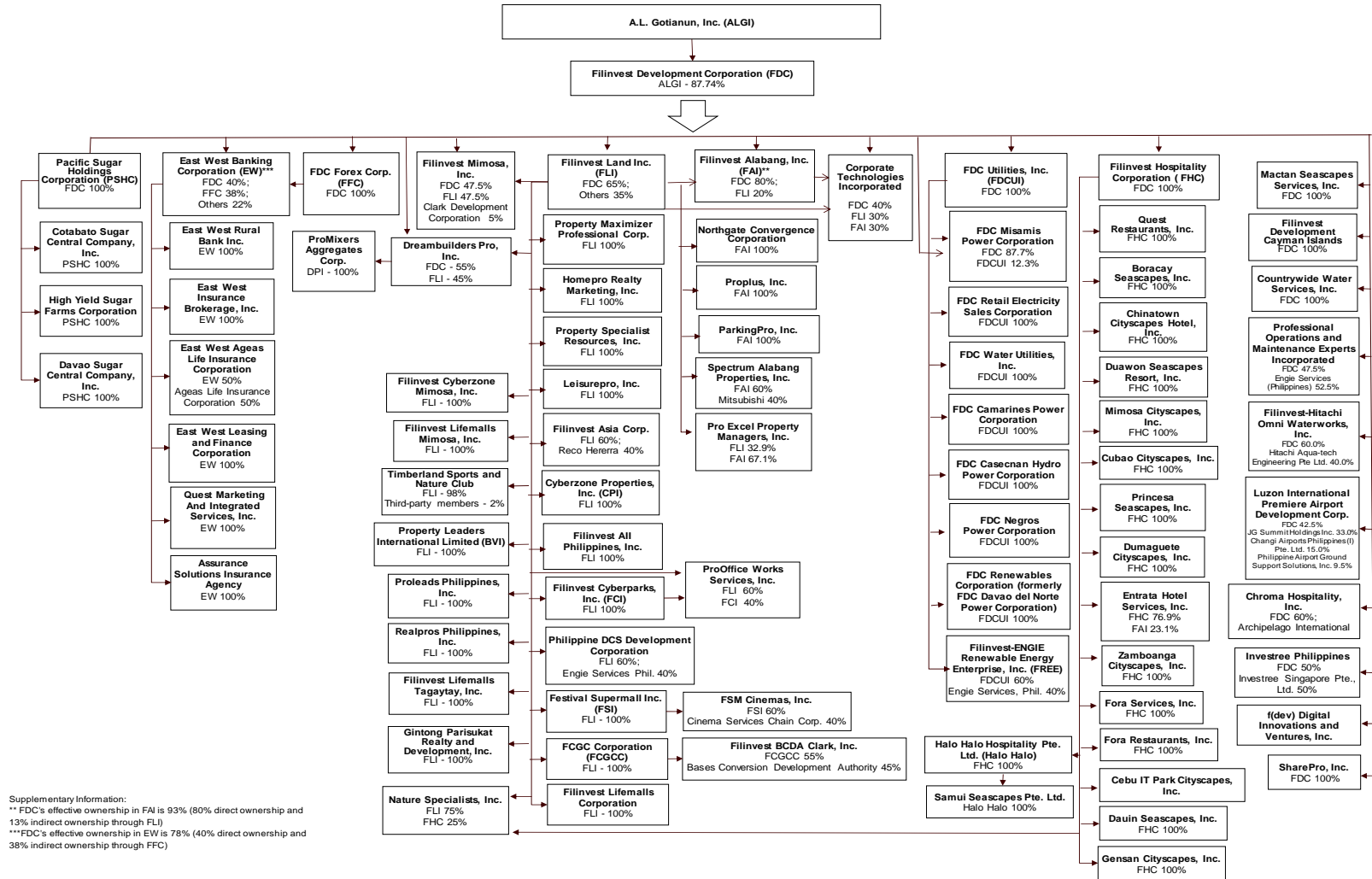
FLI's retail development is carried by its Filinvest Lifemalls brand. Filinvest Lifemalls are entertainment and lifestyle-oriented malls that complement the Filinvest Group's CBD and township developments. As of March 31, 2021, FLI had 256,830 sq.m. of GLA from retail developments, the flagship of which is the Festival Supermall located within the Filinvest City development in Alabang, Muntinlupa. Festival Supermall has approximately 1,500 local and global tenants.

FLI intends to continue building up its investment portfolio in office and retail which are among the key drivers of the Philippine economy. FLI also intends to expand its investment portfolio to include logistic warehouses and co-working/living products that could benefit from the acceleration of e-commerce and new office trends, respectively. FLI aims to take advantage of its strategically located land bank located in key regional centers across the Philippines, which will allow it to accelerate the growth of its recurring income portfolio in line with market demand. As of March 31, 2021, FLI had an aggregate land bank of 1,851.1 hectares of raw land, primarily for residential development, which includes 489.6 hectares of land held under joint venture agreements. FLI believes that this land bank is sufficient to sustain at least five years of residential development and sales as well

as commercial, office and retail leasing projects. Its existing landholdings in its three major hubs of Alabang, Clark and Cebu will be able to support the development of up to 5.3 million sq.m. of GLA.

In 2020, FLI was recognized as among the top 10 developers by BCI Asia Awards. In 2019, it was recognized as “Most Innovative Mixed-use Developer” by the *International Finance Awards*, and the “Best Real Estate Development Company” for Residential and “Most Innovative Real Estate Company” by *Global Business Outlook*.

As of March 31, 2021, the Filinvest Group's and the Sponsor's group structure is as follows:



Track Record of the Sponsor

Since its inception in 1989, the Sponsor and its Subsidiaries have established a strong presence and track record in its core business market of the Philippines. Some of the notable milestones of the Sponsor and its Subsidiaries include:

- 1989 Incorporation of the Sponsor (which was formerly named Citation Homes, Inc.).
- 1993 The Sponsor commences commercial operations and changes its name to Filinvest Land, Inc.

 The Sponsor's shares are listed on the Philippine Stock Exchange.
- 1997 Filinvest Asia Corporation ("**FAC**") was incorporated. FAC owns 50% of the 52-storey PBCom Tower, an information technology building registered with PEZA.
- 2000 to The Company was incorporated in 2000, and began commercial operations in 2001.
2001
- 2014 Filinvest Cyberparks Inc. ("**FCI**") was incorporated and started commercial operations in 2014. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds. It currently operates four office buildings in the Manila Bay area.
- 2015 The Sponsor and Engie Services Philippines entered into a joint venture agreement to establish Philippine DCS Development Corporation to build and operate a district cooling system within existing and future buildings at Northgate Cyberzone.
- 2017 to Filinvest Cyberzone Mimosa, Inc. ("**FCMI**") was incorporated in 2017 and started commercial
2018 operations in 2018. FCMI started the construction of its first BPO Office, Filinvest Cyberzone Mimosa Building 1 in 2017.
- 2019 ProOffice Work Services, Inc. ("**ProOffice**") was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects.

 Recognized as "Most Innovative Mixed-use Developer" by the *International Finance Awards*, and the "Best Real Estate Development Company" for Residential and "Most Innovative Real Estate Company" by *Global Business Outlook*.
- 2020 Recognized as among the top 10 developers by BCI Asia Awards.

THE FUND MANAGER AND THE PROPERTY MANAGER

The Fund Manager of the Company

The fund manager, FREIT Fund Managers, Inc., is a corporation organized under the laws of the Philippines (the “**Fund Manager**”). The Fund Manager was incorporated on April 13, 2021, and has its registered office at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa. The Fund Manager is a wholly owned Subsidiary of the Sponsor.

Save as is disclosed in this REIT Plan, the Fund Manager is not engaged in any property fund business in the Philippines.

The Fund Manager has general power of management over the assets of the Company, pursuant to the Fund Management Agreement, a five-year, renewable agreement defining the relationship between the Company and the Fund Manager. See the section entitled “*Certain Agreements Relating to the Company and the Properties – Fund Management Agreement*” in this REIT Plan. Pursuant to the Fund Management Agreement, the Fund Manager’s main responsibility is to manage the Company’s assets and liabilities for the benefit of the Company’s Shareholders. The Fund Manager will manage the assets of the Company with a focus on generating Rental Revenues and, if appropriate, increasing the Company’s assets over time so as to enhance the returns from the investments of the Company and, ultimately, the distributions to the Company’s Shareholders. For a more detailed discussion on the Company’s strategy, see the section entitled “*Business and Properties – Business Strategies*” in this REIT Plan.

The Fund Manager shall, pursuant to the provisions of the REIT Law and the Fund Management Agreement, perform the following general functions:

- implement the investment strategies of the Company by:
 - determining the allocation of the Company’s assets to the allowable investment outlets in accordance with this REIT Plan and the investment strategies of the Company; and
 - selecting income-generating real estate in accordance with the investment strategies of the Company;

For this purpose, however, notwithstanding the written instructions of the Company, it shall be the fiduciary responsibility of the Fund Manager to objectively evaluate the desired investments, and formally advise the Company of its recommendation, even if contrary to the Company’s instructions;

- oversee and coordinate property acquisition, leasing, operational and financial reporting (including operating budgets), appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans;
- cause a valuation of any of the real estate and other properties of the Company to be carried out by the Company’s appointed property valuer once a year and whenever the Fund Manager believes that such valuation is appropriate;
- take all necessary measures to ensure:
 - that the Net Asset Value per Share of the Company is calculated as and when an annual valuation report is issued by the Company’s appointed property valuer for the relevant period, and that such Net Asset Value per share is disclosed in the annual reports;
 - that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the REIT was authorized are complied with;
 - that all transactions carried out by or on behalf of the Company are conducted at arm’s length;
 - that at all times the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement

agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid, and binding and enforceable by or on behalf of the Company;

- that the Property Manager obtains adequate property insurance for the real properties of the Company from insurance companies approved by the Fund Manager;
- take custody of all relevant documents supporting the insurance taken on real properties of the Company. the real properties shall be insured for their full replacement value, including loss of rental, where appropriate, and general liabilities on real properties and operations of the Company;
- provide research and analysis on valuation and market movements of the Company's assets, including the monitoring of the real estate market for desirable opportunities and recommend, from time to time, to the Board, the formulation of new, additional, or revised investment policies and strategies;
- recommend the appropriate capital structure for the Company;
- manage assets and liabilities, including investment of corporate funds in money market placements and arrangement of debt for the Company;
- negotiate and finalize loan documents on behalf of the Company and determine debt drawdowns;
- recommend to the Board when to make capital calls and, where appropriate, enforce or cause the enforcement of remedies for failure of Shareholders to deliver capital contributions;
- open, maintain, and close accounts, including custodial accounts with banks, and subject to applicable Philippine law, including banks located outside the Philippines, and draw checks or other orders for the payment of monies;
- submit periodic reports ensuring that: (i) the three-year investment strategy prepared by the Company is submitted to the Philippine SEC and the PSE; and (ii) quarterly written report on the performance of the Company's fund and properties and of the appropriate benchmarks are submitted to the Company, the Philippine SEC and the PSE within 45 days after the end of each quarter;
- negotiate for and implementing the purchase of assets to be held by the Company for investment;
- perform legal review, documentation, structuring, and due diligence on assets to be acquired;
- where necessary in the reasonable determination of the Fund Manager, retain persons, firms or entities to provide certain management and administrative services, including tax, corporate secretarial, and accounting services;
- pursue various exit options and make necessary strategic recommendations to the Company;
- accredit insurance companies for purposes of providing a list of approved insurance companies to the Property Manager for the real properties of the Company;
- fully, properly, and clearly record and document all procedures and processes followed, and decisions made in relation to whether or not to invest in a particular property;
- establish and understand the investment objectives, instructions, risk profile, and investment restrictions of the Company prior to making any investment recommendations or carrying out any transactions for or on behalf of the Company;
- do any and all acts on behalf of the Company as it may deem necessary of advisable in connection with the management and administration of the Company's assets, including without limitation, the voting of assets, participation in arrangements with creditors, the institution and settlement of compromise of suits and administrative proceedings and other like or similar matters, and to perform all acts and enter into

and perform all contracts and other undertakings that it may deem necessary or advisable or incidental thereto; and

- perform all such functions necessary and incidental to asset management.

In summary, the Fund Manager will set the strategic direction of the Company and make recommendations to the Board on the acquisition, divestment, or enhancement of assets of the Company in accordance with its investment strategy as stated in this REIT Plan. The research required for these purposes will be coordinated and carried out by the Fund Manager.

In the absence of bad faith, fraud, willful misconduct or gross negligence of the Fund Manager, it shall not incur liability by reason of any act or omission under the Fund Management Agreement.

Fund Management Fee

Fund Management Fee

Under the Fund Management Agreement, the Fund Manager will receive equivalent to one tenth of 1% (0.1%) of the Deposited Property Value plus 2.5% of the EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease expenses, including the interest on lease liabilities, exclusive of value-added taxes (the “**Management Fee**”).

The Fund Manager shall likewise be entitled to (i) an acquisition fee of 1.0% of the acquisition price of every acquisition made, exclusive of value-added taxes, and (ii) a divestment fee of 0.5% of the sales price for every property divested by it on behalf of the Company, exclusive of value-added taxes. The total amount of the Management Fee, acquisition fee, and divestment fee, paid to the Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, acquisition fee, and divestment fee shall be collectively referred to as “**Fund Management Fee**”).

The Fund Management Fee is structured to align the interests of the Fund Manager and the Shareholders. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company’s assets reflecting the fair market value of the total assets held by the Company and managed by the Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = (0.1% of Deposited Property Value)

- + (2.5% x EBITDA before deduction of fees payable to the Fund Manager and Property Manager, but after deducting lease related expenses, including the interest expense on lease liabilities)*
- + (1.0% x acquisition price, for every acquisition, if applicable)*
- + (0.5% x sales price for every property divested, if applicable)*

Termination of the Fund Management Agreement

Either the Company or the Fund Manager, as the case may be, may terminate the Fund Management Agreement on the following grounds:

1. a material breach, default, or failure of either party to comply with its obligations and undertakings under Fund Management Agreement;
2. the cessation of the corporate existence of the Fund Manager or the Company or a change in the principal stockholders of the Fund Manager or the Company;
3. the failure of the Fund Manager to obtain or maintain any license required by applicable Philippine law for its appointment as Fund Manager and the performance of services;
4. the insolvency of either party, or suspension of payment of its debts, or the commission by either party of any act of bankruptcy under applicable Philippine law; and

5. the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under Fund Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain unremedied.

Conflict of Interest

If the Fund Manager has a material interest in a transaction with or for the Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to the Company and has taken all reasonable steps to ensure fair treatment of the Company.

The Fund Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including the Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, the Fund Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of the Company. It shall fully disclose such policies to the Company.

The Fund Manager has adopted its "Policy and Procedure on Confidentiality" to protect the integrity and confidentiality of the information relating to the funds and properties of the Company. It has also adopted its "Related Party Transactions Policy" which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the Philippine SEC on material related party transactions.

Directors and Executive Officers of the Fund Manager

The Fund Manager's board of directors is entrusted with the responsibility for the overall management of the Fund Manager, while the Fund Manager's executive officers are responsible for implementation. The current position, role, and business and working experience of each of the directors and executive officers of the Fund Manager is set out below:

Name	Age	Nationality	Position
Tristaneil D. Las Marias	45	Philippines	Chairman of the Board
Daniel L. Ang Tan Chai	62	Philippines	President and Chief Executive Officer
Ramon L. Lim	69	Philippines	Independent Director
Roy J. M. Rafols	65	Philippines	Independent Director
William M. Valtos, Jr.	59	Philippines	Independent Director
Danilo Calilap	60	Philippines	Treasurer and Chief Finance Officer
Sharon Pagaling-Refuerzo	41	Philippines	Corporate Secretary
Michael Mamalateo	47	Philippines	Senior AVP - Business Development Head

None of the directors of the Fund Manager have any financial interest in the Properties of the Company. Michael Mamalateo, Senior AVP – Business Development Head will be initially employed as a full time officer to supervise the business of the Fund Manager. In addition to Mr. Mamalateo, Michelle C. Ogaro, who was a project development specialist of Cyberzone Properties Inc. from June 2016 to August 2020 and a member of the accounting staff of Five Oaks Land Corporation from July 2013 to April 2016 has been hired as a full time employee of the Fund Manager.

The following individuals have interlocking officer positions in the Company, the Fund Manger and the Property Manager: (a) Sharon P. Pagaling-Refuerzo is the Corporate Secretary of the Company, the Fund Manager and the Property Manager; and (b) Tristaniel D. Las Marias is a director of the Company and the Fund Manager.

Information on the business and working experience of the Fund Manager’s directors and executive officers and certain full time employees is set out below:

Tristaniel D. Las Marias, 45, Filipino, has been the Chairman of the Board of the Fund Manager since April 20, 2021. He is also the Executive Vice President and Chief Strategy Officer of FLI, President of Property Specialist Resources, Inc., and director of the Company.

Mr. Las Marias began his 25-year career in the real estate business as Project Officer of Landco Pacific Corporation. He then became Assistant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation. In 1997, he joined FLI as Head of Regional Projects, then he became Senior Vice President and Cluster Head for Visayas and Mindanao projects, and now, he serves as Executive Vice President and Chief Strategy Officer of FLI.

Mr. Las Marias obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University.

Daniel L. Ang Tan Chai, 62, Filipino, has been the President and Chief Executive Officer of the Fund Manager since April 20, 2021. He is also a Senior Vice President and the Deputy Chief Financial Officer of FDC, Chief Financial Officer of FDC Utilities, Inc. (“**FDCUI**”) and Countrywide Water Services, Inc.

Mr. Ang Tan Chai’s career spans over 30 years in corporate finance. Prior to joining FDC in 2015, he was the Executive Vice President and Chief Finance Officer of Philippine Bank of Communications. He also served as Senior Vice President and Chief Finance Officer for Philippine Airlines, Air Philippines Express, First Vice President and Chief Finance Officer of Metrobank Card Corporation, and Financial Control, Global Consumer Bank of Citibank, N.A. – Philippines.

Mr. Ang Tan Chai holds a Bachelor of Science degree, major in Industrial Engineering from the University of the Philippines, and a Master’s degree in Business Administration from the same university.

Ramon L. Lim, 69, Filipino, has been an independent director of the Fund Manager since April 20, 2021.

Mr. Lim has over 40 years of experience in the global financing and banking markets and jurisdictions. He gained his exposure in different areas of banking in Asia and the United States, mostly in treasury, trust, audit, and senior management levels at Citibank, Union Bank of the Philippines, the Philippine National Bank, and the Philippine Bank of Communications.

His stint in Citibank earned him the two-year business masteral degree at the Asian Institute of Management (AIM) as its full scholar graduating in 1980 and his initial exposure in treasury business at Citibank Manila Treasury. It was also in Citibank that he got his first overseas professional exposure as a Foreign Currency Trader at Citibank New York Treasury, then in Taiwan and leaving Citibank in its Hong Kong Fund Management Corp.

Upon his return to the Philippines in 1997, he gained the exposure in the trust business during his employment at the Union Bank of the Philippines. His move to the Philippine National Bank in 2002 has given him the privilege to supervise the global remittance and overseas branch banking operations in its Europe, Middle East, Asia and the United States businesses. He was later tasked to manage its Treasury Group in 2007; then as Chief of Staff of the PNB President in 2010 and concurrently manage the stock brokerage subsidiary, PNB Securities, Inc., as its President.

His latest banking years were at the Philippine Bank of Communications (PBCOM) as its consultant in Treasury business and later taking the lead in its pilot project in micro lending business, and overseeing its thrift bank, PBCOM Rural Bank (formerly, Banco Dipolog, Inc.) as Chairman from August 2017 to July 2019.

He is currently an advocate of transparency and best ethical practices in business and is also involved in the promotion of marginalized sector of the Philippine society. He was invited as an adjunct professor at AIM in 2013 and taught finance-related subjects in its special non-degree programs.

He is a fellow of the Institute of Corporate Governance, member of the Board of Trustees of the Philippine National Police (PNP) Foundation, Inv., and member of the Board of Trustees of the Philippine Tuberculosis Society.

Mr. Lim is a Certified Public Accountant who graduated from the University of San Carlos with a Bachelor of Science degree in Commerce, Major in Accountancy. He proceeded to take his Master in Business Management at the Asian Institute of Management.

Roy J. M. Rafols, 65, Filipino, has been an Independent Director of the Fund Manager since April 20, 2021. He has been a lawyer since 1985 and has served as part of management, director or adviser to several corporations. He has held various academic positions at several Philippine educational institutions.

Mr. Rafols has served as independent director of PNB Securities, Inc. since 2016.

While associated with the law firms Crowell & Moring (Washington, DC) and Romulo Mabanta Buenaventura Sayoc and De los Angeles from 1986 to 1994, he focused on government contracts law, environmental law and general corporate and commercial law, with emphases on foreign investments, project finance, corporate acquisitions and reorganizations, financial transactions and securities law.

As in-house counsel, he served as the General Counsel of the local subsidiary of a foreign bank from 1995 to 1996, and General Counsel and Chief Compliance Officer of the local subsidiary of a foreign life insurance company based in Hong Kong from 2010 to 2011.

He also served, among others, as the President and Chief Operating Officer (COO) of a local investment house from 2001 to 2003, COO of the Government Service Insurance System from 2005 to 2006 and COO of The Philippine Stock Exchange, Inc. from 2007 to 2009.

He has also been active in the academe having lectured as an adjunct professor of law at the Ateneo Law School since 1994, the joint JD/MBA program of FEU Institute of Law and the De La Salle University Graduate School of Business, and the College of Law of the De La Salle University from 2004 to 2005, 2007 to 2009 and in 2016. He has also served as Dean of the School of Law of the Palawan State University from 2001 to 2003.

Atty. Rafols is a graduate of the De La Salle University with a Bachelor of Science Degree in Commerce (Management of Financial Institutions), a Bachelor of Laws degree from the Ateneo Law School and a Master of Laws degree from Georgetown University Law Center in Washington, DC.

William M. Valtos, Jr., 59, Filipino, has been an Independent Director of the Fund Manager since April 20, 2021.

He is currently connected with Tao Corporation as Director and Managing Director. He is also an Independent Director of Investree Philippines and Director of Philweb Corporation.

Mr. Valtos was formerly connected with Investment & Capital Corporation of the Philippines (“ICCP”) from 1996 to 2020. He joined the ICCP Group in October 1996 as Executive Vice President and served as Group President for Financial Services for the ICCP Group from October 2009 to September 2019 which covers a number of various senior executive roles. He oversaw the investment banking, venture capital, and asset management business units of the ICCP Group, spanning 17 companies in the Philippines, Singapore, and the United States. He has over 32 years of experience in successfully managing a variety of organizations, building/enhancing corporate cultures, developing strategic plans for in-house sister companies and external clients, advising closely held family groups on strategic and sensitive matters, developing and managing joint venture partnerships with foreign strategic partners (especially with Japanese corporates and Silicon Valley strategic groups), financing growth companies, asset sales, and handling complex deal structuring across multiple jurisdictions. He was a member of the firm’s Deal Committee and Board of Directors.

Mr. Valtos was a member of the Board of Directors of the financial services companies in the ICCP Group and several external companies, including ICCP SBI Venture Partners Hong Kong (minority owned by SBI Group of Japan), Rustans Supercenter Inc. (majority owned by the Dairy Farm Group of Hong Kong), Fiducia Asset Management Pte. Ltd. (regulated by the Monetary Authority of Singapore), PhilWeb Corporation (PSE:WEB), and served as Non-Executive Chairman of the Board of DirectWithHotels Ltd. (a co-investment with NTT Finance of Japan). Mr. Valtos was approved by the Monetary Authority of Singapore as a non-Resident Director of a fund management and asset management company from 2010-2017.

Prior to joining the ICCP Group, Mr. Valtos was Managing Director of Strategic Asset Management, Inc., a Chicago-based private direct investment firm managing over US\$600 million in assets.

Mr. Valtos holds an MBA from the Kellogg School of Management at Northwestern University. He earned a BA in Economics and Political Science from the University of Illinois, where he was a Rhodes Scholar Candidate. Mr. Valtos was an active member of the Philippines-Singapore Business Council.

Danilo Calilap, 60, Filipino, has been the Treasurer and Chief Finance Officer of the Fund Manager since April 20, 2021.

He joined FLI in 2008 and currently holds the position of Senior Assistant Vice President and Loans Management Head. Mr. Calilap has over 42 years of experience in finance, with 12 years in the real estate industry.

Prior to joining FLI, he was Finance Manager of CAPP Industries Inc./ Penta Maritime Corp./ Philharbor Ferries & Port Services Inc. He also served as Finance Manager of Food Industries, Inc., Treasury Manager of Citadel Holdings, Financial Analyst II of AG&P Company of Manila, and Junior Auditor of SGV & Co.

Mr. Calilap graduated from the University of the East with a Bachelor of Science in Business Administration, Major in Accounting.

Sharon Pagaling-Refuerzo, 41, Filipino, has been the Corporate Secretary of the Fund Manager since April 20, 2021. She is concurrently Vice President and Head of the Corporate and Tax Advisory Services of the Legal Department of FLI and the Corporate Secretary and Corporate Information Officer of FLI and FDC. She also serves as the Corporate Secretary of the Company, The Palms Country Club, Inc. (TPCCI), Timberland Sports and Nature Club, Inc., and various other companies of the Filinvest Group.

Prior to joining Filinvest in 2012, she was legal counsel at Robinsons Land Corporation for 5 years, and Associate Lawyer at Kho Bustos Malcontento Argosino Law Officers for a year.

Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree from the University of the Philippines and a law degree from San Beda College.

Michael Mamalateo, 47, Filipino, is the Senior AVP - Business Development Head of the Fund Manager.

Mr. Mamalateo first joined the Filinvest Group as Project Head of Cavite Projects of FLI in 2005. He then moved briefly to Deutsche Bank as Financial Advisor for Special Purpose Vehicle before rejoining FLI as Project Group Head PG 1 and 17 in 2008, then moving to the Company, as Senior Assistant Vice President and Head of Offices Project Development in 2012.

Mr. Mamalateo was also formerly a Senior Manager for Business Development of R-II Builders, Inc., and Associate Project Officer of Landco Pacific Corporation. His career spans over 25 years of work experience in project development and management.

Mr. Mamalateo graduated with a Bachelor of Arts in Management Economics from Ateneo de Manila University and obtained his Master of Business Administration in Management from the Asian Institute of Management.

Michelle C. Ogaro, 28, Filipino, is a project development specialist employed by the Fund Manager.

Ms. Ogaro previously held the position of project development specialist in Cyberzone Properties, Inc., focusing on property management and development for more than four years, from June 2016 to August 2020. In particular, she assisted in evaluating and securing land sites, developed financial studies to test the viability of potential land sites, spearheaded project milestone events, and conceptualized new projects.

Ms. Ogaro was also a member of the accounting staff of Five Oaks Land Corporation from July 2013 to April 2016.

Ms. Ogaro graduated from Saint Paul School of Business & Law with a BS Commerce Major: Management Accounting degree in 2013.

Corporate Governance

The Fund Manager is currently subject to the principles of corporate governance required by the Philippine SEC. In addition, the Fund Manager will be filing the necessary application for licensing as a fund manager of a REIT as required by the Philippine SEC. The Fund Manager will strive to meet all requirements for corporate governance as set forth in the rules for secondary license.

The board of directors of the Fund Manager (the “**Fund Manager’s Board**”) is responsible for the overall corporate governance of the Fund Manager including establishing goals for management and monitoring the achievement of these goals. The Fund Manager is also responsible for the strategic business direction and risk management of the Company. All Fund Manager’s Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of directors. Following Memorandum Circular No. 1, Series of 2020 issued by the Philippine SEC, the Fund Manager’s Board comprises five members, three of whom are independent directors, with at least one of them have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions. The directors of the Company and the Sponsor, jointly or separately, do not occupy more than 49% of the board of directors of the Fund Manager.

As of the date of this REIT Plan, the directors and executive officers of the Fund Manager have an average of 30 years of experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of the real estate industry. Its Chief Executive Officer and a majority, but not less than two of its full-time professionals, have track records and experience in financial management and real estate industry for at least three years prior to joining the Fund Manager.

The Property Manager of the Company

The property manager, ProOffice Work Services, Inc., is a corporation organized under the laws of the Philippines (the “**Property Manager**”). The Property Manager was incorporated on March 18, 2019, and has its registered office at Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City. The Property Manager is a wholly owned Subsidiary of the Sponsor. As of the date of this REIT Plan, the Company believes that the Property Manager has sufficient financial resources to carry out its business and services to the Company.

In compliance with the Revised REIT IRR, the Property Manager has engaged the services of Asian Appraisal Company, Inc. (“**Asian Appraisal**”), through its authorized representatives, as its real estate appraiser. Asian Appraisal has satisfied all qualification requirements under applicable laws.

As of the date of this REIT Plan, the directors and executive officers of the Property Manager have an average of 20 years of experience in commercial real estate operations, leasing, and property portfolio management. The Property Manager’s executive officers will be primarily responsible for the day-to-day management of the Company’s Properties, pursuant to the Property Management Agreement and have several years of experience in property management. Ma. Carmen M. Rosal, President, and Nathaniel Nañasca, AVP – Property Head are among the responsible officers of the Property Manager, and Nathaniel Nañasca, AVP – Property Head will be initially appointed as a full time officer to supervise the business of the Property Manager. Ms. Rosal has been in the real estate industry for more than 30 years, with expertise in property management and customer service. Before joining the Filinvest Group, Mr. Nañasca worked for 17 years with the property management arm of another Philippine company where he gained extensive experience in residential, office, mall, carpark, estate and hospital facilities management. Please see “— *Directors and Executive Officers of the Property Manager*” in this REIT Plan for further information on the qualifications and track record of the directors and executive officers of the Property Manager.

For other services, such as janitorial, technical, and security services, the Property Manager may engage third-party companies. The Property Manager may contract affiliates of the Sponsor or the Company for some of these functions, in particular with respect to management of the physical buildings, equipment, and common area

services or leasing brokerage services. Notwithstanding such contracts, the Property Manager shall remain fully responsible to the Company for the proper performance of its functions under the Property Management Agreement.

Operations

The Property Manager performs day-to-day property management functions at the Properties pursuant to the Property Management Agreement, a five-year, renewable agreement defining the relationship between the Company and the Property Manager. See the section entitled “*Certain Agreements Relating to the Company and the Properties – Property Management Agreement*” in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, the Property Manager will oversee the overall management of, maintenance and repair of the structure of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Property Management Fee

Under the Property Management Agreement, the Property Manager will receive (i) 5% of the sum of billed CUSA and aircon charges, and (ii) 1.5% of EBITDA before deducting fees payable to the Fund Manager and the Property Manager but after deducting lease expenses including the interest expense on lease liabilities, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed (the “**Property Management Fee**”). The Property Management Fee is structured to ensure that the Property Manager provides superior service to the Company and the Properties that the Property Manager oversees. For the purpose of calculating the Property Management Fee, CUSA and aircon charges are defined as the reimbursable charges on common area usage and maintenance payable by all tenants pursuant to their lease agreement. In computing the Property Management Fee, the formula to be used shall be:

$$\text{Property Management Fee} = (5\% \text{ of CUSA and aircon charges}) + (1.5\% \times \text{EBITDA before deducting fees payable to the Fund Manager and the Property Manager, but after deducting lease expenses including interest expense on lease liabilities})$$

Termination of the Property Management Agreement

Either the Company or the Property Manager, as the case may be, may terminate the Property Management Agreement on the following grounds:

1. a material breach, default, or failure of either party to comply with its obligations and undertakings under the Property Management Agreement;
2. the cessation of the corporate existence of either party, or the change of the principal stockholder(s) of either party;
3. the insolvency of either party, or suspension of payment of its debts, or the commission by either party of any act of bankruptcy under applicable Philippine law; and
4. the suspension or withdrawal or revocation of any material license or permit necessary for either party’s performance of its obligations under the Property Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party’s performance of its obligations under Property Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Conflict of Interest

If the Property Manager has a material interest in a transaction with or for the Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to the Company and has taken all reasonable steps to ensure fair treatment of the Company.

The Property Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including the Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, the Property Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of the Company. It shall fully disclose such policies to the Company.

The Property Manager has adopted its “Policy and Procedure on Confidentiality” to protect the integrity and confidentiality of the information relating to the funds and properties of the Company. It has also adopted its “Related Transactions Policy” which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the Philippine SEC on material related party transactions.

Directors and Executive Officers of the Property Manager

The Property Manager’s board of directors is entrusted with the responsibility for the overall management of the Property Manager, while the Property Manager’s executive officers are responsible for implementation. The current position, role, and business and working experience of each of the directors and executive officers of the Property Manager is set out below:

Name	Age	Nationality	Position
Francis Nathaniel C. Gotianun	37	Philippines	Chairman of the Board
Ma. Carmen M. Rosal	58	Philippines	Director and President and Chief Executive Officer
Rosaleo M. Montenegro	62	Philippines	Independent Director
Angela de Villa-Lacson	75	Philippines	Independent Director
Washington A. Roqueza	63	Philippines	Independent Director
Yasmin M. Dy	42	Philippines	Treasurer and Chief Financial Officer
Sharon Pagaling-Refuerzo	41	Philippines	Corporate Secretary
Nathaniel Nañasca	48	Philippines	AVP – Property Head

None of the directors and executive officers of the Property Manager have any financial interest in any of the Properties of the Company. Ma. Carmen M. Rosal, President, and Nathaniel Nañasca, AVP – Property Head are among the responsible officers of the Property Manager, and Nathaniel Nañasca, AVP – Property Head will be initially appointed as a full time officer to supervise the business of the Property Manager.

Information on the business and working experience of the Property Manager’s directors and executive officers is set out below.

Francis Nathaniel C. Gotianun, 37, Filipino, has been the Chairman of the Board of the Property Manager since March 5, 2021. He is also a Director of FLI and other companies within the Filinvest Group. He also serves as Senior Vice President of Filinvest Hospitality Corporation and as President and CEO of The Palms Country Club, Inc. He obtained his Bachelor’s Degree in Commerce from the University of Virginia in 2005 and his Master’s in

Business Administration degree in IESE Business School – University of Navarra in 2010. Mr. Gotianun concurrently serves a director of the Company and the Property Manager.⁴

Ma. Carmen M. Rosal, 58 years old, Filipino, has been a Director and the President and Chief Executive Officer of the Property Manager since March 5, 2021. She is also the Director for Property Management and Customer Service of Filinvest Alabang, Inc., and President of Proexcel Property Managers, Inc. since 2016.

Ms. Rosal has been in the real estate industry for more than 30 years, with expertise in property management and customer service. Prior to joining Filinvest, she was Senior Vice President and Head of Customer Service of SM Development Corporation for over three years and Independent Real Estate Process Consultant of Rosal Business Management Consulting. She also held various positions in Ayala Land, Inc. and Ayala Corporation for 22 years. She served as Assistant Vice President and Division Head of various divisions in Ayala Land, Inc. and Financial Analyst of Ayala Corporation. She was also formerly an Internal Auditor of Insular Life Assurance Company, Ltd. for one year.

Ms. Rosal graduated from the University of the Philippines with a Bachelor of Science in Business Administration and Accountancy and a Master's in Business Administration.

Rosaleo M. Montenegro, 62, Filipino, has been an independent director of the Property Manager since March 2021. He is currently Chairman and President of Montenegro Island Ferry Services, Inc.

Mr. Montenegro has over 38 years of experience in the real estate industry. He was connected with Data Land, Inc. for eight years, where he served as Vice Chairman from January 2018 to July 2020 and as President from June 2012 to December 2017.

Mr. Montenegro started his career as an Internal Auditor in Ayala Corporation. He later moved to Ayala Land, Inc (“ALI”) where he retired as a Vice President. Prior to his retirement in ALI, he was designated as President of Avida Land Corp from 2007 until 2011 and he was also the founding President of Amaia Land Corporation. During his stay with ALI, he held various Chief Financial Officer positions in other ALI subsidiaries including Laguna Technopark, Inc., Makati Development Corp., Ayala Hotels, Inc., Avida Land Corp and Ayala Greenfields Development Corp. His stint with the Ayala group lasted 31 years.

Mr. Montenegro is a Certified Public Accountant who graduated from the Polytechnic University of the Philippines with a Bachelor of Science degree in Commerce, Major in Accountancy. He proceeded to take his Master in Business Administration (thesis pending) at the Ateneo Graduate School of Business and pursued Management Development Program from the University of Michigan, Michigan, Ann Arbor, USA.

Angela de Villa-Lacson, 75, Filipino, has been an Independent Director of the Property Manager since March 10, 2021. She is also a real estate development consultant.

Ms. Lacson was formerly President of ArthaLand (“ALCO”) which she grew from its inception in 2008. She served as President of ALCO from 2008 to 2017. She established its company sales force, ArthaLand Sales, Inc., and the Emera Property Management, an ALCO subsidiary, where she served as President from 2012-2017. During this time, she led the conceptual development, brand building and marketing management strategies of ALCO's successful projects. She was also the President and General Manager of Cebu Lavana Land Corp. from 2015-2017, and Executive Chairman of Cazneau, Inc. from 2012-2017.

Prior to ALCO, Ms. Lacson came from a successful stint with Ayala Land, Inc. (“ALI”) where she led the growth of the Residential Business of the company to account for more than half of the revenues thereof. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc., now Alveo, the company that addresses the needs of the upper-mid market. She also headed the Innovation and Design Group of ALI while concurrently heading the Ayala Museum. She had been with the Ayala Group for nine years from 1999-2008.

⁴ *Note:* The election of Mr. Gotianun as director of the Company will become effective upon the Philippine SEC's approval of the increase in the number of directors of the Company from 5 to 7.

Before joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) for four years and headed various marketing groups of Unilever, both in the Philippines and in Europe for 25 years.

Ms. Lacson graduated from Assumption College with an AB Major in Math and English Literature.

Washington A. Roqueza, 63, Filipino, has been an Independent Director of the Property Manager since March 10, 2021. He was a Partner in SGV & Co/Ernst & Young Advisory Services from 1996 to 2017. He has more than 35 years industry experience and specializes in operational excellence and strategic alignment, business process transformation, systems integration, supply chain and operations management, cost management, performance management, program and project management, business planning, and shared services.

Mr. Roqueza's advisory experience covers both the private and public sectors. His private sector work includes a number of advisory engagements for companies engaged in real estate and construction, manufacturing, retail and distribution, diversified industrial products, pharmaceutical and life sciences, technology and telecommunications, media and entertainment, automotive, transportation, mining, power and utilities as well as insurance, banking, and other financial institutions. His public sector experience includes work with the Department of Trade and Industry, Department of Transportation, Department of Environment and Natural Resources, and the Department of Science and Technology. His clients include those operating in the Philippines, Singapore, China, United States and other countries. He is a practitioner in areas of ISO 9000 (Quality Management) and other ISO Systems. In addition, he is also a licensed Methods Time Management practitioner.

He has worked extensively with clients from various industries in developing improved and cost-efficient processes aligned with their strategic goals in order to address efficiency and control challenges.

He has led engagement teams in performing operations and business process reviews, supply chain, warehouse and inventory management, spend analysis and procurement process improvement, process design of the operational workflow, process value analysis, incorporate appropriate internal control system, and development of operating manuals.

He serves in the Board of Trustees of the UP Engineering Research Foundation and is an Industry Adviser to the De La Salle University Industrial Engineering Program.

He has attended and conducted a number of courses in operations and supply chain/logistics management in the United States, Europe and Asia-Pacific. He has likewise conducted speaking engagements with the Philippine Institute of Industrial Engineers, Distribution Management Association of the Philippines, Philippine Retailers Association, Production Management Association of the Philippines, and the Philippine Institute of Chemical Engineers.

He is currently a member of the Board of Trustees of the Philippine Institute of Industrial Engineers and the IE Certification Board. He likewise was the SGV representative in its corporate membership with the Production Management Association of the Philippines, Philippine Quality and Productivity Movement, Philippine Society for Quality, and the Philippine Institute for Supply Management.

He obtained his Masters in Engineering Management from Northwestern University (Chicago, USA), MBA and Bachelor's Degree in Industrial Engineering from the University of the Philippines, Diliman.

Yasmin M. Dy, 42, Filipino, has been the Treasurer and Chief Financial officer of the Property Manager since March 5, 2021.

She also serves as an Assistant Vice President for Finance and Controllership and is the Controller of office leasing entities of the Filinvest Group. She has been with Filinvest for 12 years. In 2012, she was assigned to head the office leasing controllership section which started with the Company and Filinvest Asia Corporation ("FAC"). She also handled Philippine DCS Development Corporation for five years. At present, she handles the controllership group of four entities, namely, the Property Manager, FAC, and FCI, and FLI's BPO projects.

Prior to joining Filinvest, Ms. Dy was an Accountant of Sunwest Construction and Development Corporation and a College Instructor of the University of Santo Tomas – Legazpi Campus.

Ms. Dy is a graduate of BS in Accountancy in Bicol University and a Certified Public Accountant.

Sharon Pagaling-Refuerzo, 41, Filipino, Corporate Secretary, is concurrently Vice President and Head of Corporate and Tax Advisory Services of the Legal Department of FLI She is also the Corporate Secretary and Corporate Information Officer of FLI and FDC and the Corporate Secretary of the Company, The Palms Country Club, Inc. (TPCCI), Timberland Sports and Nature Club, Inc., and various other companies of the Filinvest Group.

Prior to joining Filinvest in 2012, she was legal counsel at Robinsons Land Corporation for 5 years, and Associate Lawyer at Kho Bustos Malcontento Argosino Law Officers for a year.

Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree from the University of the Philippines and a law degree from San Beda College.

Nathaniel Nañasca, 48, Filipino, joined Filinvest under PPMI as head of office property management in October 2017. Currently, he is the AVP – Property Head of the Property Manager.

Before joining Filinvest, he worked for 17 years with APMC, Ayala Land’s property management arm where he gained extensive experience in residential, office, mall, carpark, estate and hospital facilities management. He is a licensed Civil Engineer and a Registered Nurse.

Mr. Nañasca graduated from Saint Louis University with degrees in B.S. Civil Engineering and Ms. Management Engineering. He also finished B.S. Nursing in Carthel Science Educational Foundation, Inc.

Related Party Transactions

Review Procedures for Related Party Transactions

In general, the Fund Manager has established internal control procedures to ensure that all future transactions involving the Company and a related party of the Fund Manager or the Sponsor are undertaken on an arm’s length basis and on normal commercial terms, which are generally no more favorable than those extended to unrelated third parties. In respect of such transactions, the Fund Manager would have to demonstrate that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to the Fund Manager or Sponsor, or obtaining a valuation from an independent valuer (in accordance with, among other things, the REIT Law).

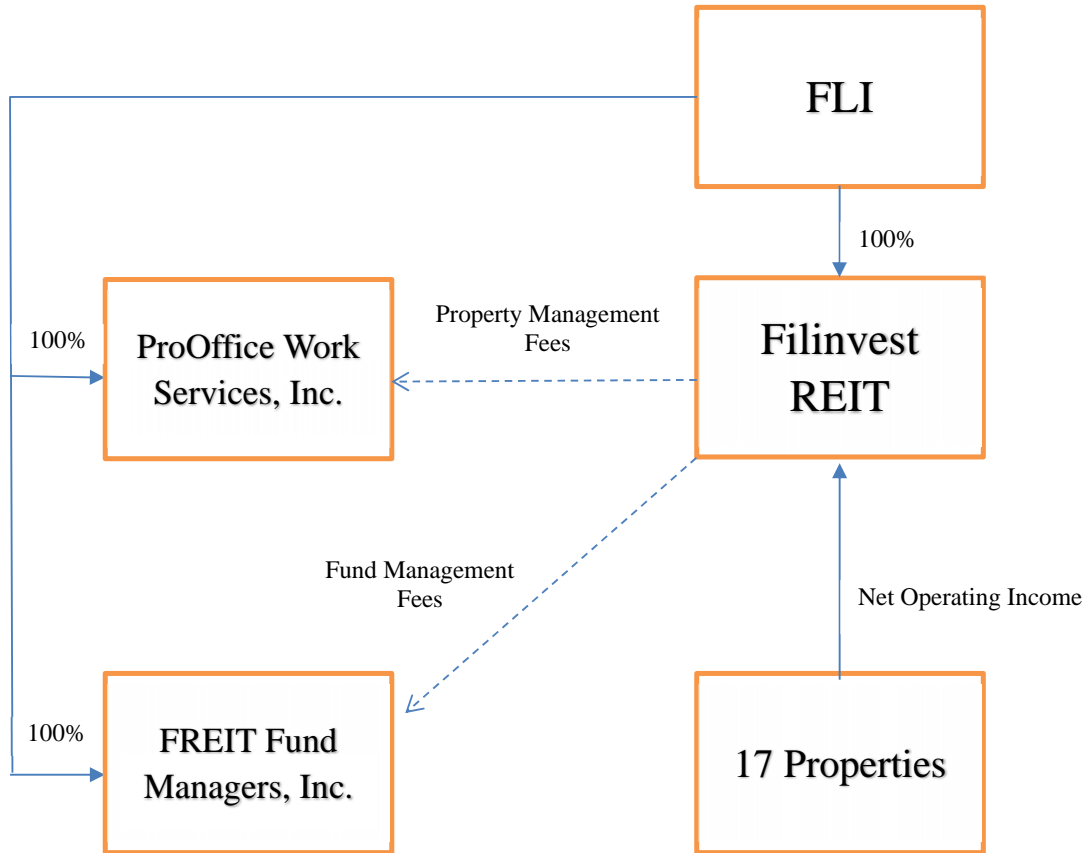
Existing Related Party Transactions

The Company has entered into a number of transactions with the Sponsor and certain Affiliates of the Sponsor. Please see the section entitled “*Related Party Transactions*” in this REIT Plan for more information on the Company’s related party transactions. Save as disclosed in this REIT Plan, the Company has not entered into any other transactions with any Subsidiaries or Affiliates of the Fund Manager or the Sponsor.

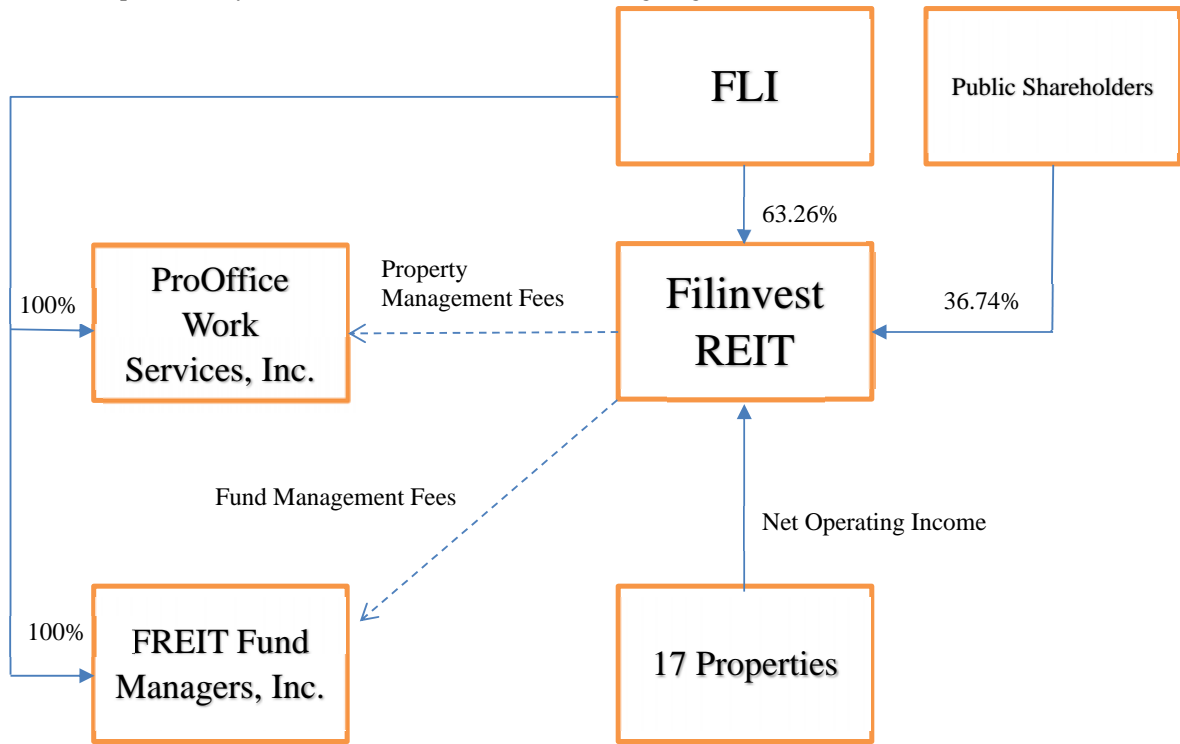
THE STRUCTURE OF THE REIT

OPERATIONAL STRUCTURE

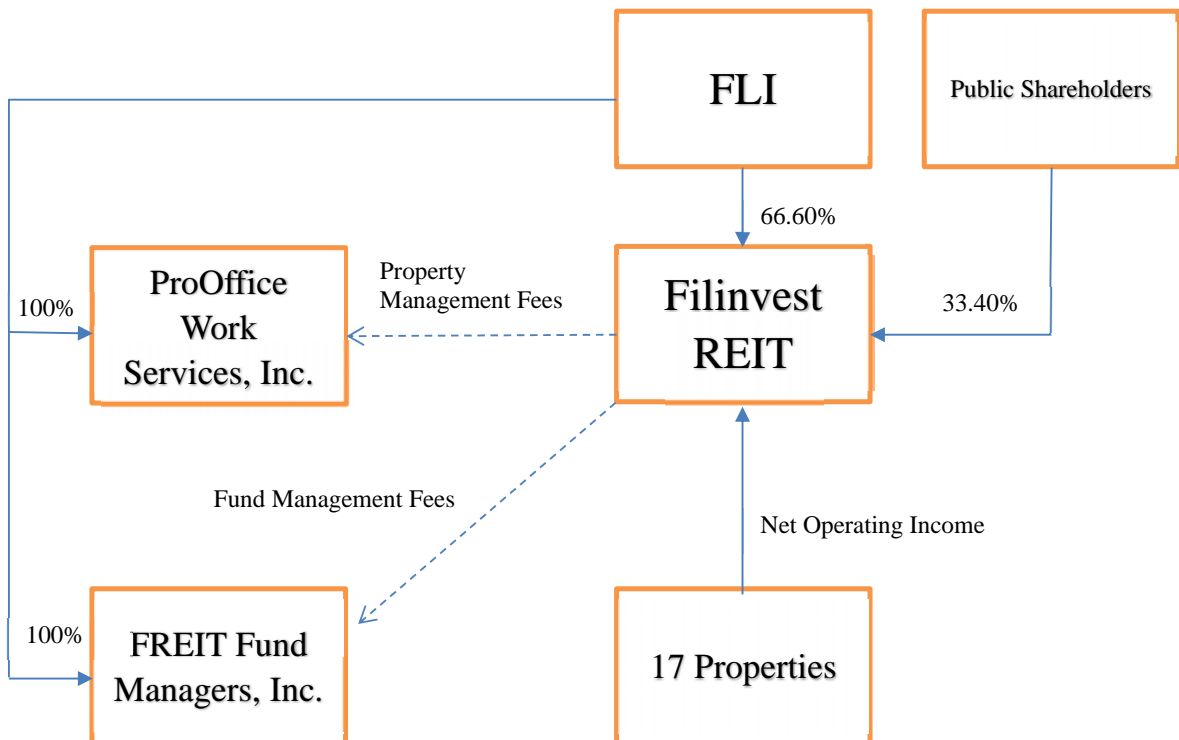
The Company is a domestic corporation, established to invest in real estate. The operational and ownership structure and the relationship of the various parties, as of the date of this REIT Plan, are illustrated in the following diagram:



The operational and ownership structure of the Company, following the Listing Date (assuming the Over-allotment Option is fully exercised) is illustrated in the following diagram:



The operational and ownership structure of the Company, following the Listing Date (assuming the Over-allotment Option is not exercised) is illustrated in the following diagram:



While the Fund Manager and the Property Manager are Subsidiaries of the Sponsor, in enacting their roles as Fund Manager and Property Manager, respectively, they are functionally independent from the Sponsor.

Pursuant to the provisions of the REIT Law and the Fund Management Agreement, the Fund Manager must implement the investment strategies of the REIT by: (i) determining the allocation of the Company's property to the allowable investment outlets in accordance with this REIT Plan and the investment strategies of the Company; and (ii) selecting income-generating real estate in accordance with the investment strategies of the Company; notwithstanding the written instructions of the Company, it shall be the fiduciary responsibility of the Fund Manager to objectively evaluate the desired investments, and formally advise the Company of its recommendations, even if contrary to the Company's instructions; oversee and coordinate property acquisition, leasing, operational and financial reporting, including operating budgets, appraisals, audits, market review, accounting and reporting procedures, as well as refinancing and asset disposition plans; cause a valuation of any of the real estate and other properties of the Company to be carried out by the an independent property valuer once a year or whenever the Fund Manager believes that such valuation is appropriate; take all necessary measures to ensure: (i) that the Net Asset Value per unit of the Company is calculated as and when an annual valuation report is issued by the property valuer for the relevant period, and that such Net Asset Value per unit shall be disclosed in periodic reports; (ii) that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the Company was authorized are complied with; (iii) that all transactions carried out by or on behalf of the Company are conducted at arm's length; (iv) that at all times the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid and binding and enforceable by or on behalf of the Company; and (v) that the Property Manager obtains adequate property insurance for the real properties of the Company, including the Properties; and perform all such functions necessary and incidental to asset management. See the sections entitled "*The Fund Manager and the Property Manager – The Fund Manager*" and "*Certain Agreements Relating to The Company and the Properties – the Fund Management Agreement*" in this REIT Plan for additional details.

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria and which produces secure and growing income that provides a Competitive Investment Return to investors. Please see the section entitled "*Business and Properties – Investment Policy*" in this REIT Plan. The Company generates returns for its Shareholders by owning, and managing, real estate properties in line with its investment strategy. See the section entitled "*Business and Properties – Business Strategies*" in this REIT Plan for more details.

By operating pursuant to the Company's investment strategy and under the provisions of the REIT Law, the Company benefits from preferential tax treatment. Instead of being subject to income tax on the Company's taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, the Company's income tax liability is instead based on its taxable net income as defined in the REIT Law, which allows for the dividends distributed by the Company to the Company's Shareholders to be deducted for the purposes of determining the Company's taxable net income. See the section entitled "*Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs*" in this REIT Plan for more details.

Rights Relating to the Shares

The rights and interests of Shareholders are contained in the Organizational Documents. In addition, pursuant to the REIT Law, the Company's Shareholders are entitled to annual dividends, amounting to a total of at least 90% of the Company's Distributable Income.

Each Share represents an undivided interest in the Company. From the time Shares are issued, pursuant to the Offer, such Shares will carry the same rights as all Shares in issue as at the date of this REIT Plan.

There are no restrictions under the Organizational Documents or the REIT Law on a person's right to subscribe for (or purchase) Shares and to own Shares.

Issue of Shares

Shares, when listed on the PSE, may be traded on the PSE. For so long as the Company is listed on the PSE, the Company may, subject to provisions of the Company's Organizational Documents and the REIT Law, issue

further Shares, at an issue price determined in accordance with the applicable provisions of the Company's Organizational Documents and the REIT Law.

Any suspension of the issue of Shares will be announced to the PSE.

Investors should note that the Fund Manager will not be required to redeem or repurchase any Shares so long as the Company is listed on the PSE. It is intended that Shareholders deal in their Shares through trading on the PSE.

Rights and Liabilities of Shareholders

The key rights of Shareholders include rights to:

- receive income and other distributions attributable to the Shares held;
- receive audited accounts and the annual reports of the Company; and
- participate in the termination of the Company by receiving a share of all net cash proceeds derived from the realization of the assets of the Company less any liabilities, in accordance with their proportionate interests in the Company. However, no Shareholder has a right to require that any asset of the Company be transferred to him, her or it.

Further, Shareholders cannot give any directions to the Fund Manager or the Company (whether at a meeting of Shareholders or otherwise) if it would require the Fund Manager or the Company to do or omit doing anything which may result in:

- the Company ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Fund Manager by the relevant agreements.

Voting Rights of Shares

Each common share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

The Company's shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights of Common Shares

The Company may declare dividends out of its unrestricted retained earnings at such times and in such percentages as may be determined by its Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

As of the date of this REIT Plan, the Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders may be entitled to receive at least 90% of the Company's annual Distributable Income no later than the last day of the fifth month following the close of the fiscal year of the Company. A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of its outstanding capital stock. The Revised Corporation Code defines the term

“outstanding capital stock” to mean the “total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares.” Such shareholders’ approval may be given at a general or special meeting duly called for such purpose. See “*Dividends and Dividend Policy*.”

Rights of Shareholders to Assets of the Company

Each holder of a Share is entitled to a pro rata share in the Company’s assets available for distribution to the shareholders in the event of dissolution, liquidation, and winding up.

Pre-emptive Rights

Pursuant to its Articles of Incorporation, the Company’s stockholders are not entitled pre-emptive right to subscribe to any issue or disposition of shares of any class of the Company.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation’s articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;
- in case of merger or consolidation;
- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- in case of extension or shortening of the term of corporate existence.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days

and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Change in Control

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

Meetings of Shareholders

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes including the election of directors. The by-laws of the Company provide for annual meetings on any day in May of each year, or if that day is a legal holiday, then on the following business day, to be held at the principal office of the Company and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) by the Board of Directors, at its own instance, or at the written request of shareholders representing at least majority of the outstanding capital stock, or (b) by order of the President. Such call shall state the purpose or purposes of the proposed meeting.

Notice of Shareholders' Meeting

Notice for annual meetings of stockholders may be sent by the secretary by personal delivery, or by regular or electronic mail, or other manner as the Philippine SEC shall allow under its guidelines and within such period as may be required under existing laws, rules or regulations to each stockholder of record at his last known residential or office address, or electronic mail address.

The secretary shall maintain a record of the current residential or office address, and the electronic mail address of each stockholder of the corporation. Any notice of any regular or special meeting sent by electronic mail to the last known electronic mail address of a stockholder shall be considered a valid service of the notice upon said stockholder. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. Such requirements aforesaid and notice of any meetings may be waived, expressly or impliedly, by any stockholder, provided that attendance at a meeting shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any businesses may be transacted at the meeting originally convened.

Quorum

A quorum at any meeting of the Company's shareholders shall consist of a majority of the outstanding voting stock of the Company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion. If no quorum is present, the meeting shall be adjourned until the requisite number of shareholders shall be present.

Place of Meetings

All meetings of the stockholders shall be held at the principal office of the Company or if not practicable, at any place designated by the Board of Directors in the city or municipality where the principal office of the Corporation is located. The Board of Directors may authorize holding such meetings through remote communications or other alternative modes of communication, subject to compliance with applicable regulations. If the meetings are conducted through teleconferencing or any similar means, the Secretary, or in his absence, the secretary of the meeting appointed by the chairman of the meeting, shall see to it that the conferences are duly recorded and the tapes properly stored for safekeeping.

Voting

The Company's shareholders may vote at all meetings the number of shares registered in their respective names, either in person (or through remote communication or in absentia as the Philippine SEC shall allow under its guidelines) or by proxy, executed in writing by the stockholder or his duly authorized attorney in fact. All elections

and questions, except in cases specified by law or the Company's Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person or by proxy, a quorum being present. Unless required by law or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot.

Fixing Record Dates

Under existing Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. With respect to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC and shall be indicated in the Philippine SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the Philippine SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

For the purpose of determining the shareholders entitled to notice of, or to vote at, any meetings of shareholders or any adjournment thereof, or to receive payment of any dividends, or to exercise any right under the law, the Board of Directors may provide that the stock and transfer books be closed for a stated period, or may fix in advance a date as the record date in accordance with existing laws, rules or regulations.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and signed in accordance with the applicable laws and rules and regulations of the Philippine SEC and of the PSE. Proxies must be in the hands of the Secretary before the time set for the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. Proxies filed with the corporate secretary may be revoked by the shareholders extending the same either by an instrument in writing duly presented and recorded with the Secretary prior to the scheduled meeting or by their personal presence at the meeting. A proxy need not be a stockholder, and unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. The instrument appointing a proxy shall be deemed to confer authority to demand, or join in, a poll.

Proxies should comply with the relevant provisions of the Philippine Revised Corporation Code, the SRC, and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

Substantial Holdings

While there is no rule specifically mandating the Fund Manager to report to the PSE any substantial changes in shareholdings, the REIT Law and the PSE Listing Rules adopt the disclosure and reportorial requirements under the SRC. The Company is therefore subject to the provisions of the Philippine Revised Corporation Code and SRC, which state that any person who acquires directly or indirectly the beneficial ownership of more than 5% of a class of shares or in excess of such lesser percentage as the Philippine SEC by rule may prescribe, shall, within ten days after such acquisition or such reasonable time as fixed by the Philippine SEC, submit to the issuer of the securities, to the PSE, and to the Philippine SEC a sworn statement, containing the following information and such other information as the Philippine SEC may require in the public interest or for the protection of investors: (a) the personal background, identity, residence, and citizenship of, and the nature of such beneficial ownership by, such person and all other person by whom or on whose behalf the purchases are effected; in the event the beneficial owner is a juridical person, the business of the beneficial owner shall also be reported; (b) if the purpose of the purchases or prospective purchases is to acquire control of the business of the issuer of the securities, any plans or proposals which such persons may have that will effect a major change in its business or corporate structure; (c) the number of shares of such security which are beneficially owned, and the number of shares concerning which there is a right to acquire, directly or indirectly, by: (i) such person, and (ii) each associate of such person, giving the background, identity, residence, and citizenship of each such associate; and (d) information as to any contracts, arrangements, or understanding with any person with respect to any securities of the issuer including but not limited to transfer, joint ventures, loan or option arrangements, puts or call guarantees or division of losses or profits, or proxies naming the persons with whom such contracts, arrangements, or understanding have been entered into, and giving the details thereof.

As of the date of this REIT Plan, the Sponsor holds more than 5% of the Company's issued and outstanding Shares.

Continuation of the Company

Under the provisions of the Philippine Revised Corporation Code and the Company's Amended Articles of Incorporation, the Company shall have perpetual existence.

CERTAIN AGREEMENTS RELATING TO THE COMPANY AND THE PROPERTIES

Land Lease Agreements

Northgate Cyberzone Properties

The Sponsor owns the parcels of land where the Northgate Cyberzone Properties are located. The Company has entered into a long-term lease contract with the Sponsor covering 60,660 sq.m. of land.

The land lease agreement for the Northgate Cyberzone Properties has an initial term of 50 years, commencing on February 11, 2021 and expiring on February 10, 2071. Each lease is renewable for another 25 years, with the same terms and conditions, except for the rental rate and other commercial terms which shall be subject to negotiation and mutual agreement between the Company and the Sponsor.

As consideration for each lease, the Company pays the Sponsor 10% to 15% of the gross lease of the relevant Northgate Cyberzone Property (depending on the floor-to-area ratio (“**FAR**”) of such property). The rent payable to the Sponsor is due every month.

Interest for late payment is 3% per month based on the unpaid amount and computed from the date the payment falls due until payment of the outstanding amount is paid in full. The Sponsor’s right to collect said interest and penalty is without prejudice to the exercise of any right or remedy available to it under contract and applicable law.

Under the lease terms, the Company is responsible for all real property taxes, and all other fees, charges, dues, and taxes due on the land and any default in payment thereof shall constitute a breach of the lease agreement. The long-term lease contract contains customary force majeure provisions.

Both the Company and the Sponsor have the right to cancel the lease for default or breach of material obligation by the other party, subject to a 15-day cure period. Upon the cancellation of the lease, the Company must immediately vacate the leased premises and deliver to the Sponsor the full and vacant possession of the same. In such event, the Sponsor may, at its sole option, cause the demolition or removal of any improvement constructed without the necessity of a court order and charge the Company the cost of such demolition or removal. Except when the cancellation is made in compliance with the foregoing, in case of cancellation, all deposits and other payments made by the Company shall be forfeited in favor of the Sponsor as damages for the Sponsor’s lost business opportunities, and costs incurred by the Sponsor in entering into the contract.

The long-term lease contract is not assignable by the Company without the prior written consent of the Sponsor, but the Company has the right to sublease the properties under lease.

Prior to the existing land lease agreement, FLI, FAI and the Company entered into lease agreements over the Northgate Cyberzone properties on May 31, 2000 for an aggregate area of 29,486 square meters and on July 30, 2004 for an aggregate area of 72,593 square meters.

The term of the first lease was for a period of 20 years from the signing of such contract. The rental rate was the amount corresponding to 20% of its monthly gross lease from the leases or subleases of the Company.

The term of the second lease was for a period of 15 years to commence on the date the Company completed the construction of the building. The rental rate was the amount corresponding to 15% of its monthly gross lease from the leases or subleases of the Company if the building or structure has a floor-to-area ratio of five or below, or 10% of its monthly gross lease from the leases or subleases of the Company if the building or structure has a floor-to-area ratio of greater than five.

On October 3, 2005, FLI, FAI and CPI entered into an “Amendment of Lease Contracts”, wherein the parties acknowledged CPI’s intention to lease portions of the leased land to third parties and construct IT-related buildings for occupancy of third parties. The amendment also provided for FLI’s right to mortgage the leased lands without CPI’s consent.

There is no adverse claim involving any land leased from the Sponsor on which the Northgate Cyberzone Properties are situated.

BTO and BOT Arrangements

Filinvest Cyberzone Cebu and Cebu Tower 1

On March 26, 2012, the Sponsor entered into a build-transfer-operate (“**BTO**”) agreement with the Cebu Provincial Government. The BTO project relates to the development, construction, and operation of a BPO complex (i.e., Filinvest Cyberzone Cebu) by the Filinvest Group on certain land owned by the Cebu Provincial Government located at Salinas, Lahug, Cebu City. In August 2012, the Sponsor assigned the BTO agreement to the Company.

Under the BTO agreement, the Company is committed to develop and construct a BPO complex on the properties owned by the Cebu Provincial Government located at Salinas, Lahug, Cebu City, and transfer the ownership of the BPO complex to the Cebu Provincial Government upon completion, in exchange for the right to operate and manage the BPO complex for the entire term of the agreement and its renewal (25 years, renewable for another 25 years upon mutual agreement of the parties). The BTO project comprises four towers, with the first two towers having been completed (Cebu Tower 1 and Cebu Tower 2), with the other two towers under construction.

Both Cebu Tower 1 and the land on which is located is owned by the Cebu Provincial Government and operated by the Company under the BTO arrangement, with a remaining term of 22.7 years as of March 31, 2021, renewable for another 25 years. The Company’s rights over Cebu Tower 2 under its BTO arrangement with the Cebu Provincial Government was transferred by the Company to the Sponsor by way of property dividend as part of the Second Property Dividend. The Company also transferred its rights under its BTO arrangement with the Cebu Provincial Government relating to two buildings under construction (Cebu Tower 3 and Cebu Tower 4) in Filinvest Cyberzone Cebu, to the Sponsor.

The transfer of rights under the BTO arrangement is covered in the delegation by the Cebu Provincial Government to the Company. The MOA, which extended the BTO arrangement, provides under its Section 11 that it “shall inure to the benefit of, and be binding upon, the parties hereto and their successors-in-interest and assigns. FILINVEST reserves the right to sell, transfer, assign or set over to its parent company, subsidiaries or affiliates any or all of its rights and interests in the BTO Agreement and this Agreement for which CEBU PROVINCE hereby gives its express and prior consent. Notwithstanding this assignment, Filinvest Land, Inc. will continue to be responsible for the obligations of this assignment.” As of March 31, 2021 the Sponsor need not reapply for requirements to operate.

There is no adverse claim involving any of the land owned by the Cebu Government on which Cebu Tower 1 is situated and which is the subject of the BTO arrangement.

District Cooling System

On September 16, 2015, the Company entered into a build-operate-transfer (“**BOT**”) agreement with Philippine DCS Development Corporation (“**PDDC**”), a subsidiary of the Sponsor. The BOT agreement relates to the construction and operation by PDDC of district cooling system (“**DCS**”) facilities for 20 years, during which PDDC will supply chilled water for the provision of cooling energy to the Northgate Cyberzone Properties.

The DCS plant supplies chilled water for the provision of cooling energy to the Northgate Cyberzone Properties. Through the DCS, the air conditioning and cooling systems of some of the existing and upcoming buildings in Northgate Cyberzone are centralized, increasing reliability and providing a more environmentally friendly source of air conditioning for the Company’s locators.

For the year ended December 31, 2020, connection and service charges relating to the DCS system were ₱323.6 million, while the amortized portion of DCS connection charges were ₱16.1 million. For the three months ended March 31, 2021, connection and service charges relating to the DCS system were ₱65.8 million, while the amortized portion of DCS connection charges were ₱4.0 million.

Parking Leases

Filinvest Alabang, Inc.

FAI owns the land where certain parking facilities operated by the Company are located. In July 2012, the Company entered into a lease contract with FAI for 9,502 sq.m. of land to be used as a parking and impounding

area. The lease had an initial term of three years, commencing on July 2, 2012, and renewable for three-year periods through written mutual agreement of the Company and FAI.

As consideration for the lease, the Company pays FAI 15% of the gross revenue from its parking facilities and maintenance dues based on the prevailing rate charged to locators every month. Interest for late payment is 2% per month, computed from the date the payment falls due until payment of the outstanding amount is paid in full.

Under the lease terms, FAI is responsible for all taxes that may be assessed and levied on the leased premises excluding future improvements thereon. The Company is responsible for real property tax, all special and local assessments that may be levied against the leased premises by reason of its use.

FAI has the right to pre-terminate the lease for any reason by serving written notice to the Company at least 60 calendar days before the premises surrender date. Upon the cancellation of the lease, the Company must vacate and surrender the leased premises to FAI.

The Company is also liable for breach of contract if (i) it defaults in the payment of rent for two months, or (ii) if it defaults in performance of any terms and conditions other than in the payment of rent and such default continues for 30 days after written notice thereof to the Company. In case of breach, FAI may terminate the lease, cover possession of the lease premises, and collect damages, costs of collection, litigation, other expenses and reasonable attorney's fees with a minimum amount of ₱10,000.

The land lease contract is not assignable by the Company without the prior written consent of FAI.

Parking Pro, Inc.

The Company also entered into a lease agreement over certain non-pay parking spaces with its subsidiary, Parking Pro, Inc. The lease agreement is for a total of 350 parking spaces and is for a period of five years commencing on July 1, 2017 and ending on July 1, 2022. The rental expense is ₱50 per parking slot per month.

Fund Management Agreement

The Fund Manager has the overall responsibility for the allocation of the Deposited Property to the allowable investment outlets and selection of income-generating real estate, pursuant to the Fund Management Agreement. The Fund Management Agreement was entered into on May 24, 2021 between the Company and the Fund Manager pursuant to which the Company engaged the Fund Manager to execute and implement the investment strategies for the Company.

The term of the Fund Management Agreement is for five years, commencing on the Listing Date. The Fund Management Agreement automatically renews for successive five-year terms thereafter, unless terminated on certain grounds, including material breach of the agreement.

Pursuant to the Fund Management Agreement, the Fund Manager has the authority to disburse funds of the Company, within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, oversee and coordinate leasing, negotiate and award contracts for property acquisition, operational and financial reporting, appraisals, audits, market review, accounting and reporting procedures, refinancing and asset disposition plans, all in accordance with the financing, operating, and marketing plans approved by the Company's Board, and to designate the authorized signatories to execute such contracts.

Fund Manager's Services

For a description of the services provided by the Fund Manager to the Company pursuant to the Fund Management Agreement, please see "*The Fund Manager and the Property Manager – The Fund Manager*".

Fees

Under the Fund Management Agreement, the Fund Manager will receive a Fund Management Fee. See "*The Fund Manager and the Property Manager – Fund Management Fee*" for more details.

Expenses and Reimbursable Amounts

Under the Fund Management Agreement, the Fund Manager shall be responsible for the expenses necessary for it to render the relevant fund management services. The Fund Management Fee charged to the Company covers the fair and equitable share of the Company in the routine Fund Manager services, including compensation for its employees and other administrative expenses. The Company is responsible and shall reimburse the Fund Manager for special expenses, conditional upon such special expenses being: (1) necessary to preserve or enhance the value of the properties of the Company, including the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to the Shareholders.

Termination

For grounds to terminate the Fund Management Agreement, please see “*The Fund Manager and the Property Manager – Termination*”.

Assignment

The Fund Manager may not assign its rights and obligations under the Fund Management Agreement without the prior written consent of the Company.

Property Management Agreement

The Properties comprising the initial portfolio of the Company are managed by the Property Manager pursuant to the Property Management Agreement. This Property Management Agreement was entered into on March 11, 2021 between the Company and the Property Manager pursuant to which the Company engaged the Property Manager to operate, maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.

The term of the Property Management Agreement is for five years, commencing on the Listing Date. The Property Management Agreement shall automatically renew thereafter, unless terminated by either party by written notice at least 90 days prior to the expiration or terminated on certain grounds, including material breach of the agreement.

Pursuant to the Property Management Agreement, in general, the Company shall have the overall responsibility for the facilities management of the properties, marketing of the office and retail spaces in the Properties, management of client accounts, lease administration, operations management, and handling of tenant relations. To this end, the Property Manager shall have the authority to disburse funds of the Company, in so far as such disbursement relates to its functions, and within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, negotiate and award lease contracts, execute and deliver, on behalf of the Company, all leasing and broker’s contracts in accordance with the leasing and marketing plans approved by the Board, and to designate the authorized signatories to execute such contracts.

Property Manager’s Services

For a description of the services provided by the Property Manager to the Company pursuant to the Property Management Agreement, please see “*The Fund Manager and the Property Manager – The Property Manager*”.

Fees

Under the Property Management Agreement, the Property Manager will receive a Property Management Fee. See “*The Fund Manager and the Property Manager – Property Management Fee*” for more details.

Expenses and Reimbursable Amounts

Under the Property Management Agreement, the Property Manager shall be responsible for the expenses necessary for it to render the relevant management services, including compensation for its employees which are assigned to manage and administer the leases on a part-time or full-time basis, and other administrative expenses. The management fees charged to the Company shall cover the fair and equitable share of the Company in the total routine administrative expenses of the Property Manager, such as salaries and wages, supplies, appraisals, security, messengerial and janitorial services, supervision fees imposed by the relevant regulatory agency and internal audit fees. The Company will be responsible and shall reimburse the Property Manager for the following special expenses, conditional upon such special expenses being: (1) necessary to preserve or enhance the value of

the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to the Company's Shareholders.

Termination

For grounds to terminate the Property Management Agreement, please see "*The Fund Manager and the Property Manager – Termination*".

Assignment

The Property Manager may not assign the Property Management Agreement without the prior written consent of the Company.

Subcontracting

The Property Manager shall be allowed to subcontract any of the services, provided that such subcontractor is of reputable repute and has the required competency to perform the services. Notwithstanding a subcontracting arrangement, the Property Manager shall be primarily responsible for all actions of the subcontractor, and shall hold the Company free and harmless from any and all liabilities, fault, or cause of action of such subcontractor.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines that are generally applicable or relevant to companies such as ours, operating under the REIT Law, and the real estate industry. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

REAL ESTATE LAWS

The REIT Law

Republic Act No. 9856 or the Real Estate Investment Trust Act of 2009 lapsed into law on December 17, 2009. Pursuant to Section 22 of the said law, the Philippine SEC approved the implementing rules and regulations of the Real Estate Investment Trust Act of 2009 on May 13, 2010. Under the REIT Law, a REIT is a stock corporation established primarily for the purpose of owning income-generating real estate assets. Although designated as a trust, the REIT Law explicitly provides that a REIT is not a “trust” as contemplated under other existing laws and regulations. Instead, the term is used for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

On January 20, 2020, the Philippine SEC issued Memorandum Circular No. 1, Series of 2020 (the “**Revised REIT IRR**”), amending the existing REIT regulations by, among other things, modifying the minimum public ownership of a REIT, incorporating a reinvestment of proceeds policy, imposing additional corporate governance mechanisms into a REIT, and adding qualifications of a REIT fund manager and property manager. The regulatory amendment was published in a newspaper of general circulation on January 23, 2020 and became effective on February 7, 2020.

Minimum Requirements of a REIT

In order to be considered a REIT and to benefit from the incentives under the law, the shares of a REIT must be registered with the Philippine SEC in accordance with the SRC and listed with the PSE in accordance with its Listing and Disclosure Rules and its Amended Listing Rules for REITs (the “**PSE Rules**”). The procedure for the registration and listing of such shares as a REIT shall comply with the applicable registration and listing rules and regulations of the Philippine SEC and the PSE, in addition to the specific requirements under the REIT Law and the PSE Rules.

Pursuant to the SRC and PSE Rules, a REIT must meet the following requirements:

1. A REIT must be incorporated as a stock corporation with a minimum paid-up capital of ₱300,000,000 at the time of incorporation which can be either in cash and/or property;
2. Its Articles of Incorporation and By-Laws must provide that all the shares of stock of the REIT shall be issued in the form of uncertificated securities;
3. It must be a public company and to be considered as such, maintain its status as a listed company; and upon and after listing, have at least 1,000 public shareholders each owning at least 50 shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT;
4. It must appoint a fund manager that is independent from the REIT and its sponsor(s)/promoter(s), and is in compliance with the Fit and Proper Rule of the Philippine SEC for a REIT and the Revised REIT IRR;
5. It must appoint a property manager who is independent from the REIT and its sponsor/promoter(s), and is in compliance with the Fit and Proper Rule of the Philippine SEC for a REIT and the Revised REIT IRR;
6. At least 1/3 or at least two (2), whichever is higher, of the Board of Directors of the REIT must be independent directors;

7. It must have such organization and governance structure that is consistent with the Revised Code of Corporate Governance and pertinent provisions of the SRC and hold such meetings as provided for in its constitutive documents pursuant to the Philippine Revised Corporation Code;
8. It must submit a reinvestment plan and a firm undertaking on the part of its sponsors/promoters which transferred income-generating real estate to the REIT to reinvest in real estate or infrastructure projects in the Philippines any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares or other securities issued in exchange of income-generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to the REIT;
9. A REIT must distribute at least 90% of its distributable income annually, as dividends to its shareholders not later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT, subject to the conditions provided in Rule 4, Section 4 of the Revised REIT IRR;
10. The REIT shall also appoint an independent and duly accredited Property Valuer in accordance with Rule 9, Section 1 of the Revised REIT IRR; and
11. The REIT may only invest in certain allowable investments as will be further discussed in detail below.

Allowable Investments of a REIT

The REIT Law and the Revised REIT IRR limit the allowable investment of a REIT to the following:

1. Real Estate, whereby 75% of the total value of the REIT's assets reflecting the fair market value of total assets held ("**Deposited Property**") must be invested in, or consist of, income-generating real estate and 35% of which must be located in the Philippines. Should a REIT invest in income-generating real estate located outside of the Philippines, the same should not exceed 40% of its Deposited Property and only upon special authority from the Philippine SEC. An investment in real estate may be by way of direct ownership or a shareholding in a domestic special purpose vehicle constituted to hold/own real estate. The real estate to be acquired by the REIT should have a good track record for three years from date of acquisition. An income-generating real estate is defined under the REIT Law to mean real property which is held for the purpose of generating a regular stream of income such as rentals, toll fees, user's fees, ticket sales, parking fees and storage fees;
2. Real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued or traded;
3. Evidence of indebtedness of the Republic of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines (i.e., treasury bills, fixed rate treasury notes, retail treasury bonds denominated in either Philippine or in foreign currency, and foreign currency linked notes);
4. Bonds and other evidence of indebtedness issued by: (a) the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the Philippine SEC that is at least two notches higher than that of ROP bonds; and (b) supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development or the Asian Development Bank);
5. Corporate bonds or non-property privately-owned domestic corporations duly registered with the Philippine SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;
6. Corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the Philippine SEC and the foreign country grants reciprocal rights to Filipinos;
7. Commercial papers duly registered with the Philippine SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;

8. Equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past 3 years;
9. Cash and cash equivalent items;
10. Collective investment schemes duly registered with the Philippine SEC or organized pursuant to the rules and regulation of the BSP, provided that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing the prescribed weekly publication of the Net Asset Value Per Unit of the Collective Investment Scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds;
11. Offshore mutual funds with ratings acceptable to the Philippine SEC; and
12. Synthetic Investment Products, provided that (i) it shall not constitute more than five percent (5%) of its investible funds; (ii) availment is solely for the purpose of hedging risk exposures of the existing investments of the REIT; (iii) it shall be accounted for in accordance with the PFRS; (iv) it shall be issued by authorized banks or non-bank financial institutions in accordance with the rules and regulations of the BPS and/or the Philippine SEC; and (iv) its use shall be disclosed in the REIT Plan and under special authority from the Philippine SEC.

Taxation of REITs

Income Tax

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020 and by Republic Act No. 11534, otherwise known as the CREATE Law (the “**CREATE Law**”), a REIT shall be taxable on all income derived from sources within and without the Philippines at the applicable income tax rate of 25% as provided under Section 27(A) of the National Internal Revenue Code, as amended (the “**Tax Code**”), on its taxable net income as defined in the REIT Law and Revenue Regulations No. 13-2011, as amended, provided, that in no case shall it be subject to minimum corporate income tax.

Under the REIT Law, taxable net income means the pertinent items of gross income specified in Section 32 of the Tax Code less (a) all allowable deductions enumerated in Section 34 of the Tax Code (itemized or optional standard deductions) and (b) the dividends distributed by a REIT out of its own Distributable Income as of the end of the taxable year as (i) dividends to owners of the Shares and (ii) dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT. Furthermore, for purposes of computing the taxable net income of a REIT, the dividends allowed as deductions during the taxable year pertain to dividends actually distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year. Dividends distributed within this prescribed period shall be considered as paid on the last day of REIT’s taxable year.

In computing the income tax due of a REIT, the formula to be used shall be as follows:

Gross Income	(as defined under Section 32 of the Tax Code)
Less:	
Allowable Deductions	(as provided under Section 34 whether itemized or Optional Standard Deduction)
Dividends Paid	(as defined under Revenue Regulations No. 13-11, as amended)
Taxable	Net
x 25%	Income
Income Tax Due	

Under Revenue Regulations No. 3-2020, a REIT shall maintain its status as public company from the year of its listing, at the latest and thereafter, and shall comply with the provisions of its submitted Reinvestment Plan, as certified by the Philippine SEC. Otherwise, the dividend payment shall not be allowed as a deduction from its taxable income. For purposes of Revenue Regulations No. 3-2020, a “public company” is a company listed with

the Exchange and which, upon and after listing, has at least 1,000 public shareholders each owning at least 50 shares of any class and who, in the aggregate, own at least one-third (1/3) of the outstanding capital stock of the REIT. Furthermore, upon the occurrence of any of the following events, a REIT shall be subject to income tax on its taxable net income as defined in the Tax Code instead of its taxable net income as defined in the REIT Law: (a) failure to maintain its status as a public company as defined in the REIT Law; (b) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; (c) failure to distribute at least 90% of its Distributable Income as required by the REIT Law; (d) failure to comply with the Reinvestment Plan, as certified by the Philippine SEC, or (e) any combination of the foregoing. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The Philippine SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

A REIT availing of tax incentives under the REIT Law shall not be entitled to avail of incentives for the same types of taxes that may be available under special laws. Moreover, under Revenue Regulations No. 3-2020, as a condition for the availment of tax incentives, the REIT must comply with its Reinvestment Plan, as certified by the Philippine SEC. The Certification from the Philippine SEC that the REIT is compliant with its Reinvestment Plan must be submitted by the REIT as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Creditable Withholding Tax

Income payments received by a REIT which are subject to the expanded withholding tax shall be subject to a lower creditable withholding tax of 1%.

Transfer Taxes

The sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest thereto, shall be subject to 50% of the applicable Documentary Stamp Tax (“DST”). Moreover, all applicable registration and annotation fees relative or incidental thereto shall be 50% of the applicable registration and annotation fees. Both incentives can be availed by an unlisted REIT, provided it is listed with the PSE within two years from the initial availment of the incentives.

The 50% of the applicable DST shall be due and demandable together with the applicable surcharge, penalties, and interest thereon reckoned from the date such tax should have been paid upon the occurrence of any of the following events: (a) failure to list with the PSE within a period of two years from the date of initial availment; (b) failure to maintain its status as a public company as defined in the REIT Law; (c) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities with the Philippine SEC; (d) failure to distribute at least 90% of its Distributable Income required under the REIT Law, or (e) failure to comply with the Reinvestment Plan as certified by the Philippine SEC. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The Philippine SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

Value Added Tax

The gross sales from any disposal of real property or gross receipts from the rental of such real property by the REIT shall be subject to Value Added Tax (“VAT”). The REIT shall not be considered as a dealer in securities and shall not be subject to VAT on its sale, exchange, or transfer of securities forming part of its real estate-related assets.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulations No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT, as well as income tax and DST, if made pursuant to a tax-free exchange under Section 40(C)(2) of the Tax Code.

Tax-Free Exchange

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, transfers or exchanges of real property for shares of stock in a REIT falling under Section 40(C)(2) of the Tax Code shall have the following tax consequences: (a) the transferor shall not recognize any gain or loss on the transfer of the

property to a REIT, and shall not be subject to capital gains tax, income tax, or creditable withholding tax on the transfer of such property to a REIT; (b) the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X), in relation to Section 40(C)(2) of the Tax Code; and (c) the transfer would be exempt from DST as provided under Section 199 of the Tax Code.

In general, Section 15 of Revenue Regulations No. 13-2011 provides that unless otherwise provided in the REIT Law, the internal revenue taxes under the Tax Code shall apply.

On January 2018, Republic Act No. 10963 otherwise known as the Tax Reform for Acceleration and Inclusion Act (the “**TRAIN Law**”) was passed, and Section 86 thereof provides for a repealing clause enumerating the laws or provisions of laws that are repealed and the persons and/or transactions affected made subject to the changes in the VAT provisions of Title IV of the Tax Code, as amended. The REIT Law is not part of this enumeration. On March 15, 2018, the BIR issued Revenue Regulations No. 13-2018, amending the consolidated VAT rules under Revenue Regulations No. 16-2005. Among other things, Revenue Regulations No. 13-2018 inserted as among the VAT exempt transactions the transfer of property pursuant to Section 40(C)(2) of the Tax Code implementing Section 34 of the TRAIN Law.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulations No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X) of the Tax Code.

Previous tax regulations required entities entering into tax-free exchanges to obtain a confirmation or ruling from the Bureau of Internal Revenue that a transaction would qualify as a tax-free exchange. On April 11, 2021, Republic Act No. 11534, otherwise known as the CREATE Law (the “**CREATE Law**”), took effect. The CREATE Law expanded the list of tax-free exchanges and reiterated the VAT exemption of these transactions. It also removed the requirement of confirmation. Now, prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the Tax Code need not be obtained from the Bureau of Internal Revenue for purposes of availing of the tax exemption. As such, at present, only a tax clearance (“**CAR**”) need be obtained from the relevant Revenue District Office to effect the transfer of assets and issuance of shares through a tax-free exchange.

Reportorial Requirements and Other Matters

Under Revenue Regulations No. 13-2011, every quarter, a REIT is required to submit to the Large Taxpayers Regular Audit Division 3 (“**LTRAD 3**”) a sworn statement containing the list of its shareholders, their Tax Identification Number, their shareholdings, and the percentage that their shareholding represents.

As a withholding agent, the REIT is required to file withholding tax returns and remit withholding taxes on all income payments that are subject to withholding pursuant to the provisions of the Tax Code and its implementing regulations.

A REIT shall, in addition to the existing requirements under the Tax Code and its implementing regulations, and the requirements contained in the above paragraphs, submit to LTRAD 3, annually on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year) the following:

- a certification by a responsible person designated by the Philippine SEC that the REIT is compliant with the minimum public ownership requirement;
- a schedule of dividend payments indicating the name, address, amount of investment, classification of shares, amount of dividends, final tax-due of each investor, and a sworn statement that the minimum ownership requirement was maintained at all times;
- a certified true copy of the Philippine passport, or Certificate of Recognition issued under Republic Act No. 9255 of an overseas Filipino investor;
- a certified true copy of the employment contract of an overseas Filipino investor;
- a copy of the contract between the REIT and its fund manager;

- a copy of the contract between the REIT and its property manager;
- a written report on the performance of the REIT's funds and properties;
- any amendment(s) to the REIT Plan as approved by the Philippine SEC;
- a copy of the valuation report prepared by the REIT's appointed property valuer; and
- original/certified true copy of the Certification from the Philippine SEC that the REIT is compliant with its Reinvestment Plan, duly received by the BIR.

In case of each failure to file an information return, statement, or list, or to keep any record, or to supply any information required by Revenue Regulations No. 13-2011, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall upon notice and demand by the Philippine SEC, payment by the person failing to file, keep, or supply the same of ₱1,000 for each such failure; provided, however, that the aggregate amount to be imposed for all such failures during a calendar year shall not exceed ₱25,000.

Tax Incentives

A REIT enjoys the following tax incentives:

1. A tax deduction for dividends paid, in addition to the allowable deductions provided for under the Tax Code, to arrive at its taxable net income. For a REIT to enjoy this tax incentive, it should maintain its status as a "public company," observe the mandatory 90% dividend pay-out requirement of distributable income to shareholders, and submit a sworn statement that the minimum ownership requirements for the relevant years were maintained at all times.
2. Exemption from the minimum corporate income tax ("MCIT"), as well as documentary stamp tax ("DST") on the sale, barter, exchange, or other disposition of listed investor securities through the PSE, including cross or block sales with prior approval of the PSE. It is also exempted from paying the initial public offering ("IPO") tax on its initial and secondary offering of its investor securities. Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, permanently repealed the IPO tax.
3. A lower creditable withholding tax rate of 1% of its receipt of income payments. It also benefits from the 50% reduction on the amount of DST due on sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest, and applicable registration and annotation fees incidental to such transfers.

Shareholders of a REIT enjoy the following tax incentives:

1. Dividends paid by a REIT to resident citizens and aliens are subject to 10% final tax. However, if the dividends are received by overseas Filipino investors, such dividends shall be exempt from the payment of income or any withholding tax. Such exemption shall be enjoyed by overseas Filipino workers for a period of seven years from the effectivity of the BIR regulations implementing the tax provisions of REIT Act. Revenue Regulations No. 13-2011 was published in a newspaper of general circulation on July 27, 2011 and took effect fifteen (15) days after that, or on August 11, 2011.
2. In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. A non-resident alien individual or a non-resident foreign corporation may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty.

Applicability of Income Taxation Incentive and DST Tax Incentive

Section 11 of Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, provides that, in order for a REIT to qualify for the income taxation incentive and the DST incentive on the transfer of real property, a REIT must be a public company, it must distribute at least 90% of its distributable income, and it must comply with its Reinvestment Plan, as certified by the Philippine SEC. The Certification from the Philippine SEC

that the REIT is compliant must be submitted as an attachment to its annual income tax return and audited financial statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Conversely, for a REIT to qualify for the DST incentive on the transfer of real property, it should be listed with the PSE within two years from the date of its initial availment of the incentive (i.e., the date of the execution of the transfer documents) and maintain its listed status. While unlisted, the REIT in addition to all other presently existing requirements for the issuance of a Certificate Authorizing Registration (“CAR”), shall execute an undertaking that it shall list within 2 years from the date of its initial availment of the incentive.

The 50% of the applicable DST given as an incentive shall nevertheless be due and demandable together with the applicable surcharge, penalties, and interest thereon reckoned from the date such taxes should have been paid upon the occurrence of any of the following events, subject to the rule on curing period when applicable: (a) failure of a REIT to list with the PSE within 2 years from the date of its initial availment of this incentive; (b) failure of a REIT to maintain its status as a public company; (c) failure of a REIT to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; and (d) failure of a REIT to distribute at least 90% of its Distributable Income.

Revocation of Tax Incentives

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020, a REIT shall be subject to the applicable taxes, plus interests and surcharges, under the Tax Code upon the occurrence of any of the following events, subject to the rule on curing period where applicable: (a) failure of a REIT to maintain its status as a public company; (b) failure of a REIT to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the Philippine SEC; (c) failure of a REIT to distribute at least 90% of its Distributable Income; (d) failure of a REIT to list with the PSE within the two-year period from date of initial availment of DST incentive; (e) revocation or cancellation of the registration of the securities of a REIT; and (f) failure of a REIT to comply with the Reinvestment Plan as certified by the Philippine SEC and to submit the original or certified true copy of the Certification from the Philippine SEC, duly received by the BIR as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Delisting and its Tax Consequences

In the event that a REIT is delisted from the PSE, whether voluntarily or involuntarily for failure to comply with the provisions of the REIT Law or the rules of the PSE, the tax incentives granted under the REIT Law shall be *ipso facto* revoked and withdrawn as of the date the delisting becomes final and executory.

Any tax incentive that has been availed of by the REIT thereafter shall be refunded to the Government within 90 days from the date when the delisting becomes final and executory, with the applicable interests and surcharges under the Tax Code and Section 19 of the REIT Law.

Upon revocation due to delisting, an assessment notice shall be prepared to recover the deficiency income tax and DST due from a REIT. The deficiency taxes shall immediately become due and demandable and collection thereof shall be enforced in accordance with the provisions of the Tax Code.

This shall be without prejudice to the penalties to be imposed by the BIR. If the delisting is for causes highly prejudicial to the interest of the investing public such as violation of the disclosure and related party transactions of the REIT Law or insolvency of the REIT due to mismanagement or misappropriation, conversion, wastage, or dissipation of its corporate assets, the responsible persons shall refund to the REIT’s investors at the time of final delisting the book value/acquisition cost of their shares.

Nationality Restriction

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to

acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, the Foreign Investments Act and the Eleventh Regular Foreign Investment Negative List categorize the ownership of private lands as a partly-nationalized activity, such that the operation, ownership, or both thereof is partially reserved for Filipinos. Thus, landholding companies may have a maximum of 40% foreign equity.

As of the date of this REIT Plan, the Company does not own land. Nevertheless, because the Company's Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in the Company may not exceed 40% of its total issued and outstanding capital stock.

Property Registration

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Title to registered lands cannot be lost through possession or prescription. Presidential Decree No. 1529, as amended, otherwise known as the Property Registration Decree, codified the laws relating to land registration to strengthen the Torrens system and streamline and simplify registration proceedings and the issuance of certificates of title.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Similarly, in an administrative proceeding, the land is granted to an applicant by DENR through issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents (i.e. homestead, sales and free patent) must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new transfer certificate of title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

Zoning and Land Use

Land use may be limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (“**DAR**”), land classified for agricultural purposes as of, or after, June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Local Government Code

Republic Act No. 7160, as amended, otherwise known as the Local Government Code (“**LGC**”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit (“**LGU**”) shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of morality, peace, good order, comfort, convenience, and general welfare for the locality and its inhabitants. Ordinances can reclassify land, order the closure of

business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Real Estate Sales on Installments

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

1. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.
2. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); provided that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Department of Human Settlements and Urban Development Act

Republic Act No. 11201, otherwise known as “Department of Human Settlements and Urban Development Act” was signed by the President on February 14, 2019. The Implementing Rules and Regulations of the Act was approved on July 19, 2019. This Act created the Department of Human Settlements and Urban Development (“**DHSUD**”) through the consolidation of the Housing and Urban Development Coordinating Council (“**HUDCC**”) and the Housing and Land Use Regulatory Board (“**HLURB**”), simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission (“**HSAC**”). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development;
2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:

- a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their CLUPs and ZOs;
 - b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws; and
 - c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to RA 9904, Section 26 of RA 8763 in relation to Executive Order No. (EO) 535, series of 1979, and other related laws; and
 - d. The adjudicatory mandate of the HLURB.
3. Develop and adopt a national strategy to immediately address the provision of adequate and affordable housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall thenceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on December 31, 2019. Thereafter, the Act shall be in full force and effect.

Fire Code

Republic Act No. 9514, or the Fire Code of the Philippines (“**R.A. 9514**”), aims to ensure public safety and prevent and suppress all kinds of destructive fires. It provides that building owners or administrators must comply with the following:

1. Inspection requirements;
2. Safety measures for hazardous materials;
3. Safety measures for hazardous operation/processes;
4. Provision on fire safety construction, protective and warning system; and
5. Abatement of fire hazards.

In addition, R.A. 9514 provides for penalties for violation of its provisions.

Real Property Taxation

Real property taxes are payable annually based on the property's assessed value. Under the LGC, the assessed value of property and improvements vary depending on the location, use and the nature of the property. An additional special education fund tax of 1% of the assessed value of the property may also be levied annually by the local government unit. The basic real property tax and any other tax levied on real property constitute a lien

on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the local government unit, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

Special Economic Zone Act

The Philippine Economic Zone Authority ("PEZA"), is a government corporation that operates, administers and manages designated special Ecozones around the country. Ecozones, which are generally created by proclamation of the President of the Philippines subject to the evaluation and recommendation of PEZA, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. Under R.A. No. 7916, as amended (the "**Special Economic Zone Act of 1995**"), an Ecozone enterprise, on the other hand, includes, among others, export enterprises, domestic market enterprises, pioneer enterprises, facilities enterprises, and developers or operators. Generally, enterprises registered with PEZA and PEZA facility developers and operators enjoy fiscal and non-fiscal incentives such as an income tax holiday, and duty-free importation of equipment, machinery, and raw materials. In order to avail of such incentives however, enterprises are required to comply with the obligations under the Special Economic Zone Act of 1995 as well as directives PEZA may issue and conditions stipulated in the registration. Further, there are reportorial requirements to comply with such as the submission of financial documents (Audited Financial Statements, Income Tax Returns).

An Ecozone developer or operator refers to a business entity or concern duly registered with or licensed by PEZA to develop, operate, and maintain an Ecozone or any or all of the component industrial estates, export processing zones, free trade zones, or tourist or recreational centers and the required infrastructure facilities and utilities such as light and power systems, water supply and distribution systems, sewerage and drainage systems, pollution control devices, communication facilities, paved road networks, administration buildings, and other facilities as may be required by PEZA. An Ecozone developer or operator may be an information technology park developer or operator, among other types of developers or operators.

LABOR LAWS

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights that are specifically guaranteed by the Philippine Constitution are as follows:

- (a) Right to organize;
- (b) Right to conduct collective bargaining or negotiation with management;
- (c) Right to engage in peaceful concerted activities, including strikes in accordance with law;
- (d) Right to enjoy security of tenure;
- (e) Right to work under humane conditions;
- (f) Right to receive a living wage; and
- (g) Right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

The Department of Labor and Employment (“**DOLE**”) is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines (“**Labor Code**”) and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor. The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Contracting and subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work, or service within a definite or predetermined period, regardless of whether such job, work, or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a “trilateral relationship” among: (i) the principal who decides to farm out a job, work, or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, Department Order No. 174 (2017) (“**D.O. No. 174-17**”) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor’s or subcontractor’s employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

D.O. No. 174-17 provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor’s or subcontractor’s employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislation, to the extent of the work performed under the employment contract.

On May 2, 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker’s right to security of tenure, self-organization, and collective bargaining and peaceful concerted activities.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires providing complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

The Rules for Occupational Safety and Health Standards (“**OSHS**”) issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values (“**TLV**”) for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV also pertains to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS, or must not exceed the eight-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation, or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided under Department of Labor and Employment Department Order No. 198-18 and imposable upon any employer, contractor, or subcontractor who willfully fails or refuses to comply with the OSHS standards or a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative.

Depending on the size of the workforce and the nature of the workplace as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries with workers of 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay on the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic within 25 minutes of travel, and ensure that it has facilities readily available for transporting its workers to the hospital or clinic in case of an emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must provide to DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with, and approved by, the employees.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth, and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("SSS"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation ("**PhilHealth**"), a government corporation attached to the DOH

tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship. The law provides that a member should have paid his contributions for at least three months within the six months prior to the first day of availment, including those of his dependents, to be entitled to the benefits of the program.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Other Labor-Related Laws and Regulations

Employment of Foreign Nationals

Under Department Order No. 186, Series of 2017 (“**D.O. No. 186-17**”), issued by the DOLE, all foreign nationals who intend to engage in gainful employment in the Philippines shall apply for an Alien Employment Permit (“**AEP**”). However, D.O. No. 186-17 clarifies that an AEP is not an exclusive authority for a foreign national to work in the Philippines. It is just one of the requirements in the issuance of a work visa (9g) to legally engage in gainful employment in the country. The foreign national must obtain the required special temporary permit from the Professional Regulation Commission in case the employment involves practice of profession and Authority to Employ Alien from the Department of Justice where the employment is in a nationalized or partially nationalized industry, as well as from the Department of Environment and Natural Resources in case of employment in a mining company. D.O. No. 186-17 also provides for the list of foreign nationals who are exempt and excluded from securing an AEP.

Under D.O. No. 186-17, the Regional Director shall impose a fine of ₱10,000.00 for every year or a fraction thereof to foreign nationals found working without a valid AEP. Employers found employing foreign nationals without a valid AEP shall also pay a fine of ₱10,000.00 for every year or a fraction thereof. Further, an employer who is found to have failed to pay the penalty provided under D.O. No. 186-2017 shall not be allowed to employ any foreign national for any position in the employer’s company.

On January 6, 2021, the DOLE has issued Department Order No. 221, Series of 2021, or the Revised Rules and Regulations for the Issuance of Employment Permits to Foreign Nationals. It shall take effect after fifteen (15) days from its publication in two (2) newspapers of general circulation. As of the Date of this REIT Plan, the new Rules on AEP have not yet been published and taken effect. However, one of the notable revisions in the new Rules with respect to the processing of the AEP application is the requirement of a publication in a newspaper of general circulation by the employer of the job vacancy to which the foreign national is intended to be hired at least fifteen (15) calendar days prior to the application for an AEP. An additional requirement in the AEP application is a duly notarized affidavit stating that no applications were received or no Filipino applicant was considered for the position. Moreover, foreign nationals providing consultancy services were removed in the list of categories excluded from the AEP.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarity liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other

affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel. All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

ENVIRONMENTAL LAWS

Environmental Impact Statement System

Real estate development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“**ECC**”) prior to commencement. The Department of Environment and Natural Resources (“**DENR**”), through its regional offices or through the Environmental Management Bureau (the “**EMB**”), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement (“**EIS**”) to the EMB, which is a result of a positive determination by the EMB on the preventive, mitigating and enhancement measures adopted addressing possible adverse consequences of the project to the environment. The EIS refers to the document, prepares and submitted by the project proponent and/or the Environmental Impact Assessment Consultant which provides for a comprehensive study of the significant impacts of a project to the environment. On the other hand, a non-environmentally critical project in an environmentally critical area is generally required to submit an Initial Environmental Examination (the “**IEE**”) to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required in addition to the IEE.

The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socioeconomic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC.

The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the abandonment phase of the project. Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures.

Aside from the EIS and IEE, engineering geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

Philippine Clean Water Act

In 2004, Republic Act No. 9275, or the “Philippine Clean Water Act of 2004,” was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country’s water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing

Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

Philippine Clean Air Act

R.A. 8749 or “The Philippine Clean Air Act of 1999” is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking.

The Philippine Clean Air Act of 1999 requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants. The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

The Toxic Substances and Hazardous and Nuclear Waste Control Act

R.A. No. 6969 or “The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990,” regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

Hazardous wastes are substances brought into the country without any safe commercial, industrial, agricultural or economic usage. On the other hand, toxic wastes are substances that are poisonous and have carcinogenic, mutagenic, or teratogenic effects on human or other life forms.

Ecological Solid Waste Management Act

R.A. No. 9003 or “The Ecological Solid Waste Management Act of 2000” provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste.

The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

DATA PRIVACY LAWS

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 or DPA, was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.*, personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording,

transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of “personal information,” which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors.” It also provides for penal and monetary sanctions for violations of its provisions.

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act (the “PCA”) came into effect August 5, 2015 and is the primary competition law in the Philippines.

The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the “PCC”), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

- (a) Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
- (b) Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and
- (c) Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

The PCA provides for mandatory notification to the PCC where the value of such transaction exceeds ₱2.4 billion (“**Size of Transaction**”), and where the size of the ultimate parent entity of either party exceeds ₱6 billion (“**Size of Party**”). Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures (“**Merger Rules**”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of

1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020. Such transactions are likewise exempt from the PCC's motu proprio review for a period of one year from the effectivity of the Bayanihan 2 Act. A transaction is considered "entered into" upon signing by the parties of the definitive agreement.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and

the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to motu proprio review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

Philippine Revised Corporation Code

Republic Act No. 11232 or the Philippine Revised Corporation Code ("**Philippine Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Philippine Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- The Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least 2/3 of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia*, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to

issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Philippine Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

Foreign Investment Act

The Foreign Investment Act (“**FIA**”) liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the “**Negative List**”) signed on 29 October 2018. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document (“**BSRD**”) or BSRD Letter-Advice from the registering custodian bank and the broker’s sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary’s sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor’s custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange

crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board undertakes the overall management and supervision of the Company by setting its goals, strategies and policies, and regularly monitoring their effectiveness and implementation. The Company's executive officers and management team support the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition, and results of operations for its review.

THE BOARD AND SENIOR MANAGEMENT

The Board consists of seven members, three of whom are independent Directors. The Directors shall serve for one year from date of election until their successors are elected and qualified.

The following table sets out certain information regarding the members of the Board and the Company's executive management. All members of the Board and executive officers listed below are citizens of the Philippines. No member of the Board has any financial interest in the Properties of the Company.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Lourdes Josephine Gotianun - Yap	65	Chairperson of the Board
Maricel Brion-Lirio	51	Director, President and Chief Executive Officer
Tristaneil D. Las Marias	45	Director
Francis Nathaniel C. Gotianun	37	Director
Val Antonio B. Suarez	62	Independent Director
Virginia T. Obcena	73	Independent Director
Gemilo J. San Pedro	66	Independent Director
Ana Venus A. Mejia	55	Chief Financial Officer, Treasurer and Compliance Officer
Sharon P. Pagaling-Refuerzo	41	Corporate Secretary
Patricia Carmen Pineda	48	Investor Relations Officer
Raymond Wilfred L. Castañeda	44	Data Privacy Officer

The Company's senior management team is comprised of experienced and committed professional with an average of over 25 years of accumulated experience in the Philippine real estate industry. The business experience of each of the Company's Directors and executive officers is set out below.

Lourdes Josephine Gotianun-Yap, *Chairperson of the Board*

Mrs. Yap, 65, Filipino, was appointed as Chairperson of the Board of the Company on February 11, 2021. She has been a director of the Company since 2001. She is also a Director, President and Chief Executive Officer of Filinvest Development Corporation ("FDC"), Filinvest Land, Inc. ("FLI"), and Filinvest Hospitality Corporation ("FHC"), and a Director of East West Banking Corporation ("EWBC"), Filinvest Alabang, Inc. ("FAI"), FDC Utilities, Inc. ("FDCUI"), and in other companies within the Filinvest Group.

She obtained her Bachelor of Science in Business Management from the Ateneo de Manila University, She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.

Maricel Brion-Lirio, *Director, President and Chief Executive Officer*

Ms. Brion-Lirio, 51, Filipino, was elected as Director, President and Chief Executive Officer of the Company on February 11, 2021. Prior to that, she held the position of Executive Vice President and Chief Operating Officer of the Company, Senior Vice President-Offices and Vice President-Project Group Head of FAI. She was also formerly a Senior Assistant Vice President and Marketing Director for Philam Properties Corporation, National Sales Manager for Triumph International (Phils.) Inc., Marketing and Leasing Manager of D.C. Realty and Finance Corp., Marketing Services and Customer Relations Manager of Mazda and BMW Philippines and a money market trader of CityTrust Banking Corp., a Citibank N.A. subsidiary.

She obtained her Bachelor's Degree in Mass Communications from Assumption College Makati. She also attended the Business Management Program of Asian Institute of Management and earned units in the Graduate School of Management at the University of San Francisco, California.

Tristaneil D. Las Marias, Director

Mr. Las Marias, 45, Filipino, was first elected as a director of the Company on September 30, 2020. He is concurrently an Executive Vice President & Chief Strategy Officer, Cluster Head for Visayas and Mindanao, and Cluster Head for Southern and Central Luzon of FLI. He is also the President of Property Specialist Resources, Inc. Prior to joining the Filinvest Group, he was Assistant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation and a Project Officer of Landco Pacific Corporation. He obtained his Bachelor of Arts in Management Economics from Ateneo de Manila University.

Francis Nathaniel C. Gotianun, Director

Mr. Gotianun, 37, Filipino, was elected as Director of the Company on September 30, 2020, subject to the approval of the Philippine SEC of the increase in the Company's number of directors.⁵ He is also a Director of FLI and other companies within the Filinvest Group. He also serves as Senior Vice President of FHC and its subsidiaries, and as President and CEO of The Palms Country Club, Inc.

He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.

Val Antonio B. Suarez, Independent Director

Mr. Suarez, 62, Filipino, is an independent director of the Company, having been first elected on April 6, 2017. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange, Inc. Mr. Suarez is also an independent director of FDC, FLI and Lepanto Consolidated Mining Company, and a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University Law School and a Master of Laws degree from Georgetown University Law Center.

Virginia T. Obcena, Independent Director

Ms. Obcena, 73, Filipino, was first elected as an independent director of the Company on July 17, 2019. She is also an independent director of FDC. She is a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank. She served as independent director and head of the Audit Committee of the Capital Markets Integrity Corporation. She was a former partner, member of the management committee and head of quality and risk management at SyCip Gorres Velayo & Co. (SGV). She obtained her Bachelor of Science in Business Administration degree, Magna cum Laude, at the University of the East and her Master in Business Administration degree at the University of the Philippines. She is a certified public accountant.

⁵ Effective upon approval of the increase in the number of directors by the Philippine SEC.

Gemilo J. San Pedro, *Independent Director*

Mr. San Pedro, 66, Filipino, was elected as Director of the Company on September 30, 2020, subject to the approval of the Philippine SEC of the increase in the Company's number of directors.⁶ He is an independent director of FLI. He has 38 years of experience in public accounting and business advisory services. Prior to his retirement on June 30, 2015, he served various leadership roles at SyCip Gorres Velayo & Co. (SGV & Co.). He was a partner in SGV & Co. from 1991 to 2015 and Professional Practice Director and Quality and Risk Management Leader from 2004 to 2015. He is not a Director of any other publicly listed company. He finished his Bachelor of Science in Commerce-Major in Accounting degree at Rizal Memorial Colleges, Davao City, in 1976. He obtained his Master of Business Administration, concentration in Finance and International Business, at the Graduate School of Business, New York University, (now Stern Graduate School) USA, in 1983.

Ana Venus A. Mejia, *Chief Financial Officer, Treasurer and Compliance Officer*

Ms. Mejia, 55, Filipino, has been the Treasurer and Chief Finance Officer of the Company since October 2020 and June 2015, respectively. Prior to joining the Filinvest Group, she worked with Shoemart and SyCip Gorres Velayo & Co. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.

Sharon P. Pagaling-Refuerzo, *Corporate Secretary and Corporate Information Officer*

Ms. Pagaling-Refuerzo, 41, Filipino, has been the Company's Corporate Secretary since 2014. She also serves as Vice President, Corporate Secretary, and Corporate Information Officer of FDC and FLI. Prior to joining the Filinvest Group, she served as Legal Counsel for Robinsons Land Corporation. She graduated Cum Laude from University of the Philippines and obtained her Bachelor of Laws degree from San Beda College of Law.

Patricia Carmen Pineda, *Investor Relations Officer*

Ms. Pineda, 48, Filipino, has been the Investor Relations Officer of the Company since October 2020. She is concurrently Senior Assistant Vice President and Group Investor Relations Officer of FDC. Prior to joining FDC in April 2019, Ms. Pineda served as the Head of Investor Relations for Metropolitan Bank & Trust Company. She also served as the Head of Investor Relations Concurrent Head of Controllership and Analysis for Manila Water Company, Inc. and Investor Relations Manager for Ayala Land, Inc. She holds a Bachelor of Science degree, major in Economics from the University of the Philippines, and a Master of Science degree in Finance from the same university.

Raymond Wilfred L. Castañeda, *Data Privacy Officer*

Mr. Castaneda, 44, Filipino has been the Data Protection Officer of the Company since April 2021. He has 22 years combined experience in different areas, covering sales and marketing, information technology, strategy and general management. He was previously the Chief Information Officer and Head of IT for Petron Corporation. Prior to his experience in the oil and gas industry, he was in the fast-moving consumer goods business where he was involved in the digital transformation of multinational companies such as Unilever, Johnson and Johnson and SC Johnson. He graduated from the Ateneo de Manila University in 1999, with a degree in BS Management Information Systems.

CORPORATE GOVERNANCE

The Company has a Revised Manual for Corporate Governance (the "**Manual**") to ensure its compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by the Board on September 30, 2020.

The Company is in substantial compliance with its Manual as demonstrated by the following: (a) the election of two independent directors to the Board; (b) the appointment of members of the audit, corporate governance, compensation and other committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities

⁶ Effective upon approval of the increase in the number of directors by the Philippine SEC.

as such directors; (d) the submission to the Philippine SEC of reports and disclosures required under the Securities Regulation Code; (e) the Company's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by the Company.

In order to keep itself abreast with the leading practices on corporate governance, the Company encourages the members of its top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

The Company welcomes proposals, especially from institutions and entities such as the Philippine SEC, PSE and the Institute of Corporate Directors, to improve its corporate governance.

The Company believes there has been, and currently is, no material deviation from its Manual.

COMMITTEES OF THE BOARD

Pursuant to the Company's Manual, the Board created each of the following committees and appointed Board members thereto. Each member of the respective committees named below has been holding office as of the date of this REIT Plan and will serve until his successor shall have been elected and qualified.

Related Party Transaction Committee

The Company's Related Party Transaction Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. It is also responsible for continuous evaluation and monitoring of existing relations among counterparties to ensure that all related parties are identified, related party transactions ("RPTs") are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, as well as evaluation of all material RPTs to ensure that these are transacted on an arm's length basis and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

The Committee is composed of at least three non-executive Directors, two of whom shall be independent, including the chairman of the committee. The members of the Related Party Transaction Committee are Ms. Virginia T. Obcena who also serves as its chairman, Gemilo J. San Pedro, and Atty. Val Antonio Suarez. Ms. Obcena, Mr. San Pedro, and Atty. Suarez are independent directors.

Audit & Risk Management Oversight Committee

The Company's Audit & Risk Management Oversight Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit & Risk Management Oversight Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Audit & Risk Management Oversight Committee shall promulgate its own charter for the approval of the Board, which shall set out its purposes, membership, structure, operations, reporting process, resources and other relevant information in accordance with Philippine SEC Memorandum Circular No. 4, Series of 2012. The charter of the Audit & Risk Management Oversight Committee shall also detail the committee's responsibility for assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity on an annual basis, and the effectiveness of the audit process. The performance of the committee shall be conducted by the company within one (1) year from the date of listing from the PSE. The Audit & Risk Management Oversight Committee must be composed of at least three non-executive Directors, with accounting and financial background, and majority of whom shall be independent directors, including the Chairperson. The committee reports to the Board. As of the date of this REIT Plan, Ms. Virginia T. Obcena serves as the chairperson of the Audit & Risk Management Oversight Committee. Mr. Gemilo J. San Pedro and Atty. Val Antonio B. Suarez are the other members of the Audit & Risk Management Oversight Committee. Ms. Obcena and Atty. Suarez are independent directors.

Corporate Governance Committee

The Company's Corporate Governance Committee oversees the implementation of the corporate governance framework of the Company and is responsible for providing shareholders with an independent and objective

evaluation of and assurance that the members of its Board are competent and will foster the Company's long-term success and secure its competitiveness. The Corporate Governance Committee is composed of the Chairman of the Board and at least three (3) members of the Board, majority of whom shall be independent directors, including the Chairperson. The Corporate Governance Committee reports directly to the Board. As of the date of this REIT Plan, Atty. Val Antonio B. Suarez serves as the chairman of the Corporate Governance Committee. Mr. Gemilo J. San Pedro and Ms. Virginia T. Obcena are the other members of the committee.

Compensation Committee

The Company's Compensation Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and its key executives. The Compensation Committee must be composed of at least three Director-members, including one independent director and reports directly to the Board. As of the date of this REIT Plan, Atty. Val Antonio B. Suarez serves as the chairman of the Compensation Committee. Ms. Virginia T. Obcena and Ms. Lourdes Josephine Gotianun-Yap are the other members of the Compensation Committee.

EXECUTIVE COMPENSATION

Except for a per diem of ₱50,000.00 being paid to each of the independent Directors for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the Directors of the Company in their capacity as such.

Key management personnel are entitled to short-term employee benefits. For the year ended December 31, 2020, such benefits for all officers and directors of the Company amounted to ₱9.7 million, and for the three months ended March 31, 2021, such benefits amounted to ₱1.4 million. Prior to 2020, the Company engaged and paid service and management fees to FLI and FAI for the services rendered to the Company by such entities' directors and executives. The Company incurred ₱13.1 million, ₱11.9 million, and ₱7.5 million in service and management fees for such services for the years ended December 31, 2019, 2018, and 2017, respectively.

The table below sets forth the compensation of the CEO and top four (4) highest compensated officers of the company for the years indicated:

Name and Principal Position	Period	Salary (₱ million)	Bonus (₱ million)	Other Annual Compensation and Benefits (₱ million)	Total (₱ million)
CEO and top four (4) highest compensated officers*					
Maricel Brion-Lirio (CEO) Ana Venus Mejia (Trasurer, CFO, Compliance Officer) Michael Mamalateo (SAVP)* Yasmin M. Dy (AVP)* Raymond Castaneda (Data Protection Officer)	2021- (estimated)	1.4	—	—	1.4
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2020	7.8	1.6	0.4	9.7
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2019**	13.7	—	—	13.7
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2018**	11.9	—	—	11.9

All officers and directors as a group unnamed	2021 Estimated	1.4	—	—	1.4
	2020	7.8	1.6	0.4	9.7
	2019**	13.7	—	—	13.7
	2018**	11.9	—	—	11.9

*Resigned on February 28, 2021.

**Prior to 2020, the Company engaged and paid service and management fees to FLI and FAI for the services rendered to the Company by such entities' directors and executives. The Company incurred ₱13.1 million, ₱11.9 million, and ₱7.5 million in service and management fees for such services for the years ended December 31, 2019, 2018, and 2017, respectively.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this REIT Plan, there are no outstanding warrants or options in connection with the Company Shares held by any of the Company's Directors or executive officers.

SIGNIFICANT EMPLOYEES

While the Company values the contribution of its senior management, corporate officers and senior employees, the Company believes that there is no senior employee as of the date of this REIT Plan, the resignation or loss of whom, would have a material adverse impact on the Group's business. Other than standard employment contracts, there are no special arrangements with non-senior management employees.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

To the best of the Company's knowledge and belief and after due inquiry, none of the Directors, or executive officers of the Company have, in the five-year period prior to the date of this REIT Plan, been convicted judicially or administratively of an offense or judicially declared insolvent, spendthrift, or incapacitate to contract. There is a pending complaint against certain Directors of the Company, which is described below.

MPMII Complaint

On February 24, 2016, a complaint for syndicated estafa was filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, in their capacity as such, including Lourdes Josephine Gotianun – Yap and Val Antonio B. Suarez. The allegations in the complaint related to the ownership and sale by FLI of portions of one of its projects – The Glens at Parkspring Phases 2, 3 and 4 located at San Pedro, Laguna. Complainant claims to be the owner of such portions. The respondents were sued in their capacities as majority stockholders/members of the Board of Directors of FLI.

The complaint was dismissed by the Office of the City Prosecutor of Dasmariñas, Cavite on November 16, 2016, and MPMII has filed for a petition for review with the Philippine Secretary of Justice on February 21, 2017, which is pending as of the date of this REIT Plan.

FAMILY RELATIONSHIPS

Mr. Francis Gotianun, Director, is the nephew of Ms. Lourdes Josephine G. Yap, Chairperson of the Board. There are no other family relationships by either consanguinity or affinity among the Company's executives and directors other than the foregoing.

PRINCIPAL AND SELLING SHAREHOLDER

Shareholders

Company's Issued Capital

As of March 31, 2021, the Company had an authorized capital stock of ₱2,000,000,000 divided into 2,000,000,000 common shares with a par value of ₱1.00 per Share, of which 1,163,426,668 Shares are issued and outstanding. On June 25, 2021, the Company's shareholders, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from "Cyberzone Properties, Inc." to "Filinvest REIT Corp.", (ii) reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. As part of the increase in authorized capital stock, the Sponsor will subscribe to 2,565,924,658 Shares. The change in name of the Company, the reduction in the par value of its Shares and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021. As a result of the such increase and the subscription to Shares by the Sponsor, 4,892,777,994 Shares are issued and outstanding as of the date of this REIT Plan.

As of the date of this REIT Plan, the Sponsor owns 100.0% of the Company.

Shareholders as of the date of this REIT Plan

The following table sets out the Company's shareholders as of the date of this REIT Plan.

	Number of Shares held ⁽¹⁾	% of total outstanding Shares (%)
Filinvest Land Inc.	4,892,777,980	99.9
Lourdes Josephine Gotianun – Yap.....	2	0.0
Maricel Brion-Lirio.....	2	0.0
Tristaneil D. Las Marias.....	2	0.0
Francis Nathaniel C. Gotianun.....	2	0.0
Val Antonio B. Suarez.....	2	0.0
Virginia T. Obcena.....	2	0.0
Gemilo J. San Pedro.....	2	0.0
Total.....	<u>4,892,777,994</u>	<u>100.0</u>

Note:

(1) Includes Shares held by nominees.

The representative of the Sponsor is any of the following individuals: (i) Jonathan T. Gotianun, Chairman of the Board, (ii) Lourdes Josephine Gotianun-Yap, President and Chief Executive Officer or (iii) Ana Venus A. Mejia, Treasurer and Chief Financial Officer.

Selling Shareholder

Upon completion of the Offer, the shareholders of the Company and their direct shareholdings are expected to be as set out below:

	Shares owned before the Offer ⁽¹⁾⁽³⁾		Shares owned after the Offer ⁽³⁾ (assuming full exercise of the Over-allotment Option)		Shares owned after the Offer ⁽³⁾ (assuming the Over-allotment Option is not exercised)	
	(%)		(%)		(%)	
Filinvest Land Inc.....	4,892,777,994	100.0	3,095,171,359	63.26%	3,258,590,144	66.60%
Public ⁽²⁾	—	—	1,797,606,635	36.74%	1,634,187,850	33.40%
Total.....	<u>4,892,777,994</u>	<u>100.0</u>	<u>4,892,777,994</u>	<u>100.00</u>	<u>4,892,777,994</u>	<u>100.00</u>

Notes:

- (1) As at the date of this REIT Plan.*
- (2) Comprises both institutional and retail investors.*
- (3) Includes Shares held by nominees.*

Security Ownership of Management and Related Parties as of the Date of this REIT Plan

The Sponsor holds more than 5% of the Company's shares as of the date of this REIT Plan.

Aside from the foregoing, none of the Company's Directors or executive officers own Shares, other than qualifying shares, directly in the Company. In addition, neither the Fund Manager nor the Property Manager (or any of the directors or executive officers of either the Fund Manager or the Property Manager) own shares directly in the Company.

Voting Trust Holders of 5% or more

The Company is not aware of any person holding more than 5% of shares under a voting trust or similar agreement.

Ownership Disputes

As of the date of this REIT Plan, the Company is not experiencing any dispute over the ownership of the Company.

Change in Control

As of the date of this REIT Plan, the Company is not aware of any arrangements that may result in a change in Control of the Company.

RELATED PARTY TRANSACTIONS

Related Party Transactions and the REIT Law

Under the provisions of the REIT Law, a related party is defined to include:

- a director; the chairman of the board of directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer and their equivalent positions, including consultants with similar rank or position (the “**Principal Officer**”); or a stockholder who is, directly or indirectly, the beneficial owner of more than ten percent of any class of the REIT’s shares (a “**Principal Stockholder**”); or an associate of such persons;
- the sponsor or promoter of the REIT, meaning any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the REIT;
- the fund manager of the REIT, meaning any person who manages the functions of the REIT;
- any adviser of the REIT, meaning a lawyer, accountant, auditor, financial or business consultant, and such other persons rendering professional advisory services to the REIT;
- the property manager of the REIT, meaning a professional administrator of real properties who is engaged by the REIT to provide the property management services;
- a director, Principal Stockholder or Principal Officer of the sponsor/promoter of the REIT, fund manager, property manager, or associate of the any such persons;
- parent, subsidiary or affiliate to the REIT, the fund manager or the property manager; and
- any person who holds legal title to the shares of the REIT for the benefit of another for the purpose of circumventing the provisions of the REIT Law.

(collectively, “**Related Parties**”)

Any contract or amendment thereto, between the REIT and any related party, as described above, including contracts for services, shall comply with the following minimum requirements:

- the REIT must fully, fairly, timely, and accurately disclose the identity of the Related Party or Parties, their relationship with the REIT, and other important terms and conditions of the transaction to the PSE and the Philippine SEC;
- the contract must be on fair reasonable terms, including the contract price;
- the contract must be approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT;
- the contract must be approved by the related party transactions committee which is constituted with the sole task of reviewing related party transactions. Majority of its members must be independent directors who shall vote unanimously in approving such related party transaction;
- the REIT must comply with Philippine SEC Memorandum Circular No. 10 series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies, or such other relevant regulations that may be issued by the Philippine SEC;
- the contract must be accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the Philippine SEC, in the case of an

acquisition or disposition of real estate assets and property or share swaps or similar transactions;
and

- the REIT must also disclose any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the REIT.

Related Party Transactions and Philippine SEC Regulation

The Philippine SEC likewise issued Memorandum Circular No. 10, Series of 2019, which took effect on April 27, 2019 (the “**Circular**”). Under this Circular, related party transactions, either individually or in aggregate over a twelve-month period, amounting to at least 10% of a company’s total assets shall be considered as a material related party transaction (“**Material RPT**”). The Philippine SEC likewise included in the relevant definition of “related parties” directors, officers, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control or significant influence over the reporting publicly-listed company.

Some of the new and pertinent rules provided in the Circular are as follows:

- newly listed companies shall submit their Material RPT policy within six months from their listing date, which policy must be consistent with the Circular. The Material RPT Policy shall be signed by the company’s chairman and compliance officer;
- the board of directors shall adopt a group-wide Material RPT policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile, and complexity of operations;
- the Material RPT policy shall include, at a minimum: identification of related parties, coverage of Material RPT, adjusted thresholds, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the Material RPT, guidelines in ensuring arm’s length terms, approval of Material RPT, self-assessment and periodic review of policy, disclosure requirements, whistleblowing mechanisms, and remedies for abusive Material RPT;
- the approval of Material RPT shall be by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the Material RPT. If the majority vote of independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock of the company. The same board approval shall be secured for aggregate related party transactions within a twelve-month period that breaches the 10% materiality threshold covering the same related party;
- an Advisement Report on Material RPT shall be submitted to the Philippine SEC within three calendar days after the execution date of the transaction; and
- a summary of Material RPT for the reporting year shall be disclosed in the Integrated Annual Corporate Governance Report annually every May 30.

The Company’s Existing Related Party Transactions

In the ordinary course of the Company’s business, it engages in a variety of transactions with related parties. Pursuant to the REIT Law, the Company’s related parties include the Sponsor, the Fund Manager, the Property Manager, the Company’s associates, members of the Filinvest Group, related parties under common ownership and management, and key management personnel.

The Company’s related party transaction policy is to ensure that these transactions are entered into on terms, which are not more favorable to the related party than those generally available to third parties dealing on an arm’s length basis, and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving body, as determined by the Board, to ensure that the Company’s resources are not misappropriated or misapplied. The Company has a Related Party Transaction Review Committee which evaluates the Company’s ongoing relationships with related parties. Please see the section entitled “*Board of Directors and Senior Management – Committees of the Board*” in this REIT Plan for more information. If an

actual or potential conflict of interest should arise on the part of a Director, the relevant Director is required to make a full disclosure of that actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict. A Director who has a continuing conflict of interest of a material nature must either resign, or if the Board deems appropriate, be removed from the Board.

In addition, the Company's Fund Manager has established procedures for assessing related party transactions. The Company's Fund Manager's approach with respect to related party transactions is discussed in the section entitled "*The Fund Manager and the Property Manager – Related Party Transactions*" in this REIT Plan.

The table below sets out the principal ongoing transactions with the Company's related parties that relate to the Properties as of the date of this REIT Plan:

Related Parties	Nature of Transaction	Value of the Transaction
East West Banking Corporation (affiliate)	Bank deposits	The Company maintains savings accounts and short-term deposits with East West Banking Corporation. Cash and cash equivalents earn interest at the prevailing short-term interest rates.
Filinvest Land, Inc.	Contract of Lease for office space in Vector One (<i>Company as Lessor</i>)	Initial monthly rent of ₱600 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 3,269.6 sq.m. with four parking slots and a lease term of five years commencing on December 6, 2016 and ending on December 5, 2021. The contract was renewed for a period of 10 years commencing on December 6, 2021 and ending on December 5, 2031 with a headline rate of ₱785 per sq.m. per month, subject to annual escalation of 5% starting on the third year.
Filinvest Alabang, Inc.	Contract of Lease for office space in Vector One (<i>Company as Lessor</i>)	Initial monthly rent of ₱400 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 4,904.49 sq.m. The initial period of the contract was from April 1, 2011, ending on March 31, 2016. The contract was renewed with 71 parking slots for a period of five years commencing on April 1, 2016 and ending on March 31, 2021 with a headline rate of ₱600 per sq.m. per month, subject to annual escalation of 5% starting on the second year. The contract was renewed with reduced parking slots of 57 for another period of ten years commencing on April 1, 2021 and ending on March 31, 2031 with a headline rate of ₱785 per sq.m. per month, subject to annual escalation of 5% starting on the third year.
Filinvest Alabang Inc.	Contract of Lease for office space in Axis Tower 1	Initial monthly rent of ₱720 per sq.m. per month, subject to an annual

<u>Related Parties</u>	<u>Nature of Transaction</u> <i>(Company as Lessor)</i>	<u>Value of the Transaction</u>
Corporate Technologies, Inc.	Contract of Lease for office space in Filinvest Three <i>(Company as Lessor)</i>	escalation of 5% starting on the second year. The contract is for a space of 1907.02 sq.m. with seventeen (17) parking slots and lease term of five (5) years commencing on September 2, 2019 and ending on September 1, 2024. Initial monthly rent of ₱700 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 292.22 sq.m. and lease term of five years commencing on November 15, 2018 and ending on November 14, 2023.
Filinvest Hospitality Corporation	Contract of Lease for office space in Vector Two <i>(Company as Lessor)</i>	Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 706.47 sq.m. with 10 parking slots and lease term of 10 years commencing on June 2, 2017 and ending on June 1, 2027.
Chroma Hospitality Inc.	Contract of Lease for office space in Vector Two <i>(Company as Lessor)</i>	Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 676.34 sq.m. with 10 parking slots and lease term of five years commencing on June 2, 2017 and ending on June 1, 2027.
Festival Supermall Inc.	Contract of Lease for office space in Vector Two <i>(Company as Lessor)</i>	Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 251.99 sq.m. with 10 parking slots and lease term of 10 years commencing on June 2, 2017 and ending on June 1, 2027. Initial monthly rent of ₱530 per sq.m. per month, subject to an annual escalation of 5% starting on the third year. The contract is for a space of 515.00 sq.m. with 5 parking slots and lease term of 5 years commencing on July 15, 2020 and ending on July 14, 2025.
FDC Retail Electricity Sales, Corporation (“FDC RES”)	Service agreement for electricity requirements of its facilities	The Company entered into a service agreement with FDC RES, an entity under common control, whereby the Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.
Filinvest Land, Inc.	Land lease agreement over the land where the Properties are	10% to 15% from the gross lease (depending on the FAR of the

<u>Related Parties</u>	<u>Nature of Transaction</u>	<u>Value of the Transaction</u>
	located (<i>Company as Lessee</i>)	Property). The contract covers 60,660 sq.m. of land and is for a period of 50 years commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years on the same terms and conditions except for the rental rate and other commercial terms subject to mutual agreement of the parties.
Filinvest Alabang, Inc.	Land lease agreement over certain parking spaces (<i>Company as Lessee</i>)	The rental expense is 15% of gross parking revenues for the relevant period.
Parking Pro, Inc.	Service agreement to operate and maintain the Company's parking facilities	For pay parking facilities, service fees equivalent to 2% of gross sales and 5% of EBITDA are paid. For parking facilities, a fee of ₱50 per parking slot per month is paid. The contract is for a period of five years commencing on July 1, 2017 and ending on July 1, 2022, and shall continue thereafter unless written notice of non-renewal is provided by either party.
Filinvest Alabang, Inc.	Service agreement for general management services provided by Filinvest Alabang, Inc. to the Company	The agreement commenced on January 1, 2016, and shall continue until terminated by the written agreement of the parties. The fees payable are ₱600,000 per month for general and administrative services, subject to a 10% increase annually.
Filinvest Alabang, Inc.	Service agreement for the provision of water supply services within Filinvest City.	The Company entered into a service agreement with Filinvest Alabang, Inc., whereby the Company shall engage and pay the services rendered by the latter to provide the water supply requirements of its facilities in Filinvest City. The Company shall pay, based on its consumption, the water and sewer rate and other charges necessary for the continued operations of the water system.
Filinvest Asia Corporation	Service agreement for general management services provided by the Company including accounting & billing services and use of office space	Monthly general management services fee of ₱622,637 (inclusive of VAT) and office space rental of ₱38,874 (inclusive of VAT). The agreement commenced in 2021 and shall continue unless terminated by the parties.
Philippine DCS Development Corporation (" PDDC ")	Build-operate-transfer agreement between the Company and PDDC with respect to the district cooling system for Northgate Cyberzone	Monthly service charge at ₱1,761 per ton of refrigeration (" TR "). The term of the agreement is for 20 years, commencing from the start of operations.
Filinvest Cyberparks Inc.	Service agreement for corporate services provided to the Company.	₱250,000 per month, plus ₱15,000 per incremental project. The agreement became effective on January 1, 2019 and shall continue until terminated by the written agreement of the parties.

<u>Related Parties</u>	<u>Nature of Transaction</u>	<u>Value of the Transaction</u>
Filinvest Cyberparks Inc.	Cash Advances	On February 27, 2019, the Company availed advances from FCI amounting ₱300.0 million. The Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest on these advances amounting ₱6.0 million was incurred by the Company for the year ended December 31, 2020.
Corporate Technologies, Inc.	Service agreement for IT services provided by the Company.	The agreement commenced on January 1, 2019, and will continue until terminated by the written agreement of the parties. The fees paid by the Company comprise ₱142,975 per month for systems maintenance, ₱882.85/use per month for server hosting, and ₱8,987 per month for server configuration and support.
Professional Operations and Maintenance Experts Incorporated (PROMEI)	Service agreement for the maintenance and repair of ventilation and air conditioning systems.	Base fee of ₱50 million per annum, dividend and paid in 12 equal monthly installments. The term of the agreement is for three years commencing on June 30, 2020, unless extended by mutual agreement of the parties.

In 2020, compensation of key management personnel pertained to short-term employee benefits amounting ₱9.7 million and for the three months ended March 31, 2021, compensation of key management personnel pertained to short-term employee benefits amounting to ₱1.4 million. In 2019, key management personnel of the Company were employees of FAI, and their compensation was paid by FAI and disclosed in FAI's financial statements as required under PAS 24, Related Party Disclosures. As part of the Company's transition to a REIT, the Company will not have any employees moving forward.

For more information on the Company's related party transactions, see the note 16 to the Company's audited financial statements attached to this REIT Plan.

The Company has also entered into a Property Management Agreement and a Fund Management Agreement with the Property Manager and the Fund Manager, respectively. The Company will pay the Property Manager and the Fund Manager certain fees under the terms of such agreements. See "*The Fund Manager and the Property Manager*".

The Company believes that the above-discussed transactions were made on an arm's length basis at prevailing market rates, on normal commercial terms, and in accordance with the Company's and the Fund Manager's policies toward related party transactions.

Future Related Party Transactions

As a REIT listed on the PSE, the Company will be regulated by the rules and regulations of the Philippine SEC as well as the Listing Rules and other regulations of the PSE. These rules and regulations, along with the REIT Law, regulate transactions entered into by the Company with related parties with respect to the Company's acquisition of assets from or sale of assets to a related party, the Company's investment in securities of or issued by a related party, and the engagement of a related party as a property management agent or marketing agent for the Company's properties. Depending on the materiality of transactions entered into by the Company for the acquisition of assets from the sale of assets to or the investment in securities of or issued by, a related party, the rules described above may require the Company to announce such a transaction to the Philippine SEC and the PSE and may also require the approval of the Shareholders to be obtained.

Subject to compliance with the applicable requirements, the Company will not be prohibited by the rules of the Philippine SEC, the PSE, or the REIT Law from contracting or entering into any financial, banking, or any other type of transaction with a related party or from being interested in any such contract or transaction, provided that any such transaction shall be on normal, arm's length commercial terms and is not prejudicial to the interests of the Company and the Shareholders. Please see the section entitled "*The Fund Manager and the Property Manager – Related Party Transactions*" in this REIT Plan.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Sponsor, the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters or the Local Co-lead Underwriters or any of the parties or advisors in connection with the offer and sale of the Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the Philippine SEC granted Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120,000,000.00. As of June 30, 2020, the PSE has 85,164,091 issued and outstanding shares, of which 3,513,954 are treasury shares, resulting in 81,650,137 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 Common Shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging (“SME”) Board. In 2013, the PSE issued Rules on Exchange Traded Funds (“ETF”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company’s articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component shares.

The PSE has a benchmark index, referred to as the PSEi (previously “PHISIX”), which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched a new trading system, PSE Trade.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE has adopted an online daily disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE replaced its online disclosure System with a new disclosure system, the PSE Electronic Disclosure Generation Technology (“EDGE”). The PSE EDGE, a new disclosure system co-developed with the Korea Exchange, went live. The PSE EDGE system provided a dedicated portal for listed company disclosures and also offered a free-to-download mobile application for easy access by investors, with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors’ disclosure searching and viewing experience, and (iii) enhance overall issuer transparency in the market.

The main index for PSE is the PSEi, which is a capitalization-weighted index composed of stocks representative of the Industrial, Properties, Services, Holding Firms, Financial and Mining & Oil Sectors of the PSE. It measures the relative changes in the free float-adjusted market capitalization of the 30 largest and most active common stocks listed at the PSE. The selection of companies in the PSEi is based on a specific set of public float, liquidity and market capitalization criteria. There are also six sector-based indices as well as a broader all shares index.

In June 2015, the PSE Trade system was replaced by PSE Trade XTS which utilizes NASDAQ's X- stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2019 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.7	271	15,890.0	1,770.0

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Generally, equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one-and-a-half-hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed and such other days as may be declared by the Philippine SEC or the PSE, to be a non-trading day.

Beginning on March 15, 2020, the PSE, in the observance of the government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 and ending at 1:00 pm. The shortened trading hours are still being implemented as of the date of this REIT Plan.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for a company's shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the corporation or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the subject corporation fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the subject corporation is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- (i) In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60.0% static threshold will be rejected by the PSE.
- (ii) In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities; 15% for security cluster B; and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (“**SCCP**”) is a wholly-owned Subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through delivery versus payment clearing and settlement of transactions of clearing members, who are also PSE trading participants;
- guaranteeing the settlement of trades in the event of a PSE trading participant’s default through the implementation of its fails management system and administration of the Clearing and Trade Guaranty Fund; and
- performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place 3 trading days after transaction date (“**T+3**”). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP, which are Banco de Oro Unibank, Inc. (“**BDO**”), Rizal Commercial Banking Corporation (“**RCBC**”), Metropolitan Bank and Trust Company (“**Metrobank**”), Deutsche Bank (“**DB**”), The Hong Kong Shanghai Banking Corporation Limited (“**HSBC**”), Unionbank of the Philippines (“**Unionbank**”), and Maybank Philippines Inc. (“**Maybank Philippines**”), Asia United Bank Corporation (“**AUB**”), and China Banking Corporation (“**Chinabank**”). Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement (“**CCCS**”) system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, RCBC, Metrobank, DB, HSBC, Unionbank, and Maybank Philippines.

In order to benefit from the book-entry system, securities must be immobilized in the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation (“**PCD Nominee**”), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation’s registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades, and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry is in the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities are directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the corporation shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- For an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a registry confirmation advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

“For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.”

“On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Company’s registry as a confirmation date.”

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company’s transfer agent.

Amended Rule on Minimum Public Ownership

On December 1, 2017, the Philippine SEC issued SEC Memorandum Circular No. 13, Series of 2017 (“**SEC MC 13-2017**”) on the rules and regulations on minimum public ownership (“**MPO**”) on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies’ issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the Philippine SEC within the next business day if its MPO level falls below 20%. Listed companies are also required to submit to the Philippine SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the Philippine SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the Philippine SEC.

On August 4, 2020, the PSE issued Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Market Capitalization	Minimum Public Offer
Not exceeding ₱500M	33% or ₱50M, whichever is higher
Over ₱500M to ₱1B	25% or ₱100M, whichever is higher
Over ₱1B	20% or ₱250M, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

Under Section 8.1 of the REIT Law and Section 5.1(a) of the Revised REIT IRR, a REIT must be a public company. It is required to maintain its status as a listed company and upon and after listing, have at least 1,000 Public Shareholders each owning at least 50 shares of any class of shares, and who, in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT. Failure to maintain the public ownership requirement will result to the imposition of a trading suspension for a period not more than six months. If the REIT still fails to comply with the public ownership requirement within the six-month period, it will be automatically delisted.

Scripless Shares

The Revised REIT IRR provides that all the shares of a REIT shall be in uncertificated form. The REIT is required to engage a duly licensed transfer agent to monitor subsequent transfer of the shares. The transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors for their own benefit and not for

the benefit of any non-Public Shareholders. The REIT shall make the necessary arrangement with a central securities depository on the recording of its shareholders under a Name-On Central Depository arrangement.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this REIT Plan and is subject to any changes occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the Shares:

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law amended various provisions of the Philippine Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (the "**CREATE Law**") was signed into law. The CREATE Law amended various provisions of the Philippine Tax Code covering corporate income tax.

IPO TAX

Republic Act No. 11494, otherwise known as the Bayanihan to Recover As One Act, took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax. As such, the Offer is not subject to the IPO Tax.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

Corporate Income Tax

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32(A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction (“OSD”) equivalent to an amount not exceeding 40% of the corporation’s gross income.

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 03-2020 and by the CREATE Law, a REIT shall be taxable on all income derived from sources within and without the Philippines at the applicable income tax rate of 25% as provided under Section 27(A) of the Tax Code, on its taxable net income as defined in the REIT Law and Revenue Regulations No. 13-2011, as amended, provided, that in no case shall it be subject to minimum corporate income tax.

Under the REIT Law, taxable net income means the pertinent items of gross income specified in Section 32 of the Tax Code less (a) all allowable deductions enumerated in Section 34 of the Tax Code (itemized or optional standard deductions) and (b) the dividends distributed by a REIT out of its own Distributable Income as of the end of the taxable year as (i) dividends to owners of the Shares and (ii) dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT. Furthermore, for purposes of computing the taxable net income of a REIT, the dividends allowed as deductions during the taxable year pertain to dividends actually distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year. Dividends distributed within this prescribed period shall be considered as paid on the last day of REIT’s taxable year.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax. After June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE OR DISPOSITION OF SHARES AFTER THE IPO

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. A value-added tax (“VAT”) of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership (“MPO”) which requires listed companies to maintain a minimum percentage of listed securities held by the public of the listed companies issued and outstanding shares at all times.

Under the REIT Law, a REIT must be a public company and to be considered as such, a REIT, must: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) public shareholders each owning at least fifty (50) shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT or subject to 33.33% MPO.

The sale of such listed company’s shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor’s tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor’s tax under Section 100 of the Tax Code). Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 (“R.R. 16-12”) provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the TRAIN Law and CREATE Law, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, a domestic corporation (other than a dealer in securities), a resident foreign corporation, or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor’s tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm’s length and free from donative intent) will be considered as made for an adequate and full consideration in money or money’s worth and will not be subject to donor’s tax.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration (“CAR”), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

Tax on Dividends

In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. A non-resident alien individual or a non-resident foreign corporation may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty in force between the Philippines and the country of domicile of the non-resident holder.

Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR has issued Revenue Memorandum Order No. 14-2021 (“**RMO No. 14-2021**”) to streamline the procedures and documents for the availment of treaty benefits covering all items of income, including dividends, derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty. Under this regulation, when the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the International Tax Affairs Division (“**ITAD**”) of the BIR a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a tax treaty relief application (“**TTRA**”) with ITAD. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. The request for confirmation or TTRA shall be supported by the documentary requirements under RMO No. 14-2021.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient’s entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company’s shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The claim for refund may be filed independently of, or simultaneously with, the TTRA. If the claim was not filed simultaneously with the TTRA, the office where it was filed shall coordinate with, and defer to, ITAD the resolution of the non-resident’s entitlement to treaty benefit. If, on the other hand, the claim was filed simultaneously with the TTRA, it shall be the responsibility of the ITAD to endorse the claim for refund to the proper office that handles the processing of tax refunds after the resolution of the TTRA. At any rate, all issues relating to the application and implementation of treaty provisions shall fall within the exclusive jurisdiction of the ITAD.

Transfer taxes (e.g., VAT on deemed sale, DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and DST, if otherwise.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁽⁹⁾	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25 ⁽¹⁾	0.6	May be exempt ⁽¹³⁾
China.....	15 ⁽²⁾	Exempt ⁽¹⁰⁾	May be exempt ⁽¹³⁾
France	15 ⁽³⁾	Exempt ⁽¹¹⁾	May be exempt ⁽¹³⁾
Germany	15 ⁽⁴⁾	Exempt ⁽¹²⁾	May be exempt ⁽¹³⁾
Japan	15 ⁽⁵⁾	0.6	May be exempt ⁽¹³⁾
Singapore	25 ⁽⁶⁾	0.6	May be exempt ⁽¹³⁾
United Kingdom	25 ⁽⁷⁾	0.6	Exempt ⁽¹⁴⁾
United States.....	25 ⁽⁸⁾	0.6	May be exempt ⁽¹³⁾

Notes:

- (1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.
- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- (12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

Documentary Stamp Tax

The original issue of shares is subject to a documentary stamp tax (“DST”) of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares outside the PSE is subject to DST at the rate of ₱1.50 on each ₱200.00, or a fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Donor's Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation, even if made by a non-resident or donor outside the Philippines, is subject to Philippine estate tax or donor's tax.

The transfer of shares of stock upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at the rate of 6%. An Investor shall be subject to donor's tax at the rate of 6% based on the total net gifts (such as shares of stock) in excess of ₱250,000.00 made during a calendar year, regardless of the relationship (by blood or by affinity) between the donor and the donee.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the

tax status of the donor. Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock:

- (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or
- (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Shares exceeded the value of the consideration may be deemed a gift, and a donor's tax may be imposed on the transferor of the Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This REIT Plan does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

PLAN OF DISTRIBUTION

At least 1,143,931,450 Offer Shares (the “**Institutional Offer Shares**”), or 70% of the Firm Shares, are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic Investors in the Philippines by the Local Lead Underwriters and the Local Co-lead Underwriters (the “**Institutional Offer**”). 490,256,400 Offer Shares (the “**Trading Participants and Retail Offer Shares**”), or 30% of the Firm Shares, are (subject to re-allocation as described below) being offered by the Local Lead Underwriters and the Local Co-lead Underwriters at the Offer Price to all of the Eligible PSE Trading Participants and local small investors (“**LSIs**”) in the Philippines (the “**Trading Participants and Retail Offer**”). Notwithstanding the International Bookrunner being named in this REIT Plan, offers or sales by the International Bookrunner of Offer Shares outside the Philippines are not governed by Philippine laws. The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Global Coordinators and Bookrunners. The Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters will underwrite, on a firm commitment basis, the Firm Shares. There is no arrangement for any of the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters or the Local Co-lead Underwriters to return any of the Offer Shares relating to the Trading Participants and Retail Offer or the Institutional Offer to the Company or the Selling Shareholder.

THE JOINT GLOBAL COORDINATORS AND BOOKRUNNERS, THE LOCAL LEAD UNDERWRITERS AND THE LOCAL CO-LEAD UNDERWRITERS

Roles and Responsibilities

The Joint Global Coordinators and Bookrunners are responsible for the coordination of the various execution workstreams relating to the Offer. The Joint Global Coordinators and Bookrunners are assisting the Company and the Selling Shareholder in the book-building process, which includes marketing and allocation of the Offer to potential investors as described in this Plan of Distribution.

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Local Lead Underwriters and the Local Co-lead Underwriters to all of the Eligible PSE Trading Participants and LSIs in the Philippines. China Bank Capital, First Metro and SB Capital have undertaken to underwrite a portion of the Trading Participants and Retail Offer on a firm commitment basis and is not acting as bookrunner. They will refer any orders to the bookrunners, to be taken into account for pricing, and will receive an underwriting fee based on a fee structure described in the Domestic Underwriting Agreement (as defined below).

The Local Lead Underwriters and Local Co-lead Underwriters and its respective affiliates have engaged in transactions with, and have performed various investment banking, commercial banking and other services for the Company’s Affiliates and the Selling Shareholder in the past, and may do so for the Company, the Selling Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Local Lead Underwriters and Local Co-lead Underwriters including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company or the Selling Shareholder. The Local Lead Underwriters and Local Co-lead Underwriters do not have any right to designate or nominate a member of the Board. The Local Lead Underwriters and Local Co-lead Underwriters have no direct relationship with the Company in terms of share ownership and, other than as Local Lead Underwriters and Local Co-lead Underwriters for the Offer, do not have any material relationship with the Company or the Selling Shareholder.

The International Bookrunner and its respective affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Company, the Selling Shareholder or their respective affiliates. The International Bookrunner has received and expects to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, the International Bookrunner and its respective affiliates may trade the Company’s securities or the securities of the Company’s affiliates or derivatives relating to the foregoing securities for its or its affiliates’ own account or for the accounts of customers, and may at any time hold a long or short position in such securities.

The Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters will receive underwriting and selling fees from the Selling Shareholder of up to 2.19% of the gross proceeds from the sale of the Offer Shares. This underwriting and selling fee is exclusive of the amounts to be paid to selling

agents such as Eligible PSE Trading Participants, where applicable. The estimated underwriting, selling and Trading Participant (“**TP**”) fees amount to approximately ₱298.5 million, assuming that the Over-allotment Option is fully exercised. The estimated underwriting, selling and TP fees amount to approximately ₱273.4 million, assuming that the Over-allotment Option is not exercised.

Joint Global Coordinator and Bookrunner, Sole Local Coordinator and Local Lead Underwriter

BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December 1994, BPI Capital Corporation is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. As of March 31, 2021, BPI Capital Corporation had total assets of ₱4.03 billion and its capital base amounted to ₱3.89 billion. It has an authorized capital stock of ₱1 billion of which approximately ₱506.4 million represents its paid-up capital. The firm operates as a wholly owned subsidiary of the Bank of the Philippine Islands.

Joint Global Coordinator and Bookrunner and International Bookrunner

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS’s strategy is centered on its leading global wealth management business and its premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. Headquartered in Zurich, Switzerland, UBS has offices in over 50 regions and locations, including all major financial centers, and employs close to 73,000 people as of December, 31 2020.

Local Lead Underwriter

China Bank Capital Corporation is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank’s Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

Local Co-lead Underwriters

First Metro Investment Corporation

First Metro Investment Corporation (“**First Metro**”) is a leading investment bank in the Philippines with over fifty years of service in the development of the country’s capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country, and is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has earned a solid reputation for its creativity, innovation, and timely execution. It has proven its ability to create value and opportunities as well as provide solutions that are pioneering, game changing, and responsive to the needs of both issuers and investors.

SB Capital Investment Corporation

SB Capital Investment Corporation (“**SB Capital**”) is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the Securities and Exchange Commission to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including (but not limited to) underwriting of equity and debt securities, project finance, mergers and acquisitions, loan syndications, and corporate/financial advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and have been involved in lead roles in a number of major equity and debt issues, both locally and internationally. As of December 31, 2020, SB Capital’s total assets were ₱1,430 million, its capital base was ₱1,392 million, and its paid-up capital stock was ₱1,000 million.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Local Lead Underwriters and the Local Co-lead Underwriters, to all of the Eligible PSE Trading Participants and LSIs in the Philippines. 326,837,600 Trading Participants and Retail Offer Shares, or 20% of the Firm Shares, shall be allocated among the Eligible PSE Trading Participants. Each Eligible PSE Trading Participant shall initially be allocated 2,701,100 Firm Shares and subject to reallocation as may be determined by the Joint Global Coordinators and Bookrunners. The balance of 4,500 Firm Shares shall be allocated by the Sole Local Coordinator to the Eligible PSE Trading Participants. A total of 163,418,800 Trading Participants and Retail Offer Shares, or 10% of the Firm Shares, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or “PSE EASy.” An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 Shares or ₱7,000 while the maximum subscription shall be 14,200 Shares or ₱99,400. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company’s Offer Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Sole Local Coordinator shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants and the LSIs shall be distributed by the Local Lead Underwriters and the Local Co-lead Underwriters to their clients or the general public in the Philippines or as otherwise agreed with the International Bookrunner. The Local Lead Underwriters and the Local Co-lead Underwriters shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer, or otherwise not taken up by the Eligible PSE Trading Participants, clients of the Local Lead Underwriters or the Local Co-lead Underwriters or the general public in the Philippines, pursuant to the terms and conditions of the Domestic Underwriting Agreement (as defined below). Nothing herein or in the Domestic Underwriting Agreement shall limit the rights of either the Local Lead Underwriters and the Local Co-lead Underwriters from purchasing the Offer Shares for its own account.

To facilitate the Trading Participants and Retail Offer, the Company and the Selling Shareholder have appointed BPI Capital Corporation to act as Joint Global Coordinator and Bookrunner, Sole Local Coordinator and Local Lead Underwriter, China Bank Capital to act as the Local Lead Underwriter and First Metro Investment Corporation and SB Capital Investment Corporation as Local Co-lead Underwriters. The Company, the Selling Shareholder, the Local Lead Underwriters and the Local Co-Lead Underwriters have entered into a Domestic Underwriting Agreement to be dated on or about July 19, 2021 (the “**Domestic Underwriting Agreement**”), whereby the Local Lead Underwriters and the Local Co-lead Underwriters agree to underwrite on a firm commitment basis, a number of Firm Shares equivalent to the Trading Participants and Retail Offer Shares, subject to agreement between the Joint Global Coordinators and Bookrunners on any clawback, clawforward or other such mechanism relating to the reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

The Local Lead Underwriters and the Local Co-lead Underwriters have undertaken to underwrite on a firm commitment basis, the portion of Trading Participants and Retail Offer Shares opposite its name indicated in the following table, subject to agreement between the Joint Global Coordinators and Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Trading Participants and Retail Offer Shares
BPI Capital Corporation.....	343,179,400
China Bank Capital Corporation.....	81,709,400
First Metro Investment Corporation.....	32,683,800

	Number of Trading Participants and Retail Offer Shares
SB Capital Investment Corporation.....	32,683,800
Total.....	490,256,400

The foregoing tables do not reflect the exercise of the Over-allotment Option that may or may not be exercised by the Stabilizing Agent to purchase up to 163,418,785 Option Shares.

On or before 11:00 a.m. on July 29, 2021, the Eligible PSE Trading Participants shall submit to the Receiving and Paying Agent their firm orders and commitments to purchase from the Trading Participants and Retail Offer Shares.

With respect to the LSIs, all applications to purchase or subscribe for the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. An application to purchase the Trading Participants and Retail Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Sole Local Coordinator or such other financial institutions that may be invited to manage the LSI program. Payment for the Trading Participants and Retail Offer Shares may be made in cash or by check following the payment instructions generated through PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.

Eligible PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant Eligible PSE Trading Participant; any such fees shall be allocated to the Joint Global Coordinator and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters pro rata to their underwriting commitments which will be remitted via the Receiving and Paying Agent through a letter of instruction from the Company. The selling fee, less the applicable withholding tax, will be paid by the Receiving and Paying Agent to the Eligible PSE Trading Participants starting on the 10th banking day from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the Eligible PSE Trading Participants and LSIs in scripless form. Investors may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date. Costs or fees relating to such upliftment shall be for the account of the investor.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale (i) outside the United States by the International Bookrunner in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (ii) to Domestic Investors by the Local Lead Underwriters and the Local Co-lead Underwriters.

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

The international purchase agreement to be dated on or about July 19, 2021 (the “**International Purchase Agreement**”), entered into among the Company, the Selling Shareholder and the International Bookrunner, is subject to certain conditions and may be subject to termination by the International Bookrunner if certain circumstances, including force majeure, occur on or before the Listing Date.

Under the terms and conditions of the International Purchase Agreement, the International Bookrunner has agreed to procure purchasers for or failing which to purchase 743,555,500 Institutional Offer Shares, subject to agreement among the Joint Global Coordinators and Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

The foregoing paragraph does not reflect the exercise of the Over-allotment Option that may or may not be exercised by BPI Capital and its relevant affiliates, as Stabilizing Agent, to purchase up to 163,418,785 Option Shares from the Selling Shareholder.

The Joint Global Coordinators and Bookrunners have undertaken to underwrite on a firm commitment basis, the portion of Institutional Offer Shares opposite its name indicated in the following table, subject to agreement between the Joint Global Coordinators and Bookrunners on any clawback, clawforward or other such mechanism relating to reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Institutional Offer Shares
BPI Capital Corporation.....	400,375,950
UBS AG, Singapore Branch.....	743,555,500
Total.....	1,143,931,450

The foregoing tables do not reflect the exercise of the Over-allotment Option that may or may not be exercised by the Stabilizing Agent to purchase up to 163,418,785 Option Shares.

Investors in the Institutional Offer will be required to pay, in addition to the Offer Price, a brokerage fee of up to 1.00% of the Offer Price.

THE OVER-ALLOTMENT OPTION

In connection with the Offer, subject to the approval of the Philippine SEC, the Selling Shareholder has granted the Stabilizing Agent an Over-allotment Option, exercisable in whole or in part to purchase up to 163,418,785 Option Shares at the Offer Price and on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Selling Shareholder has entered into a greenshoe agreement with the Stabilizing Agent to, among other things, utilize up to 163,418,785 Option Shares to cover over-allocations under the Institutional Offer. The Option Shares may be over-allotted and the Stabilizing Agent may affect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from and including the Listing Date.

Any Shares that may be delivered to the Stabilizing Agent under the Greenshoe Agreement will be re-delivered to the Selling Shareholder either through the purchase of Shares in the open market by the Stabilizing Agent in the conduct of stabilization activities or through the exercise of the Over-allotment Option by the Stabilizing Agent. The Stabilizing Agent may purchase Shares in the open market only if the market price of the Shares falls below the Offer Price. The initial stabilization action shall be at a price below the Offer Price. After the initial stabilization action, (i) if there has not been an independent trade (i.e., a trade made by a person other than the Stabilizing Agent for itself or on behalf of its clients) in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilization price, or (ii) if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price. Such activities may stabilize, maintain or otherwise affect the market price of the Shares, which may have the effect of preventing a decline in the market price of the Shares and may also cause the price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

Once the Over-allotment Option has been fully exercised by the Stabilizing Agent, it will no longer be allowed to purchase Shares in the open market for the conduct of stabilization activities. As discussed under the section “Dilution”, if the Over-allotment Option is fully exercised, the number of shares held by new investors will be 1,797,606,635 Common Shares and the public float will increase to 36.74%. The partial or full exercise of the Overallotment Option will not trigger the issuance of any new Common Shares to the Selling Shareholder to offset the Common Shares sold under the Overallotment Option. To the extent the Over-allotment Option is not fully exercised by the Stabilizing Agent, the same shall be deemed cancelled and the relevant Option Shares shall be re-delivered to the Selling Shareholder, and the corresponding filing fee for the Over-allotment Option shall be forfeited.

LOCK-UP

The PSE Consolidated Listing and Disclosure Rules (the “PSE Listing Rules”) require an applicant company for the Main Board to cause its existing shareholders owning at least 10% of the outstanding shares of the company not to sell, assign, or in any manner dispose of their shares for a period of 180 calendar days after the listing of the shares. In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the start of the offering period, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 calendar days from full payment of the aforesaid shares. The Amended Articles of Incorporation of the Company provides that the Company shall comply with the lock-up requirement of the PSE Listing Rules, subject to any waiver or exemption that may be granted by the PSE.

The following shall be subject to the 180-day lock-up period:

Shareholder	No. of Common Shares Held before the Offer	% Total of Shareholding before the Offer	No. of Shares Subject to 180-day Lock-up Period*	No. of Shares Subject to 180-day Lock-up Period**
FLI	4,892,777,980	100%	529,246,687	692,665,472

* Assuming full exercise of the Over-allotment Option.

** Assuming no exercise of the Over-allotment Option.

In addition, 2,565,924,658 Shares held by FLI and two (2) Shares held by Maricel Brion-Lirio shall be subject to the 365-day lock up period described above.

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository (“PCD”) participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

FLI’s total shareholding after the Offer will be 63.3%, assuming full exercise of the Over-allotment Option, and 66.6%, assuming no exercise of the Over-allotment Option.

The Company and the Selling Shareholder have agreed with the Joint Global Coordinators and Bookrunners that neither the Company nor the Selling Shareholder will, except for the sale of the Offer Shares, issue, offer, sell, contract to sell, pledge, or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any common shares or securities convertible or exchangeable into or exercisable for any common shares or warrants or other rights to purchase common shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 calendar days after the listing of the Shares.

INDEMNITY

The International Purchase Agreement provides that the Company and the Selling Shareholder will indemnify the International Bookrunner against certain liabilities, including under the Securities Act.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See “*Regulatory and Environmental Matters – Registration of Foreign Investments and Exchange Controls*”.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

NAME-ON CENTRAL DEPOSITORY ARRANGEMENT

The REIT Law provides that all the shares of a REIT shall be in uncertificated form. Further, the REIT shall engage the services of a duly licensed transfer agent to monitor subsequent transfers of the shares. Such transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any non-public shareholders. The PSE Amended REIT Listing Rules require that a REIT shall establish sufficient control and procedures that shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any of the non-public shareholders.

The Company has engaged the services of Stock Transfer Service, Inc., a duly licensed transfer agent, to monitor subsequent transfers of the shares. The said transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any non-public shareholders. The Company is making the necessary arrangements with the PDTC as central securities depository on the recording of the Company’s shareholders under a Name-On Central Depository arrangement.

LEGAL MATTERS

Certain legal matters as to Philippine law in connection with the Offer will be passed upon by Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters, and Picazo Buyco Tan Fider & Santos, legal counsel to the Company and the Selling Shareholder.

Certain legal matters as to United States federal law and New York State law will be passed upon by Latham & Watkins LLP, United States legal counsel to the Joint Global Coordinators and Bookrunners, the Local Lead Underwriters and the Local Co-lead Underwriters, and Milbank LLP, United States legal counsel to the Company and the Selling Shareholder. In rendering their opinions, Latham & Watkins LLP and Milbank LLP may rely upon the opinions of Angara Abello Concepcion Regala & Cruz Law Offices and Picazo Buyco Tan Fider & Santos, respectively, as to all matters of Philippine law.

None of the above-mentioned advisers have any direct or indirect interest in the Company arising from the Offer.

INDEPENDENT AUDITORS AND OTHER EXPERTS

Independent Auditors

SyCip Gorres Velayo & Co. (“**SGV & Co.**”), a member firm of Ernst & Young Global Limited, independent auditors, (i) audited the Company’s consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 included in this REIT Plan in accordance with Philippine Standards on Auditing, (ii) examined the Company’s pro forma consolidated financial statements as of and for the year ended December 31, 2020 and as of and for the three months ended March 31, 2021 included in this REIT Plan in accordance with Philippine Standard on Assurance Engagements (“**PSAE**”) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, and (iii) examined the Profit Forecast and Profit Projection of the Company in accordance with PSAE 3400, *The Examination of Prospective Financial Information*. The financial information for such periods is extracted from the financial statements included in this REIT Plan, which have been prepared in accordance with PFRS. SGV & Co. has agreed to the inclusion of its reports in this REIT Plan.

SGV & Co. has acted as the Company’s independent auditor since its incorporation in 2000, and has acted as the Sponsor’s independent auditor for over 23 years. Wanessa Salvador is the Company’s current audit partner and has served as such since 2019. The Company has not had any material disagreements on accounting and financial disclosures with SGV & Co. SGV & Co has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission of the Philippines.

The following table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by SGV & Co. to the Company for the years ended December 31, 2019 and 2020, excluding fees related to the Offer. The fees of SGV & Co. related to the Offer amount to ₱9.0 million.

	2019	2020
	(₱ in millions)	
Audit and audit-related fees		
Audit services	0.3	0.1
All other fees*	—	0.1
Total	0.3	0.2

*These refer to reimbursable expenses.

In relation to the audit of the Company’s financial statements, the Company’s Manual provides that the Audit Committee shall perform oversight functions over the Company’s external auditors, and ensure that such auditors remain independent and are given unrestricted access to all records, properties, and personnel to enable them to perform their audit functions adequately. In addition, prior to the commencement of the audit, the Audit & Risk Oversight Committee shall discuss with the external auditor the nature, scope and expenses of the audit. The committee shall likewise establish standards for the selection, and to assess the integrity and the independence, of the external auditor. The committee shall also review and monitor the external auditor’s suitability and effectiveness on an annual basis. The committee shall recommend to the Board the appointment or re-appointment, removal and fees of the external auditor, which recommendation shall be approved by the Board and the stockholders. Furthermore, the committee shall evaluate and determine the non-audit work, if any of the external auditor, and periodically reviews the non-audit fees paid to the external auditor in relation to the total fees paid.

Property Valuer

Functions and Duties

Asian Appraisal was responsible for preparing the independent property valuation summary report of the Properties dated May 18, 2021, which is attached to this REIT Plan as Annex 2. The professional fees billed by Asian Appraisal for such work amounted to ₱1,950,000.00 (inclusive of VAT) in relation to this Offer.

Background

Asian Appraisal was registered with the Philippine SEC on July 10, 1961, and has been duly re-accredited by the Philippine SEC on April 22, 2021, which accreditation is valid until April 22, 2026. Asian Appraisal has likewise been duly accredited by the PSE on August 29, 2017, which accreditation is valid until August 28, 2022. The certifying officer of Asian Appraisal for the property valuation summary report attached to this REIT Plan is John C. Par, who is a professional appraiser duly licensed by the Professional Regulatory Board of Real Estate Service pursuant to Republic Act No. 9646. Asian Appraisal has been in the appraisal industry for the past 59 years. It renders professional service to Philippine Veterans Bank and at least two public companies, including Government Services Insurance System and Department of Public Works and Highways.

Below are the directors and executive officers of Asian Appraisal:

<u>Name</u>	<u>Position</u>
Anthony M. Te	Director and Chairman
Felix Cesar L. Zerrudo	Director and President
Arlene C. Keh	Director
Milagros T. Blancas	Director
Diane Madelyn C. Ching	Director and Corporate Secretary
Cristina A. Glindro	Director and Treasurer
Emmanuel P. Te	Director

To the best of the Company’s knowledge, none of Asian Appraisal or any of its directors or officers have been the subject of any adverse judgment relating to any administrative, civil, or criminal case involving Asian Appraisal’s appraisal business. To the best of the Company’s knowledge, Asian Appraisal ensures that its opinion and valuation is independent of and unaffected by its business or commercial relationship with other persons. To the best of the Company’s knowledge, the directors and principal officers of Asian Appraisal comply with the Fit and Proper Rule of the Philippine SEC for a REIT.

Independent Market Research Consultant

Jones Lang LaSalle (Philippines) (“JLL”), an independent market research consultant, was responsible for preparing the industry report entitled “Office Market Study of Metro Manila and Metro Cebu, Philippines” and dated February 24, 2021, portions of which have been presented in the section entitled “*Industry*” in this REIT Plan and the full version of which is attached to this REIT Plan as Annex 3. JLL is a leader in global real estate services. It provides a total real estate solution to both local and multinational corporations across all sectors worldwide. The professional fees billed by JLL for such work amounted to U.S.\$22,000.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Report on the Audit of the Interim Consolidated Financial Statements

Opinion

We have audited the accompanying interim consolidated financial statements of Cyberzone Properties, Inc. (the Parent Company) and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at March 31, 2021 and December 31, 2020, and the interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the three months ended March 31, 2021 and 2020, and notes to the interim consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the three months ended March 31, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the interim consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the interim consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying interim consolidated financial statements.

Fair value of investment properties

The Parent Company operates 16 mixed-use office buildings located in Luzon. The Parent Company accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. The carrying value and fair value of investment properties amounted to ₱9,350.1 million and ₱45,429.7 million, respectively, as of March 31, 2021. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Parent Company's investment properties as a key audit matter because it is a significant disclosure given the Parent Company's leasing business and the determination of the fair values of these properties involves significant management assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 9 to the interim consolidated financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the fair value determination of investment properties as of March 31, 2021. These assumptions include discount rates and growth rates.

We compared the key assumptions used such as growth rates against the historical performance per building, contractual terms and relevant external data. We tested the parameters used in determining discount rates against market data. We evaluated the competence, capabilities and objectivity of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of the fair value disclosure of investment properties in the interim consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the interim consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 to 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 interim consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is
Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

May 24, 2021



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 17)	₱976,210,958	₱870,517,532
Receivables (Note 5)	1,272,698,142	830,144,454
Other current assets (Note 11)	1,115,490,899	1,171,332,106
	<u>3,364,399,999</u>	<u>2,871,994,092</u>
Noncurrent assets held for distribution (Notes 6 and 16)	8,807,019,679	6,843,701,346
Total Current Assets	12,171,419,678	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	20,662,534	18,393,179
Investment properties (Notes 6, 9 and 20)	9,350,128,417	11,629,804,872
Property and equipment (Note 10)	74,594,512	68,394,882
Intangible assets (Notes 6, 7 and 20)	1,091,269,502	3,408,827,424
Other noncurrent assets (Note 11)	372,885,183	388,417,886
Total Noncurrent Assets	10,909,540,148	15,513,838,243
Total Assets	₱23,080,959,826	₱25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	₱1,368,289,066	₱1,583,711,747
Current portion of:		
Loans payable (Notes 13, 25 and 26)	—	744,166,667
Lease liabilities (Note 20)	1,826,084	92,617,060
Security and other deposits (Note 15)	134,343,934	116,414,891
Dividends payable (Note 16)	8,302,333,555	6,611,906,765
	<u>9,806,792,639</u>	<u>9,148,817,130</u>
Liabilities directly related to noncurrent assets held for distribution (Note 6)	185,977,113	—
Total Current Liabilities	9,992,769,752	9,148,817,130
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 13, 25 and 26)	—	1,600,000,000
Bonds payable (Notes 14, 25 and 26)	5,977,360,240	5,974,168,846
Lease liabilities - net of current portion (Note 20)	25,614,337	2,097,498,105
Security and other deposits - net of current portion (Note 15)	723,022,369	732,659,169
Deferred tax liability - net (Note 19)	123,908,824	269,939,889
Other noncurrent liabilities (Notes 15 and 18)	326,935,275	300,385,682
Total Noncurrent Liabilities	7,176,841,045	10,974,651,691
Total Liabilities	17,169,610,797	20,123,468,821

(Forward)



	March 31, 2021	December 31, 2020
Equity		
Capital stock (Note 16)	₱1,163,426,668	₱1,163,426,668
Additional paid-in capital (Note 16)	102,900,666	102,900,666
Deposit for future stock subscription (Notes 13 and 16)	3,746,250,000	1,889,583,333
Retained earnings (Note 16)	898,805,850	1,950,125,348
Remeasurement gain (loss) on retirement plan (Note 18)	(34,155)	28,845
Total Equity	5,911,349,029	5,106,064,860
Total Liabilities and Equity	₱23,080,959,826	₱25,229,533,681

See accompanying Notes to Interim Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Period Ended March 31	
	2021	2020 (As restated, see Note 2)
REVENUES AND INCOME		
Rental revenue (Notes 7, 9, 17 and 20)	₱710,106,439	₱762,777,379
Others (Notes 2 and 21)	358,391,906	399,585,015
	1,068,498,345	1,162,362,394
COSTS AND EXPENSES		
Utilities (Note 21)	155,212,862	192,874,930
Depreciation and amortization (Notes 7, 9, 10, and 21)	121,834,654	115,077,937
Rental expense (Notes 17 and 20)	65,711,431	78,749,027
Manpower and service cost (Note 21)	57,426,558	78,977,287
Repairs and maintenance (Note 21)	51,800,574	44,200,971
Taxes and licenses	32,534,542	31,499,282
Insurance (Note 21)	9,237,989	1,033,041
Service and management fees (Note 17)	8,135,855	1,700,451
Others	2,471,043	3,409,008
	504,365,508	547,521,934
OTHER INCOME (CHARGES)		
Gain on derecognition of lease liabilities (Notes 7 and 20)	85,175,124	-
Interest income (Notes 4, 5, 17 and 22)	689,099	2,519,219
Interest and other financing charges (Notes 13, 14 and 20)	(105,339,780)	(3,191,394)
Other income (charges) – net	(964,449)	(1,178,220)
	(20,440,006)	(1,850,395)
INCOME BEFORE INCOME TAX	543,692,831	612,990,065
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 19)		
Current	50,679,604	51,690,782
Deferred	(146,094,065)	54,509,816
	(95,414,461)	106,200,598
NET INCOME	639,107,292	506,789,467
OTHER COMPREHENSIVE LOSS		
Item that will not be reclassified to profit or loss		
Remeasurement loss on retirement plan, net of tax (Note 19)	(63,000)	-
TOTAL COMPREHENSIVE INCOME	₱639,044,292	₱506,789,467
Basic/Diluted Earnings Per Share (Note 23)	₱0.27	₱0.22

See accompanying Notes to Interim Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Three Months Ended March 31, 2021						
	Capital Stock (Note 16)	Paid-in Capital (Note 16)	Additional Capital	Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain/(Loss) on Retirement Plan (Note 18)
Balances at January 1, 2021	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱-	₱1,950,125,348	₱28,845	₱5,106,064,860
Comprehensive income							
Net income	-	-	-	-	639,107,292	-	639,107,292
Other comprehensive loss	-	-	-	-	-	(63,000)	(63,000)
Total comprehensive income	-	-	-	-	639,107,292	(63,000)	639,044,292
Dividends declared (Note 16)	-	-	-	-	(1,690,426,790)	-	(1,690,426,790)
Deposit for future subscription (Note 16)	-	-	1,856,666,667	-	-	-	1,856,666,667
Balances at March 31, 2021	₱1,163,426,668	₱102,900,666	₱3,746,250,000	₱-	₱898,805,850	(₱34,155)	₱5,911,349,029

	For the Three Months Ended March 31, 2020							
	Capital Stock (Note 16)	Paid-in Capital (Note 16)	Additional Capital	Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain on Retirement Plan	Total
Balances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱-	₱-	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
Total comprehensive income	-	-	-	-	-	506,789,467	-	506,789,467
Balances at March 31, 2020	₱1,163,426,668	₱102,900,666	₱-	₱-	₱6,300,000,000	₱907,979,791	₱1,083,935	₱8,475,391,060

See accompanying Notes to Interim Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Period Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱543,692,831	₱612,990,065
Adjustments for:		
Depreciation and amortization (Notes 7, 9, 10, 20 and 21)	121,834,654	115,077,937
Interest expense and other financing changes (Notes 13, 14 and 20)	105,339,780	3,191,394
Gain on derecognition of lease liabilities (Note 20)	(85,175,124)	-
Interest income (Note 22)	(689,099)	(2,519,219)
Operating income before changes in operating assets and liabilities	685,003,042	728,740,177
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	(31,844,563)	(103,293,698)
Other current assets	(51,063,945)	(151,079,236)
Increase (decrease) in:		
Accounts payable and accrued expenses	(158,393,358)	(59,813,292)
Security and other deposits	8,292,243	11,030,942
Other noncurrent liabilities	26,549,593	37,721,355
Net cash generated from operations	478,543,012	463,306,248
Interest received (Note 17)	689,099	2,519,219
Income tax paid	(50,679,604)	(13,254,534)
Net cash provided by operating activities	428,552,507	452,570,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Noncurrent assets held for distribution (Notes 6 and 16)	(173,848,295)	-
Investment properties (Note 9)	(4,969,319)	(303,280,021)
Intangible assets (Note 7)	(60,385,990)	(194,736,751)
Property and equipment (Note 10)	(10,649,822)	(4,766,608)
Decrease (increase) in:		
Advances to contractors	(2,269,355)	29,633,882
Other noncurrent assets (Note 11)	15,532,703	(16,638,529)
Net cash used in investing activities	(236,590,078)	(489,788,027)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable (Notes 13 and 26)	-	500,000,000
Payments of:		
Principal portion of lease liabilities (Note 20)	(14,105,442)	(6,019,764)
Interest and transaction cost (Note 27)	(72,163,561)	(133,487,867)
Loans payable (Notes 13 and 26)	-	(377,461,090)
Net cash used in financing activities	(86,269,003)	(16,968,721)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105,693,426	(54,185,815)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	870,517,532	508,857,313
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱976,210,958	₱454,671,498

See accompanying Notes to Interim Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the “Parent Company” or “CPI”) was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company’s primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent Company was the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the interim consolidated financial statements.

The registered office address of the Parent Company and ProOffice (collectively referred to as the “Group”) is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Group’s parent company is FLI, a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is the Group’s ultimate parent company. FLI, FDC and ALG were all incorporated in the Philippines.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company’s articles of incorporation to change the Parent Company’s primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the “REIT Act”), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

As of March 31, 2021, these amendments are awaiting approval by the SEC.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements were approved and authorized for issue by the BOD on May 24, 2021.



2. Summary of Significant Accounting Policies

Basis of Preparation

The interim consolidated financial statements of the Group have been prepared using the historical cost basis. The interim consolidated financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Parent Company, and all amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

The interim consolidated financial statements includes the balances of ProOffice until its disposal on December 23, 2020. As a result of the disposal, the Group derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Parent Company. The accompanying audited interim consolidated financial statement have been prepared in relation to the planned initial public offering of the Parent Company.

Statement of Compliance

The interim consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The interim consolidated financial statements comprise the amounts of the Parent Company and its subsidiary as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020.

The voting rights held by CPI in ProOffice are in proportion to its ownership interest of 60% for the three months ended March 31, 2020 (nil as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2011; see Note 1).

ProOffice is incorporated and operating in the Philippines. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.



Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the interim consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The voting rights held by noncontrolling interests in the subsidiary are in proportion of their ownership interest and are not material in the interim consolidated financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim consolidated financial statements of the Group. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases, Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
 - Relief from discontinuing hedging relationships
 - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component



The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&As) 2018-12 on Accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Group's consolidated statement of financial position and interim consolidated statement of cash flows. The impact of initial adoption in the interim consolidated statement of comprehensive income follows:

Statement of comprehensive income for the three months ended March 31, 2021

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	
Revenues and Income			
Others	₱358,391,906	₱108,066,063	₱250,325,843
Cost and Expenses			
Utilities	155,212,862	—	155,212,862
Depreciation and amortization	121,834,654	75,634,046	46,200,608
Manpower and service cost	57,426,558	44,005,163	13,421,395
Repairs and maintenance	51,800,574	—	51,800,574
Insurance	9,237,989	—	9,237,989
Others	2,471,043	556,651	1,914,392

Statement of comprehensive income for the three months ended March 31, 2020

	Amounts prepared under		Increase
	PFRS 15	Previous PFRS	
Revenues and Income			
Others	₱399,585,015	₱75,203,150	₱324,381,865
Cost and Expenses			
Utilities	192,874,930	—	192,874,930
Depreciation and amortization	115,077,937	52,296,368	62,781,569
Manpower and service cost	78,977,287	57,814,620	21,162,667
Repairs and maintenance	44,200,971	—	44,200,971
Insurance	1,033,041	—	1,033,041
Others	3,409,008	1,080,322	2,328,686



Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the interim consolidated financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- *Amendments to PAS 1, Presentation of Financial Statement for the Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Consolidated Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right



- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *PFRS 17, Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry



by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.

- Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
- Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact on the interim consolidated financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The above specific provisions of PIC Q&A No. 2018-12 is not applicable to the Group since it is not involve in the development of real estate projects for sale.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent



amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The IFRIC Agenda Decision has no impact to the Group.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The PIC Q&A has no impact to the Group.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. Held primarily for the purpose of trading;
- c. Expected to be realized within twelve (12) months after the financial reporting period; or
- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- a. It is expected to be settled in normal operating cycle;
- b. It is held primarily for the purpose of trading;
- c. It is due to be settled within 12 months after the financial reporting period; or
- d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.



Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.



Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets comprise of financial assets at amortized cost.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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 Group's business model whose objective is to hold assets in order to collect contractual cash flows; 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 at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Notes 4 and 5).



Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits (see Notes 12, 13, 14, 15 and 17).

Subsequent measurement

Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortization is included as finance costs in the statement of comprehensive income.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the lessee's deposit held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each financial reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (60) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other receivables and other financial assets, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements,



where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Advances to Contractors

Advances to contractors pertain to down-payments made by the Group which are applied against future billings for development and construction contracts. Advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other current assets" and "Accounts payable and accrued expenses", respectively in the consolidated statement of financial position.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Investment properties include buildings that are held to earn rentals and are not occupied by the Group. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Construction in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.



Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Investment properties also include prepaid commission representing incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Property and Equipment

Property and equipment consist of land improvements and furniture and fixtures. The Group's property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, and overhaul costs are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment is computed using the straight-line method over the economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of property and equipment are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.



Intangible Assets

Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

The economic useful lives of intangible assets are assessed to be either finite or indefinite.

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the economic useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Other Assets

Other current and noncurrent assets are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value.

Prepaid District Cooling System (DCS) connection charges

Prepaid DCS connection charges are initially recognized at cost and are subsequently amortized over the term of the supply period (i.e., 20 years) commencing on the date when the related building is connected to the DCS facility. Portion related to the connection of succeeding buildings are amortized over the remaining years of the supply period.

Noncurrent Assets Held for Distribution

A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

A noncurrent asset (or disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Noncurrent asset (or disposal group) classified as held for distribution is measured at the lower of its



carrying amount and fair value less costs to distribute or cost to sell.

The Group presents the noncurrent assets classified as held for distribution through property dividend or reimbursement separately from other assets as "Noncurrent assets held for distribution" in the consolidated statement of financial position. The liabilities related to the disposal group classified as held for distribution are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution" in the consolidated statement of financial position.

Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity

Capital stock and additional paid-in capital

The Group records capital stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deposits for Future Stock Subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC.

Retained earnings

Retained earnings represent accumulated earnings of the Group, less dividends declared and any adjustment arising from application of new accounting standards or changes in accounting policies applied retroactively. Retained earnings are restricted for any appropriation as approved by the Group's BOD.



Dividends are deducted from unappropriated retained earnings when declared and approved by the Group's BOD. Dividends payable are recorded as liability until paid or upon distribution of related property held for distribution. Dividends for the year that are declared and approved after financial reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after considering the retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Revenue Recognition

The Group is in the business of leasing its investment property portfolio. The Group's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Rental Revenue

Rental revenue is recognized in the statement of comprehensive income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

Common usage service area charges

Common usage service area charges are recognized when the related services are rendered. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant and are presented gross of related cost and expenses.

Interest income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other income

Other income is recognized when the related services have been rendered and the right to receive payment is established.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in the profit or loss for the period in accordance with PFRS.



Costs and Expense Recognition

These include the Group's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

All remeasurements recognized in other comprehensive income account "Remeasurement gain on retirement plan", net of tax and are not reclassified to another equity account in subsequent periods.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

Deferred tax

Deferred tax is provided on all temporary differences at the report date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.



The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

Group as lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as lessee

Except for short-term leases and lease of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use-assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.



Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the financial report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the profit or loss.

Segment Reporting

The Group's operating businesses are organized and managed according to the nature of the products and services provided. The Group has determined that it is operating as one operating segment as of March 31, 2021 and December 31, 2020 (see Note 24).



Provisions

A provision is recognized only when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial report date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the interim consolidated financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the interim consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting Date

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the interim consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the interim consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the interim consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the interim consolidated financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the interim consolidated financial statements.

Determination of lease term of contracts with renewal and termination options - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).



The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Group assessed that renewal is not reasonably certain (see Note 20).

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 20).

Build Transfer Operate (BTO) Agreement with Cebu Province - Group as operator

On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the Parent Company at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City.

In August 2012, FLI assigned this agreement to the Parent Company. Based on the agreement, the Parent Company has assessed that the Cebu Province (Grantor) cannot control or regulate the services that the operator must provide using the infrastructure, to whom it must provide them and at what price. Due to this, the BTO agreement is assessed to be outside the scope of IFRIC 12, *Service Concession Arrangements*

The Parent Company, on the other hand, has the right to operate and earn rentals from the project upon completion but does not have ownership over the properties. The Parent Company also has no substantial risks and rewards on the properties for the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under “BTO rights” presented under intangible assets in the consolidated statement of financial position (see Note 7).

Determining whether an arrangement contains a lease - Build Operate Transfer (BOT) Agreement

On September 16, 2015, the Parent Company entered into a BOT agreement with Philippine DCS Development Corporation (PDDC), also a subsidiary of FLI. The BOT agreement relates to the construction and operation by PDDC of the DCS facilities for 20 years, during which PDDC will supply chilled water for the provision of cooling energy to the properties of the Parent Company within Northgate Cyberzone, Muntinlupa City.

While the fulfillment of the terms and conditions of the agreement is dependent on the use of an asset (i.e., DCS facilities), management assessed that the right to control the operations of such asset is not conveyed to the Parent Company considering that: (a) the Parent Company has no ability to operate the asset nor the right to direct PDDC to operate the asset in a manner it determines; and (b) the supply of chilled water will not be exclusive to the properties of the Parent Company during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16 (see Note 11).

Classification of noncurrent assets held for distribution

As of March 31, 2021 and December 31, 2020, the Parent Company has noncurrent assets held for distribution amounting to ₱8,807.0 million and ₱6,843.7 million, respectively, related to property dividends declared by the Parent Company. These include property dividends declared on December 4, 2020 and February 11, 2021, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and March 31, 2021, and the related right of use assets for the land subleased by



the Parent Company where these properties were constructed. As of March 31, 2021, the Parent Company also has identified lease liabilities directly related to noncurrent assets held for distribution amounting to ₱186.0 million (nil as of December 31, 2020).

The Parent Company assessed that the distribution of these investment properties, by way of property dividends and reimbursement from FLI, is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the interim consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for additions made from date of declaration to the date of distribution.

Refer to Notes 6 and 16 for the related disclosures on noncurrent assets held for distribution and directly related liabilities.

Impairment assessment of nonfinancial assets

The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Group considers indications of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of the asset's fair value less cost to sell and value in use.

The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of March 31, 2021 and December 31, 2020, no impairment indicators were identified for the Group's nonfinancial assets (see Notes 7, 9 and 20).

Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the report date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of March 31, 2021, and December 31, 2020, the Group's allowance for ECL on its trade receivables amounted to ₱0.3 million (see Note 5).



Recognition of deferred tax asset

The Group reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of March 31, 2021, and December 31, 2020, deferred tax assets amounted to ₱109.2 million and ₱269.2 million, respectively (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2021	December 31, 2020
Cash on hand and in banks	₱588,073,198	₱602,644,513
Cash equivalents	388,137,760	267,873,019
	₱976,210,958	₱870,517,532

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.10% to 3.75% and 0.13% to 4.50% for the three months ended March 31 2021 and 2020, respectively.

Interest earned from cash and cash equivalents amounted to ₱0.3 million for the three months ended March 31, 2021 and 2020 (see Note 22).

There is no restriction on the Group's cash and cash equivalents as at March 31, 2021 and December 31, 2020.

5. Receivables

This account consists of:

	March 31, 2021	December 31, 2020
Trade receivables (Note 17)	₱830,891,583	₱799,278,543
Due from related parties (Note 17)	410,709,125	-
Advances to officers and employees	29,751,780	29,632,452
Others	1,630,912	1,518,717
	1,272,983,400	830,429,712
Less expected credit loss	285,258	285,258
	₱1,272,698,142	₱830,144,454

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These include receivable earned but not yet billed arising from straight-line recognition of lease income from covered lessees. These are covered by security deposits by tenants equivalent to 3 months rent paid by the lessees. All overdue and unpaid rent, dues and



charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to ₱0.4 million and ₱2.2 million for the three months ended March 31, 2021 and 2020, respectively (see Note 22).

For the three months ended March 31, 2021 and 2020, the Group has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of March 31, 2021 and December 31, 2020.

Advances to officers and employees pertain to salary and loans granted by the Group which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Others include outstanding advances of real property tax to the land leased by the Group.

6. Noncurrent Assets Held For Distribution

This account consists of:

	March 31, 2021	December 31, 2020
Net book value of investment properties		
Investment properties declared as property dividends (Notes 9 and 16)	₱6,914,270,136	₱6,611,906,765
Additions to construction in progress for the period	417,047,236	231,794,581
Right of use assets (Notes 9 and 20)	54,463,438	-
Net book value of intangible assets		
BTO rights declared as property dividends (Notes 7 and 16)	1,388,063,419	-
Additions to BTO rights for the period	5,669,692	-
Right of use assets (Notes 7 and 20)	27,505,758	-
	₱8,807,019,679	₱6,843,701,346

Noncurrent assets held for distribution represent investment properties and BTO rights declared as property dividends, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and March 31, 2021 subject to reimbursement by FLI, and the related right of use assets for the land subleased by the Parent Company where these properties were constructed.

Liabilities directly related to the noncurrent asset held for distribution pertains to lease liabilities amounting ₱186.0 million as of March 31, 2021 (nil as of December 31, 2020).

These noncurrent assets held for distribution will be derecognized in the interim consolidated financial statements once the SEC approves the distribution of the dividends, the Parent Company is compensated for the additional construction costs incurred related to these properties from declaration date to March 31, 2021 and the related lease contracts are assigned to FLI. The total additions amounting to ₱422.7 million is net of depreciation amounting ₱16.5 million for the three months ended March 31, 2021.



7. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Group in August 2012 (see Note 3).

“BTO rights” relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of March 31, 2021 and December 31, 2020, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.6 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2022 and 2023, respectively.

“Right-of-Use assets” pertain to the related lease payments required under the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of intangible assets follows:

	March 31, 2021		
	BTO Rights	Right-of-Use Assets (Note 20)	Total
Cost			
Balance at beginning of period	₱3,576,270,821	₱112,423,917	₱3,688,694,738
Additions	64,628,255	-	64,628,255
Derecognition (Note 17)	(890,876,270)	(60,231,586)	(951,107,856)
Reclassification (Notes 6 and 16)	(1,430,406,718)	(30,115,793)	(1,460,522,511)
Balance at end of period	1,319,616,088	22,076,538	1,341,692,626
Accumulated Depreciation			
Balance at beginning of period	270,873,400	8,993,914	279,867,314
Depreciation	14,236,443	823,080	15,059,523
Derecognition (Note 17)	-	(5,220,071)	(5,220,071)
Reclassification (Notes 6 and 16)	(36,673,607)	(2,610,035)	(39,283,642)
Balance at end of period	248,436,236	1,986,888	250,423,124
Net Book Value	₱1,071,179,852	₱20,089,650	₱1,091,269,502

	December 31, 2020		
	BTO Rights	Right-of-Use Assets (Note 20)	Total
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	-	607,835,586
Reclassification (Notes 9 and 10)	8,403,391	-	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation	77,559,890	4,496,957	82,056,847
Reclassification (Notes 9 and 10)	15,041,813	-	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Parent Company at a consideration equivalent to the cost of the properties upon assignment. On February 26, 2021, CPI and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized (see Note 17).



The derecognition of the right-of-use assets and lease liabilities amounting ₱55.0 million and ₱74.8 million, respectively, resulted to gain on derecognition of lease liabilities presented in the interim statement of comprehensive income amounting ₱19.8 million (see Note 20).

Rental income recognized arising from the BTO agreement amounted to ₱62.5 million, and ₱51.3 million for the three months ended March 31, 2021 and 2020, respectively.

Tenant dues from BTO rights amounted to ₱24.60 million and ₱23.90 million for the three months ended March 31, 2021 and 2020, respectively (see Note 21).

Operating expenses incurred for maintaining and operating these assets amounted to ₱41.5 million and ₱25.9 million for the three months ended March 31, 2021 and 2020, respectively (see Note 20). For the three months ended March 31, 2021 and 2020, capitalized amortization of right-of-use assets amounted to ₱0.4 million and nil, respectively.

Borrowing costs capitalized on the BTO project amounted to ₱4.3 million and ₱81.8 million for the three months ended March 31, 2021 and 2020, respectively (see Notes 12 and 13). The capitalization rates used for the three months ended March 31, 2021 and 2020 range from 4.0% to 5.2%.

Contractual obligations to acquire and construct intangible assets amounted to ₱101.5 million and ₱1,500.0 million as of March 31, 2021 and December 31, 2020, respectively.

8. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱20.7 million and ₱18.4 million as of March 31, 2021 and December 31, 2020, respectively.

9. Investment Properties

The rollforward analyses of this account follows:

	March 31, 2021					Total
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 20)	Others	
Cost						
Balance at beginning of period	₱-	₱11,953,070,219	₱-	₱1,946,930,753	₱158,204,744	₱14,058,205,716
Additions	-	-	-	-	4,969,319	4,969,319
Derecognition (Note 20)	-	-	-	(1,884,771,395)	-	(1,884,771,395)
Reclassification (Notes 6 and 16)	-	(528,355,502)	-	(62,159,358)	-	(590,514,860)
Balance at end of period	-	11,424,714,717	-	-	163,174,063	11,587,888,780
Accumulated Depreciation						
Balance at beginning of period	-	2,339,348,223	-	39,188,512	49,864,109	2,428,400,844
Depreciation	-	68,393,398	-	11,286,856	6,146,764	85,827,018
Derecognition (Note 20)	-	-	-	(42,779,448)	-	(42,779,448)
Reclassification (Notes 6 and 16)	-	(225,992,131)	-	(7,695,920)	-	(233,688,051)
Balance at end of period	-	2,181,749,490	-	-	56,010,873	2,237,760,363
Net Book Value	₱-	₱9,242,965,227	₱-	₱-	₱107,163,190	₱9,350,128,417



December 31, 2020						
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 20)	Others	Total
Cost						
Balance at beginning of year	P1,065,970,323	P14,374,114,937	P2,596,558,086	P62,159,358	P125,268,691	P18,224,071,395
Additions (Note 20)	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	-	-	-	-	(672,801,997)
Derecognition (Note 20)	-	-	-	(264,490,746)	-	(264,490,746)
Reclassification (Notes 7, 10 and 16)	(405,839,771)	(2,571,952,120)	(3,889,469,481)	-	-	(6,867,261,372)
Balance at end of year	-	11,953,070,219	-	1,946,930,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	-	2,042,662,904	-	3,551,963	21,083,279	2,067,298,146
Depreciation	-	320,245,345	-	39,033,505	28,780,830	388,059,680
Derecognition (Note 20)	-	-	-	(3,396,956)	-	(3,396,956)
Reclassification (Notes 7, 10 and 16)	-	(23,560,026)	-	-	-	(23,560,026)
Balance at end of year	-	2,339,348,223	-	39,188,512	49,864,109	2,428,400,844
Net Book Value	P-	P9,613,721,996	P-	P1,907,742,241	P108,340,635	P11,629,804,872

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Group's office buildings.

Investment properties pertain to the Group's land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to nil and ₱177.5 million for the three months ended March 31, 2021 and 2020 (see Notes 13 and 14). The capitalization rates used range from 4.0% to 5.6% in 2020.

On October 7, 2020, the Group sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million.

As of March 31, 2021, the estimated fair value of the Group's investment properties amounted to ₱45,429.7 million. The fair value of the investment properties is computed based on the income approach using discounted cash flow method. Using income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertain to lease income growth rate and discount rate. The fair value used by the Group is based on a valuation performed in 2021 by an accredited third-party appraisal who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

Rental income from investment properties amounted to ₱647.6 million and ₱711.5 million for the three months ended March 31, 2021 and 2020, respectively. Tenant dues from investment properties amounted to ₱333.8 million and ₱375.7 million for the three months ended March 31, 2021 and 2020, respectively (see Note 21).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱232.0 million and ₱298.3 million for the three months ended March 31, 2021 and 2020, respectively (see Note 21).

Contractual obligations to acquire intangible assets amounted to ₱221.6 million and ₱1,377.2 million as of March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.



10. Property and Equipment

The rollforward analysis of this account follows:

	March 31, 2021		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of period	₱38,916,373	₱91,920,342	₱130,836,715
Additions	—	10,649,822	10,649,822
Balance at end of period	38,916,373	102,570,164	141,486,537
Accumulated Depreciation			
Balance at beginning of period	19,325,572	43,116,261	62,441,833
Depreciation	138,703	4,311,489	4,450,192
Balance at end of period	19,464,275	47,427,750	66,892,025
Net Book Value	₱19,452,098	₱55,142,414	₱74,594,512

	December 31, 2020		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱38,703,160	₱80,175,614	₱118,878,774
Additions	201,211	16,559,423	16,760,634
Reclassification (Notes 7 and 9)	12,002	(4,814,695)	(4,802,693)
Balance at end of year	38,916,373	91,920,342	130,836,715
Accumulated Depreciation			
Balance at beginning of year	18,975,099	44,953,352	63,928,451
Depreciation	350,473	15,598,150	15,948,623
Reclassification (Notes 7 and 9)	—	(17,435,241)	(17,435,241)
Balance at end of year	19,325,572	43,116,261	62,441,833
Net Book Value	₱19,590,801	₱48,804,081	₱68,394,882

As of March 31, 2021, property and equipment is not used as collateral and is not subject to any encumbrances.

11. Other Assets

Other current assets consist of:

	March 31, 2021	December 31, 2020
Input VAT - net	₱901,145,898	₱986,282,331
Creditable withholding tax	100,888,153	94,649,221
Prepayments	83,509,661	68,233,324
Others	29,947,187	33,658,745
	1,115,490,899	1,182,823,621
Less noncurrent portion of input VAT	—	11,491,515
	₱1,115,490,899	₱1,171,332,106



Input Value Added Tax (VAT) represents the taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies.

Other noncurrent assets consist of:

	March 31, 2021	December 31, 2020
Prepaid DCS connection charges (Note 17)	₱331,982,028	₱336,023,216
Deposits	40,903,155	40,903,155
Input VAT - noncurrent portion	-	11,491,515
	₱372,885,183	₱388,417,886

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee amounting to ₱4.0 million for the three months ended March 31, 2021 and 2020 is presented as "Others" in the interim consolidated statement of comprehensive income.

The rollforward analysis of Prepaid DCS connection charge follows:

	March 31, 2021	December 31, 2020
Cost		
Balance at beginning of period	₱382,860,734	₱316,250,070
Additions (Note 17)	-	66,610,664
Balance at end of period	382,860,734	382,860,734
Accumulated Amortization		
Balance at beginning of period	46,837,518	30,672,764
Amortization	4,041,188	16,164,754
Balance at end of period	50,878,706	46,837,518
Net Book Value	₱331,982,028	₱336,023,216

Deposits pertain to electric meter deposits and security deposits.



12. Accounts Payable and Accrued Expenses

This account consists of:

	March 31, 2021	December 31, 2020
Advances from tenants	₱541,429,380	₱566,558,897
Accrued expenses (Note 17)	287,432,778	262,209,073
Retention payable - current portion (Note 15)	172,838,361	177,214,409
Payable to suppliers	134,435,586	121,453,381
Payable to contractors (Note 9)	103,892,085	123,491,053
Accrued interest payable (Notes 13 and 14)	98,007,456	113,036,580
Withholding taxes payable	30,253,420	38,206,363
Due to related parties (Note 17)	-	181,541,991
	₱1,368,289,066	₱1,583,711,747

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Retention payable account pertains to the amounts withheld by the Group from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Payable to suppliers arise from various acquisitions of materials and supplies used for construction and are normally payable within the year.

Payable to contractors arises from progress billings received from contractors for the construction costs incurred by the Group.

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one (1) month.

13. Loans Payable

This account consists of:

	March 31, 2021	December 31, 2020
Developmental loans from local banks (Note 16)	₱-	₱2,344,166,667
Less current portion of loans payable	-	744,166,667
Noncurrent portion of loans payable	₱-	₱1,600,000,000



Developmental Bank Loans

These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum. Loans availed by the Group for the three months ended March 31, 2021 and for the year ended December 31, 2020, amounted to nil and ₱1,000.0 million, respectively. Principal payments made in 2020 amounted to ₱983.6 million, nil in 2021 (see Note 26).

Interest expense which was capitalized relating to loans payable amounted to ₱10.0 million and ₱133.4 million for the three months ended March 31, 2021 and in 2020, respectively (see Notes 7 and 9). The capitalization rates used for both years ranges from 4.0% to 5.2%.

Total interest expense charged to the interim consolidated statements of comprehensive income amounted to ₱7.9 million and nil for the three months ended March 31, 2021 and 2020, respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Parent Company notified the banks in writing of the assignment of loans.

As of March 31, 2021, the Parent Company received the letters of consent from all the banks authorizing the assignment of the loans to FLI. As of March 31, 2021, total loans payable assigned to FLI and derecognized in the consolidated statement of financial position amounted to ₱3,863.0 million, inclusive of amounts derecognized as of December 31, 2020 amounting to ₱1,518.8 million.

In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Parent Company. The principal installment paid by FLI and the portion of the derecognized loans were recognized as deposit for future stock subscription. As of March 31, 2021 and December 31, 2020, the deposit for future stock subscription amounted to ₱3,746.3 million, and ₱1,889.6 million, respectively (see Note 16).

The Group's loans payable is unsecured, and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio and interest coverage ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization. As of March 31, 2021, and December 31, 2020, the Group is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.



14. Bonds Payable

On July 7, 2017, the Group issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million and term of five and a half (5.5) years from the issue date. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of March 31, 2021 and December 31, 2020, the outstanding balance of bonds payable amounted to ₱5,977.4 million and ₱5,974.2 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Group exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to nil and ₱108.8 million for the three months ended March 31, 2021 and 2020, respectively (see Notes 7 and 9).

Total interest expense charged to the interim consolidated statements of comprehensive income amounted to ₱75.7 million and ₱0.1 million for the three months ended March 31, 2021 and 2020, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱22.0 million and ₱25.8 million as of March 31, 2021 and December 31, 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the interim consolidated statements of comprehensive income amounted to ₱3.2 million for the three months ended March 31, 2021 and 2020.

The bonds require the Group to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of March 31, 2021, and December 31, 2020, the Group is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

15. Other Liabilities

Security and other deposits

Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits follows:

	March 31, 2021	December 31, 2020
Current portion	₱134,343,934	₱116,414,891
Noncurrent portion	723,022,369	732,659,169
	₱857,366,303	₱849,074,060

Other noncurrent liabilities

This account consists of:

	March 31, 2021	December 31, 2020
Retention payable - net of current portion	₱323,107,918	₱296,558,325
Retirement liabilities (Note 18)	3,827,357	3,827,357
	₱326,935,275	₱300,385,682



16. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription

Details of the Parent Company's capital stock as of March 31, 2021 and December 31, 2020 follow:

Common stock - ₱1 par value	
Authorized - 2,000,000,000 shares	₱2,000,000,000
Issued and outstanding - 1,163,426,668 shares	1,163,426,668
Additional paid-in capital	102,900,666

On December 4, 2020, the BOD approved the increase in the Parent Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of ₱1.00 per share and 4,185.0 million preferred shares with a par value of ₱1.00. The Parent Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI (see Note 13).

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of ₱1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from ₱2,000.0 million divided into 2,000.0 million common shares with a par value of ₱1.00 per share to ₱7,131.8 million divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Note 23).

On March 12, 2021, FLI subscribed to 2,565.9 million common shares out of the Parent Company's proposed amendment to the increase in authorized capital stock superseding FLI's subscription to the Parent Company's shares on December 15, 2020. The Parent Company submitted the application for the reduction of par value and the amendment to the increase in authorized capital stock with the SEC on March 18, 2021. As of March 31, 2021, these amendments are awaiting approval by the SEC.

As of March 31, 2021 and December 31, 2020, deposit for future stock subscription amounted to ₱3,746.3 million and ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to ₱1,856.7 million and ₱1,518.8 million, in January 2021 and in December 2020 respectively, and principal installments on loans paid by FLI on behalf of the Parent Company prior to assignment of loans in December 2020 amounting to ₱370.8 million (see Note 13).

Retained Earnings

Appropriation

On December 4, 2020, the BOD approved the release of its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed or transferred, thus will not require any appropriations anymore.

Declaration of Dividend

On February 11, 2021, the BOD approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million (see Note 6).



On December 4, 2020, the Parent Company's BOD approved the declaration of buildings Filinvest Axis Towers 2, 3 and 4, and SRP Lot 2 with carrying value amounting to ₱6,611.9 million (see Note 6).

The distribution of these properties shall be made upon approval by the SEC.

After reconciling items, the Group's retained earnings available for dividend declaration as of March 31, 2021 and December 31, 2020 amounted to ₱789.6 million and ₱1,680.9 million, respectively.

The following table shows how the Group computes for its dividend per share:

	March 31, 2021	December 31, 2020
a. Dividends	₱1,690,426,790	₱6,611,906,765
b. Number of outstanding common shares	1,163,426,668	1,163,426,668
Dividends per share (a/b)	₱1.45	₱5.68

Capital Management

The Group's primary objective is to maintain its current sound financial condition and strong debt service capabilities, as well as to continuously implement a prudent financial management program. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Group may also, from time to time, seek other sources of funding, which may include debt or equity issues, depending on its financing needs and market conditions. The Group continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

The Group monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total stockholders' equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of long-term notes, bonds, and lease liabilities. No changes were made in the objectives, policies or processes for managing capital during the three months ended March 31, 2021 and the year ended December 31, 2020.

The following table shows how the Group computes for its debt-to-equity ratio:

	March 31, 2021	December 31, 2020
Bonds payable (Note 14)	₱5,977,360,240	₱5,974,168,846
Loans payable (Note 13)	-	2,344,166,667
Lease liabilities (Note 20)	27,440,421	2,190,115,165
	6,004,800,661	10,508,450,678
Equity	5,911,349,029	5,106,064,860
Debt-to-equity ratio	1.02:1	2.06:1



17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions (“RPT”) with a transaction value that reaches ten percent (10%) of the Group’s total assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions (“Policy”). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances as at March 31, 2021 and December 31, 2020 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of March 31, 2021 and December 31, 2020, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

A summary of the Group’s related party transactions are shown in the table below:

	March 31, 2021				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<i>Bank under common control</i>					
Cash and cash equivalents	₱461,972,882	₱461,972,882	0.1010% to 3.75%	No impairment	17 (a)
Interest income	264,741	–			
	₱462,237,623	₱461,972,882			
<i>Trade receivables (Note 5)</i>					
<i>Parent Company</i>					
Rental revenue	₱6,194,264	₱2,358,230	Noninterest-bearing; due and demandable	Unsecured	17 (b)
Assignment of BTO rights	890,876,270	410,709,125	Noninterest-bearing; due and demandable	Unsecured	17 (g)
<i>Affiliate</i>					
Rental revenue	₱17,415,532	₱3,554,824	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	36,136,395	–	Noninterest-bearing	Unsecured	17 (b)
	₱53,551,927	₱3,554,824			
<i>Other Noncurrent Asset</i>					
<i>Affiliate</i>					
DCS connection charge (Note 11)	₱–	₱336,023,216		No impairment	17 (f)
Connection fees	(4,041,188)	(4,041,188)			
	(₱4,041,188)	₱331,982,028			



March 31, 2021					
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<u>Accounts payable and accrued expenses (Note 12)</u>					
<i>Parent Company</i>					
Rental expense	(P62,531,187)	(P24,021,626)	Noninterest-bearing; payable on demand	Unsecured	17 (c)
<i>Affiliate</i>					
Service and energy fees	(65,787,834)	(43,719,204)	Noninterest-bearing	Unsecured	17 (f)
<i>Affiliate</i>					
Service fee	(8,135,855)	-	Noninterest-bearing; payable on demand	Unsecured	17 (d)
Management fee and manpower cost	(4,297,097)	(2,878,380)	Noninterest-bearing; payable on demand	Unsecured	17 (d)
	(P140,751,973)	(P70,619,210)			
<u>Lease liabilities</u>					
<i>Parent Company</i>					
Lease liabilities (Note 20)	P10,780,704	P-	Noninterest-bearing; payable	Unsecured	17 (c)
<u>Other Noncurrent Liabilities</u>					
<i>Parent Company</i>					
Security deposit	P-	(P7,278,060)	Noninterest-bearing; payable	Unsecured	17 (b)
<i>Affiliate</i>					
Security deposits	-	(14,133,746)	Noninterest-bearing; payable	Unsecured	17 (b)
	P-	(P21,411,806)			
December 31, 2020					
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<i>Bank under common control</i>					
Cash and cash equivalents	P738,640,515	P738,640,515	0.1010% to 3.75%	No impairment	17 (a)
Interest income	3,908,966	-			
	P742,549,481	P738,640,515			
<u>Trade receivables (Note 5)</u>					
<i>Parent Company</i>					
Rental revenue	P24,965,196	P306,370	Noninterest-bearing; due and demandable	Unsecured	17 (b)
<i>Affiliate</i>					
Rental revenue	P88,007,272	P146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	8,990,356	-	Noninterest-bearing	Unsecured	17 (b)
Commission income (Note 21)	23,166,200	-	Noninterest-bearing	Unsecured	17 (d)
	P145,129,024	P453,099			
<u>Other Noncurrent Asset</u>					
<i>Affiliate</i>					
DCS connection charge (Note 11)	P15,266,782	P352,187,969		No impairment	17 (f)
Connection fees (Note 12)	-	(16,164,753)			
	P15,266,782	P336,023,216			
<i>(Forward)</i>					



December 31, 2020					
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Accounts payable and accrued expenses (Note 12)					
<i>Parent Company</i>					
Rental expense	(P304,190,850)	P-	Noninterest-bearing; payable on demand	Unsecured	17 (c)
<i>Affiliate</i>					
Advances	(350,000,000)	-	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	-	Noninterest-bearing	Unsecured	17 (c)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	17 (f)
Rental expense	(4,467,493)	-	Noninterest-bearing; payable on demand	Unsecured	17 (c)
<i>Affiliate</i>					
Service fee	(35,361,288)	(13,950,037)	Noninterest-bearing; payable on demand	Unsecured	17 (d)
Management fee and manpower cost	-	-	Noninterest-bearing; payable on demand	Unsecured	
	(P994,538,279)	(P60,277,702)			
Lease liabilities					
<i>Parent Company</i>					
Lease liabilities (Note 20)	(P2,149,262,141)	(P2,190,115,165)	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
<i>Parent Company</i>					
Security deposit	(P7,278,060)	(P7,278,060)	Noninterest-bearing; payable	Unsecured	17 (b)
<i>Affiliate</i>					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	17 (b)
	(P19,296,484)	(P21,411,806)			

Significant related party transactions are as follows.

- a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.
- b) *Lease agreements with related parties - Group as lessor*
 - The Parent Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Parent Company's buildings. Lease period is from October 16, 2016 to October 15, 2021, renewable for another 10 years.
 - The Parent Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Parent Company's buildings. Lease period is from September 2, 2019 to September 1, 2024. The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel Property Managers, Inc. (PEPMI), an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2017 to July 14, 2020.
 - The Parent Company, as a lessor, entered into a space rental agreement with PEPMI, an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2020 to July 14, 2025.
 - The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from August 10, 2017 to October 9, 2022.



- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- The Parent Company, as a lessor, entered into a space rental agreement with Corporate Technologies Inc (CTI), for the office space in one of the Parent Company's buildings. Leasing period is from November 15, 2018 to November 14, 2023.

c) *Lease agreements with related parties - Group as lessee*

- The Parent Company, as a lessee, entered into a land lease agreement with FLI on the location of the buildings currently leased to third parties and on those still under construction. Rental expense is based on certain percentages of the Parent Company's gross rental income.

In 2020, the Parent Company's lease agreement was amended as follows (see Note 20):

- the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
- the lease terms were extended for an additional term of 25 years.

In 2021, the Parent Company's lease agreement was amended as follows (see Note 20):

- rental rates shall be solely variable (10% or 15% based on Gross Lease Income); and,
- in case of redevelopment, FLI and the Parent Company shall mutually agree on the minimum monthly rent during construction period.
- lease period shall be in full force and effect for a period of 50 years which shall commence on February 11, 2021 and shall expire on February 10, 2071.

- In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

d) *Service agreements with related parties*

- The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Parent Company. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Parent Company are located.
- The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and PEPMI, entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.
- The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.



- The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Parent Company's parking facilities.
 - The Parent Company entered into a service agreement with ProOffice, an affiliate, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Parent Company.
 - The Parent Company entered into a facilities management agreement with Professional Operations and Maintenance Experts Incorporated (PROMEI), whereby the Parent Company shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.
 - The Parent Company entered into a service agreement with CTI, whereby the Company shall engage and pay for varied information and technology services. Services shall include application development, apps support and system maintenance, system application, software licensing and administration, internet bandwidth allocation, network, database and server management plus desktop and telecom support.
- e) On February 27, 2019, the Parent Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Parent Company.
- f) *BOT Agreement*
In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Parent Company and Philippine DCS Development Corporation (PDDC), the Parent Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.
- Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱4.0 million and ₱4.0 million for the three months ended March 31, 2021 and 2020, respectively. These amounts were recognized as part of utilities expense in interim consolidated statement of comprehensive income (see Note 2). Connection and service charges incurred for these buildings as of March 31, 2021 and December 31, 2020, aggregated to ₱332.0 million and ₱336.0 million, respectively (see Note 11).
- g) *Deed of Assignment of BTO rights to FLI*
On February 26, 2021, the Parent Company entered into an agreement with FLI assigning its right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone Towers under the BTO Agreement and Agreement for Transfer and Conveyance. The consideration due was offset against outstanding payable to FLI. The excess shall be settled in cash.

Key Management Personnel

For the three months ended March 31, 2021 and 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱1.4 million and ₱2.1 million, respectively.



18. Retirement Cost

The Group has a noncontributory, funded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Group accrues retirement costs (included in "Retirement liability" in the consolidated statements of financial position) based on an actuarially determined amount using the PUC method.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of "Pension expense" recognized in the interim consolidated statements of comprehensive income and "Retirement liability" recognized in the consolidated statements of financial position for the existing retirement plan.

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

	March 31, 2021	December 31, 2020
Present value of defined benefit obligation	₱5,141,352	₱5,141,352
Fair value of plan assets	(1,313,995)	(1,313,995)
Net pension liabilities	₱3,827,357	₱3,827,357

For the three months ended March 31, 2021 and 2020, there are no pension expense recognized in profit or loss and there are no remeasurements recognized in other comprehensive income. As of March 31, 2021 and December 31, 2020 remeasurement loss and gain, net of tax, amounted to ₱0.03 million.

Changes in the present value of the defined benefit obligation follow:

	March 31, 2021	December 31, 2020
Balance at beginning of period	₱5,141,352	₱1,832,889
Current service cost	-	457,912
Interest expense	-	141,394
Amount to be recognized in OCI	-	2,709,157
Balance at end of period	₱5,141,352	₱5,141,352



Changes in the fair value of plan assets follow:

	March 31, 2021	December 31, 2020
Balance at beginning of period	₱1,313,995	₱-
Contribution	-	1,419,104
Interest income	-	112,109
Remeasurement losses on plan assets	-	(217,218)
Balance at end of period	₱1,313,995	₱1,313,995

As of March 31, 2021, the plan asset amounting ₱1.3 million pertains to cash. The Group has no expected contribution to its defined benefit pension plan in 2021. The Group reviews the level of funding required for the retirement plan. The Group's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments follows:

Financial Year	March 31, 2021	December 31, 2020
Year 1	₱4,429	₱4,429
Year 2	5,408	5,408
Year 3	6,639	6,639
Year 4	8,258	8,258
Year 5	10,241	10,241
Year 6 to 50	102,562,979	102,562,979

The principal assumptions used in determining pension benefits as of March 31, 2021 and December 31, 2020 includes discount rate and salary increase rate of 4.1% and 8.0%, respectively. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) assuming all other assumptions were held constant:

	Increase (Decrease)		Impact on DBO	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Discount rates	(18%) 24%	(18%) 24%	(₱4,193,468) 6,349,599	(₱4,193,468) 6,349,599
Salary rates	22% (17%)	22% (17%)	6,296,529 (4,253,434)	6,296,529 (4,253,434)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.



19. Income Tax

On June 6, 2000, the Group was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Group is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Group is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the statements of comprehensive income follows:

	March 31, 2021	March 31, 2020
At 5% statutory income tax rate	₱12,338,677	₱14,767,110
Net result from non-PEZA activities:		
Current	38,340,927	36,923,672
Deferred	(146,094,065)	54,509,816
	(₱95,414,461)	₱106,200,598

The components of the Group's net deferred tax assets (liability) follows:

	March 31, 2021	December 31, 2020
<i>Presented in profit or loss</i>		
Deferred tax assets		
Lease liabilities	₱53,354,384	₱200,002,363
Advance rentals	53,535,427	66,779,445
Provision for future major repairs	1,766,902	1,812,946
Accrual of pension obligation	428,377	514,052
Provision for doubtful accounts	71,315	85,577
Unrealized foreign currency exchange loss	10,972	13,067
	109,167,377	269,207,450
Deferred tax liabilities		
Capitalized borrowing costs	(112,427,571)	(258,925,373)
Adjustment related to straight-line recognition of rental revenue	(94,620,758)	(119,797,641)
Right-of-use assets	(26,342,872)	(160,802,325)
	(233,391,201)	(539,525,339)
	(124,223,824)	(270,317,889)
<i>Presented in OCI</i>		
Deferred tax asset on net actuarial gains on pension liability		
	315,000	378,000
	(₱123,908,824)	(₱269,939,889)



The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the interim consolidated statements of comprehensive income follows:

	March 31, 2021	March 31, 2020
Tax at statutory rate	₱135,923,208	₱183,897,019
Adjustments for:		
Income tax at 5% preferential rate	(57,447,603)	(77,728,432)
Nontaxable gain on derecognition of lease liabilities	(13,017,816)	-
Effect of change in tax rate on:		
Current tax of 2020 recognized in 2021	(13,483,850)	-
Net deferred tax liability	(42,183,060)	-
Derecognition of deferred tax on temporary differences related to property dividend	(105,231,814)	-
Interest income subjected to final tax	26,474	32,011
	(₱95,414,461)	₱106,200,598

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act which eyes to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reform to the corporate income tax and incentives systems which took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation, on April 11, 2021. As a result of the CREATE law, the regular corporate income tax (RCIT) rate decreased from 30% to 25% effective July 1, 2020. As a result of the reduction in RCIT rate, the provision for current tax for the year ended December 31, 2020 decreased by ₱13.5 million and the creditable withholding tax as of December 31, 2020 increased by ₱13.5 million. In addition, the provision for deferred tax for the for the year ended December 31, 2020 decreased by ₱42.2 million and other comprehensive loss increased by ₱0.1 million, and the deferred tax liabilities decreased by ₱42.1 million as of December 31, 2020. For financial reporting purposes, these changes are recognized in the consolidated financial statements as of and for the three months ended March 31, 2021 in accordance with PIC Q&A 2020-07, *Accounting for the Proposed Changes in Income Tax Rates under the CREATE Bill* dated January 27, 2021.

20. Leases

Group as lessee

The Parent Company has lease contracts for land as of January 1, 2019. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. The Parent Company has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

The Parent Company's lease contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.

On July 1, 2020, CPI and FLI amended their existing lease contract. The pertinent amendment provisions include the extension of the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.3 million at contract amendment date (see Note 9).



On March 1, 2021, CPI and FLI amended their existing lease contract. The pertinent amended provisions include removal of the requirement to pay minimum lease and that rental rates shall be solely variable (i.e., 10% or 15% of gross lease income depending on the floor to area ratio). In case of redevelopment, FLI and CPI shall mutually agree on the minimum monthly rent during construction period.

On March 31, 2021, the Parent Company entered into an agreement with FLI assigning its right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone Towers under the BTO Agreement and Agreement for Transfer and Conveyance.

The above transactions resulted to derecognition of ROU assets and lease liabilities amounting to ₱1,897.0 million and ₱1,982.2 million, respectively, and recognition of gain on derecognition of lease liabilities amounting ₱85.2 million for the three months ended March 31, 2021.

As of December 31, 2020, the Group derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively, attributable to property dividends declared (see Note 9).

The rollforward analysis of right-of-use assets on land follows:

	March 31, 2021		
	Investment Properties (Note 9)	Intangible Assets (Note 7)	Total
Cost			
At January 1	₱1,946,930,753	₱112,423,917	₱2,059,354,670
Derecognition	(1,884,771,395)	(60,231,586)	(1,945,002,981)
Reclassification (Note 6)	(62,159,358)	(30,115,793)	(92,275,151)
As at March 31	-	22,076,538	22,076,538
Accumulated Depreciation			
At January 1	39,188,512	8,993,914	48,182,426
Depreciation	11,286,856	823,080	12,109,936
Derecognition	(42,779,448)	(5,220,071)	(47,999,519)
Reclassification (Note 6)	(7,695,920)	(2,610,035)	(10,305,955)
As at March 31	-	1,986,888	1,986,888
Net Book Value	₱-	₱20,089,650	₱20,089,650

	December 31, 2020		
	Investment Properties (Note 9)	Intangible Assets (Note 7)	Total
Cost			
At January 1	₱62,159,358	₱112,423,917	₱174,583,275
Additions	2,149,262,141	-	2,149,262,141
Derecognition	(264,490,746)	-	(264,490,746)
As at December 31	1,946,930,753	112,423,917	2,059,354,670
Accumulated Depreciation			
At January 1	3,551,963	4,496,957	8,048,920
Depreciation	39,033,505	4,496,957	43,530,462
Derecognition	(3,396,956)	-	(3,396,956)
As at December 31	39,188,512	8,993,914	48,182,426
Net Book Value	₱1,907,742,241	₱103,430,003	₱2,011,172,244



The following are the amounts recognized in the interim consolidated statement of comprehensive income:

	March 31, 2021	March 31, 2020
Depreciation expense of right-of-use assets (included in cost and expenses)	₱12,109,936	₱1,194,785
Interest expense on lease liabilities (included in interest and other finance charges)	19,586,397	4,170,558
	₱31,696,333	₱5,365,343

Interest expense which was capitalized during the year relating to lease liability amounted to ₱1.1 million for the three months ended March 31, 2021 and March 31, 2020. The capitalization rates used range from 4.7% to 5.19% in 2021 and 2020, respectively.

The rollforward analysis of lease liabilities follows:

	March 31, 2021	December 31, 2020
At January 1	₱2,190,115,165	₱283,428,528
Additions	-	2,149,262,141
Interest expense	19,586,397	72,540,219
Payments	(14,105,442)	(47,613,247)
Reclassification (Note 6)	(185,977,113)	-
Derecognition	(1,982,178,586)	(267,502,476)
As at March 31	27,440,421	2,190,115,165
Less current portion	1,826,084	92,617,060
Lease liabilities - net of current portion	₱25,614,337	₱2,097,498,105

The Group also has certain lease of land with variable rental payments and lease of office space considered as “low-value assets”. The Group applies the lease of ‘low-value assets’ recognition exemptions for these leases.

Variable lease payments presented as rental expense in the interim consolidated statement of comprehensive income for the three months ended March 31, 2021 and 2020 amounted to ₱65.7 million and ₱78.7 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments:

Maturity	March 31, 2021	December 31, 2020
1 year	₱1,826,084	₱92,617,061
more than 1 years to 2 years	1,917,388	97,457,093
more than 2 years to 3 years	2,013,257	102,553,769
more than 3 years to 4 years	2,113,920	107,920,946
more than 5 years	64,856,547	5,332,476,996

Group as lessor

As lessor, future minimum rental receivables under renewable operating leases follows:



	March 31, 2021	December 31, 2020
Within one year	₱2,495,601,480	₱2,831,168,803
After one year but not more than five years	6,273,082,423	8,429,851,003
After five years	2,198,436,828	5,568,619,525
	₱10,967,120,731	₱16,829,639,331

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental revenue" account in the interim consolidated statement of comprehensive income amounted to ₱2.5 million and ₱5.9 million for the three months ended March 31, 2021 and 2020, respectively.

The Group is engaged in office leasing operations and entered into lease agreements with third parties and related parties (see Note 17). These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

21. Other Income

This account consists of:

	March 31, 2021	March 31, 2020
Tenant dues (Notes 7 and 9)	₱318,296,932	₱378,323,766
Service fee income (Note 17)	36,136,395	18,623,254
Commission income (Note 17)	-	2,027,589
Miscellaneous	3,958,579	610,406
	₱358,391,906	₱399,585,015

Miscellaneous income pertains to penalties and charges from tenants.

22. Interest Income

This account consists of:

	March 31, 2021	March 31, 2020
Interest income on:		
Cash and cash equivalents (Notes 4 and 18)	₱264,741	₱320,110
Others (Note 5)	424,358	2,199,109
	₱689,099	₱2,519,219

Others consist mainly of interest and penalties on late rental payment of tenants.



23. Earnings Per Share

	March 31, 2021	March 31, 2020
a. Net income	P639,107,292	P506,789,467
b. Number of outstanding common shares	2,326,853,336	2,326,853,336
Basic/Diluted EPS (a/b)	P0.27	P0.22

The Group assessed that there were no potential dilutive common shares in 2021 and 2020.

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 16). The EPS for the three months ended March 31, 2020 was also adjusted to consider this stock split.

24. Segment Reporting

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Group's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. The Group does not report its results based on geographical segments. The Group has no significant customer which contributes 10% of more to the revenues of the Group.

25. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	March 31, 2021	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Bonds payable	P5,977,360,240	P5,690,036,173
Security and other deposits	857,366,303	829,575,523
Lease liabilities	27,440,421	17,056,651
	P6,862,166,964	P6,536,668,347



	December 31, 2020	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱2,344,166,667	₱2,243,880,721
Bonds payable	5,974,168,846	5,686,998,186
Security and other deposits	849,074,060	821,552,066
Lease liabilities	2,190,115,165	2,083,161,648
	₱11,357,524,738	₱10,835,592,621

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and current portion of accounts payable and accrued expenses approximate the fair market values.

The fair value of noncurrent deposits is estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk-free rates for similar types of asset. As of March 31, 2021 and 2020, the difference between the fair value and carrying value of deposits is not significant.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- *Security and other deposits.* The discount rates used ranges from 2.4% to 3.35% and 2.4% to 4.3% as of March 31, 2021 and December 31, 2020. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable.* Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 4.67% to 8.35% and 4.01% to 5.58% as of March 31, 2021 and December 31, 2020 respectively.

During the years ended March 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses, lease liabilities and security and other deposits. The main purpose of the long-term debt is to finance the Group's operations while all other financial instruments resulted from the conduct of business.



The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's risk management policies are summarized below:

a. *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable and bonds payable.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
March 31, 2021	+100	(¥4.82 million)
	-100	4.82 million
December 31, 2020	+100	(¥23.4 million)
	-100	23.4 million

There is no impact on the Group's equity other than those already affecting the statements of comprehensive income.

b. *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Group's lease receivables using a provision matrix results to ¥0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at



zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of March 31, 2021 and December 31, 2020, most of the Group's trade receivables are covered by security deposits and advances rentals. For the three months ended March 31, 2021 and 2020, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the Group's credit quality as of March 31, 2021 and December 31, 2020:

	March 31, 2021				Total
	Neither Past Due nor Impaired			Past Due but not Impaired	
	High Grade	Standard Grade	Past Due and Impaired		
Cash and cash equivalents*	₱976,117,958	₱-	₱-	₱-	₱976,117,958
Receivables	1,239,132,988	-	33,565,154	285,258	1,272,983,400
Deposits	40,903,155	-	-	-	40,903,155
	₱2,256,154,101	₱-	₱33,565,154	₱285,258	₱2,290,004,513

*Excludes cash on hand amounting to ₱93,000

	December 31, 2020				Total
	Neither Past Due nor Impaired			Past Due but not Impaired	
	High Grade	Standard Grade	Past Due and Impaired		
Cash and cash equivalents*	₱870,424,532	₱-	₱-	₱-	₱870,424,532
Receivables	685,656,893	-	144,487,561	285,258	830,429,712
Deposits	40,903,155	-	-	-	40,903,155
	₱1,596,984,580	₱-	₱144,487,561	₱285,258	₱1,741,757,399

*Excludes cash on hand amounting to ₱93,000.

The Group's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

The analysis of trade receivables which are past due but not impaired follow:

	Past Due but not Impaired					Total
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	
March 31, 2021	₱21,060,960	₱12,504,194	-	-	-	₱33,565,154
December 31, 2020	₱55,829,258	₱11,488,079	₱12,931,946	₱6,343,156	₱57,895,122	₱144,487,561

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's practice is that float will be kept at a minimum.



The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity:

March 31, 2021								
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱588,073,198	₱388,137,760	₱-	₱-	₱-	₱976,210,958	₱-	₱976,210,958
Receivables	1,239,418,246	21,060,960	12,504,194	-	-	1,272,983,400	-	1,272,983,400
Deposits	-	-	-	-	-	-	40,903,155	40,903,155
	₱1,827,491,444	₱409,198,720	₱12,504,194	₱-	₱-	₱2,249,194,358	₱40,903,155	₱2,290,097,513

December 31, 2020								
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱-	₱-	₱-	₱870,517,532	₱-	₱870,517,532
Receivables	795,250,212	35,179,500	-	-	-	830,429,712	-	830,429,712
Deposits	-	-	-	-	-	-	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱-	₱-	₱-	₱1,700,947,244	₱40,903,155	₱1,741,850,399

Maturity profile of the Group's financial liabilities is shown below (in thousands):

March 31, 2021										
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
Bonds payable	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱6,000,000	₱-	₱6,000,000
Lease liabilities	-	147	147	147	1,386	1,827	1,917	4,127	64,857	72,728
Interest on bonds*	-	25,248	25,248	25,248	227,232	302,976	227,232	-	-	530,208
Accounts payable and accrued expenses	1,368,289	-	-	-	-	1,368,289	-	-	-	1,368,289
Security and other deposits	-	-	134,344	-	-	134,344	259,242	444,488	-	838,074
	₱1,368,289	₱25,395	₱159,739	₱25,395	₱228,618	₱1,807,436	₱488,391	₱6,448,615	₱64,857	₱8,809,299

*Includes future interest payable.

December 31, 2020										
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
Loans payable	₱-	₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,209,000	₱-	₱2,344,167
Bonds payable	-	-	-	-	-	-	-	6,000,000	-	6,000,000
Lease liabilities	-	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375	2,190,115
Interest on loans*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	-	370,398
Accounts payable and accrued expenses	1,583,712	-	-	-	-	1,583,712	-	-	-	1,583,712
Security and other deposits	-	-	116,415	-	-	116,415	259,242	473,417	-	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱1,463,375	13,337,466

*Includes future interest payable.

27. Notes to Statements of Cash Flows

Investing Activities

- Outstanding liabilities pertaining to noncurrent asset held for distribution purchased on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account, amounting to ₱22.2 million and nil as of March 31, 2021 and December 31, 2020, respectively (see Note 12).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account, amounting to nil and ₱2.6 million as of March 31, 2021 and December 31, 2020, respectively (see Note 12).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account amounting to nil and ₱83.5 million for the as of March 31, 2021 and December 31, 2020 (see Note 12).



Financing Activities

Changes in liabilities arising from financing activities for the year ended March 31, 2021 and 2020 follows (in thousands):

	January 1, 2021	Availment/ Addition	Payments	Noncash Movement	March 31, 2021
Loans payable	₱2,344,167	₱-	₱-	(₱2,344,167)	₱-
Bonds payable	5,974,169	-	-	3,191	5,977,360
Lease liabilities	2,190,115	-	(14,105)	(2,148,570)	27,440
Accrued interest	113,037	-	(72,164)	57,134	98,007
Dividends payable	6,611,907	-	-	1,690,427	8,302,334
	₱17,233,395	₱-	(₱86,269)	(₱2,741,985)	₱14,405,141

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	March 31, 2020
Loans payable	₱4,218,371	₱500,000	(₱377,461)	₱40,757	₱4,381,667
Bonds payable	5,961,553	-	-	3,042	5,964,595
Lease liabilities	283,428	-	(6,020)	(274,577)	2,831
Accrued interest	109,323	-	(113,488)	5,366	1,201
Dividends payable	348,340	-	-	-	348,340
	₱10,921,015	₱500,000	(₱496,969)	(₱225,412)	₱10,698,634

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.

For the three months ended March 31, 2021, the noncash movement also include derecognition of lease liabilities, declaration of dividends payable, and assignment of loans payable to FLI amounting ₱1,982.2 million and ₱1,690.4 million and ₱1,831.7 million, respectively (see Notes 13, 16 and 20).

28. Other Matters

COVID-19 Pandemic

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The general global slowdown and the imposition of community quarantine measures due to the COVID-19 pandemic had short- to medium-term effects on new Office Leasing activities. Prior to the pandemic, inquiries from potential tenants were about leasing entire floors of buildings but the demand was reduced to much smaller size cuts in 2020. Physical site inspections as required by all prospective tenants were halted due to the community quarantine restrictions. Contract signing and handover dates of new incoming tenants were adjusted to 2021. Construction rent free periods were given to accommodate fit out delays and social distancing guidelines on construction resulting from six to eight months delay in construction deliveries and construction manpower reduction by 50%. Non-renewal and pre-termination of contracts were also experienced in 2021 but this was counterweighed by the renewal of all lease expiries during the year at current market rates.





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited the accompanying interim consolidated financial statements of Cyberzone Properties, Inc. (the "Parent Company") and its subsidiary, as at and for the three months ended March 31, 2021, on which we have rendered the attached report dated May 24, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

May 24, 2021





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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October 4, 2018, valid until August 24, 2021
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the interim consolidated financial statements of Cyberzone Properties, Inc. (the Parent Company) and its subsidiary (collectively referred to as "the Group") as at March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020, and have issued our report thereon dated May 24, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Interim Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic interim consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic interim consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

May 24, 2021





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the interim consolidated financial statements of Cyberzone Properties, Inc. (the Parent Company) and its subsidiary (collectively referred to as "the Group") as at March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020, and have issued our report thereon dated May 24, 2021. Our audits were made for the purpose of forming an opinion on the basic interim consolidated 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 Group'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 interim consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the interim consolidated financial statements as at March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
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PTR No. 8534358, January 4, 2021, Makati City

May 24, 2021



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
INDEX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES

Independent Auditor's Report on Supplementary Schedules

Supplementary Information and Disclosures Required by Revised SRC Rule 68

Unappropriated Retained Earnings Available for Dividend Distribution

Group Structure

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED BY
REQUIRED ON REVISED SRC RULE 68 AND 68.1
MARCH 31, 2021

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribes the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Cyberzone Properties, Inc. and its subsidiary (collectively, “the Group”). This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The entity’s Financial Assets comprises of cash and cash equivalents, receivables and deposit. As stated in the regulation, before mentioned amount should be provided if the aggregate cost or the market value of FVPL as of the end of the reporting period is 5% or more of the total current asset. As of March 31, 2021 the entity recorded the financial assets as financial assets at amortized cost, therefore it is deemed assumed that this schedule is not applicable to the Group.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of March 31, 2021, the amount of receivable from officers and employees excluding those advances arising from the normal course of business does not meet the minimum required balance as stated in the Revised SRC Rule to be presented in the report. This schedule is not applicable to the Group.

Schedule C. Amounts Receivable from Related Parties, which are eliminated during the consolidation of financial statements

On December 23, 2020, Cyberzone Properties Inc. sold its share in ProOffice Works to Filinvest Land, which resulted for Cyberzone Properties Inc. to lose its control over ProOffice. Therefore, this schedule is not applicable to the entity as of December 31, 2020.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Group (amounts in thousands). Each loan balance is presented net of unamortized deferred costs.

(i)	Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
<u>Bonds</u>				
	Fixed rate bonds with principal amount of ₱6.00 billion and term of 5.5 years from the issue date was issued by the Group on July 7, 2017 to mature on January 2023 with fixed interest rate is 5.05% per annum.	₱5,977,360	₱-	₱5,977,360

The agreement covering the abovementioned bonds require maintaining certain financial ratios of maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

Schedule E. Indebtedness to Related Parties

This is not applicable since the Group has no outstanding indebtedness to its related parties as of March 31, 2021.

Schedule F. Guarantees of Securities of Other Issuers

This is not applicable to the Group since it does not have a guarantee of securities of other issuers as of March 31, 2021.

Schedule G. Capital Stock

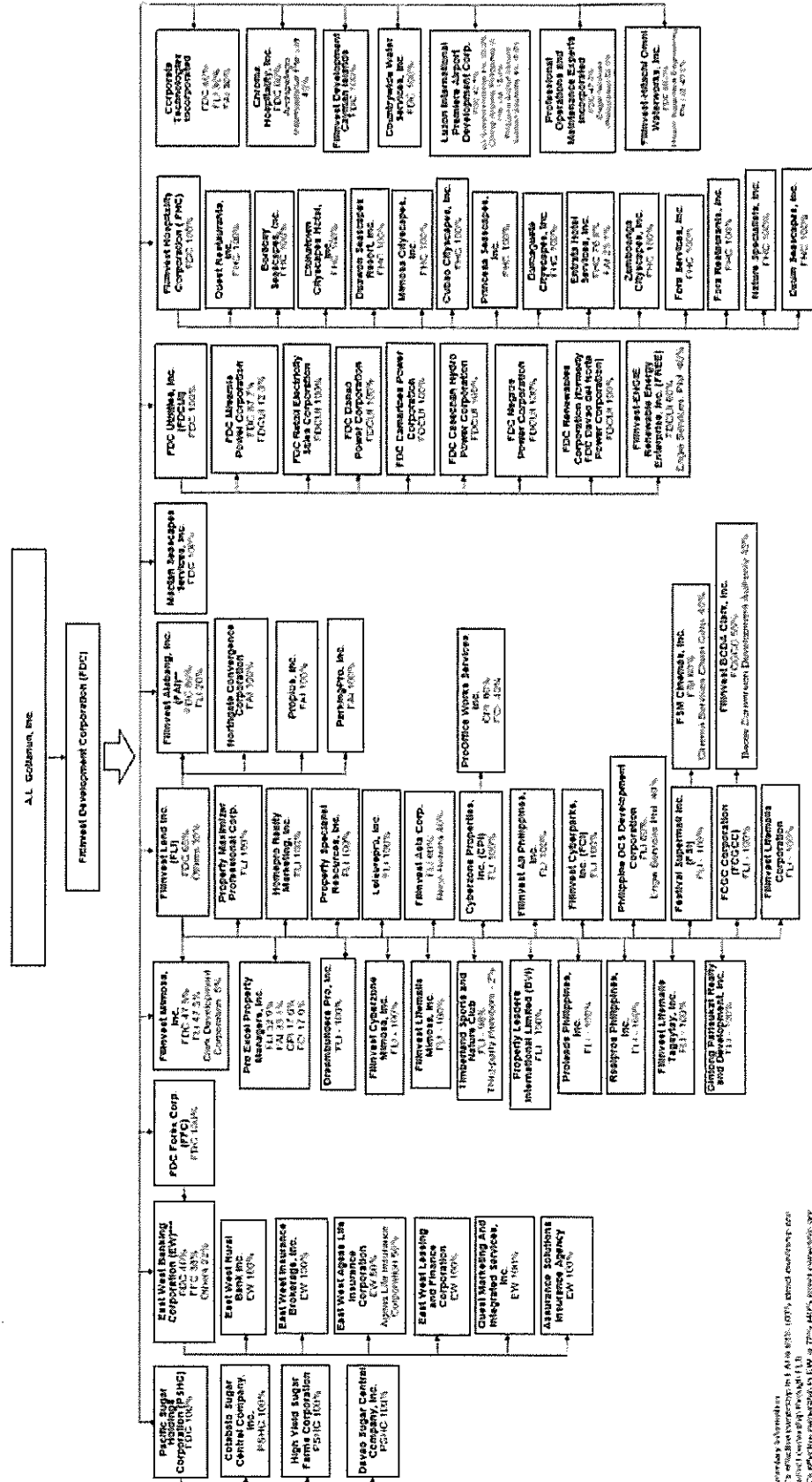
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,163,426,668	-	1,163,426,663	5	None

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DISTRIBUTION
MARCH 31, 2021

Unappropriated Retained Earnings, January 1, 2021	P1,950,125,348
Less: Deferred tax assets as of December 31, 2020	(269,207,450)
Retained earnings as adjusted to amount available for dividend declaration, beginning	1,680,917,898
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	P639,107,292
Effect of adoption of PFRS 16	-
Less: Non actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred tax asset that reduced the amount of income tax expense	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP-loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	639,107,292
Add (less):	
Movement in deferred tax assets	160,040,073
Dividend declarations during the period	(1,690,426,790)
Reversal of appropriations	-
Appropriations of retained earnings during the period	-
Unappropriated Retained Earnings, as adjusted March 31, 2021	P789,575,473

Group Structure

Below is a map showing the relationship between the Group and its parent company, ultimate parent company and affiliates as of March 31, 2021.



1. Intermediate subsidiaries are not shown in this diagram for clarity. 2. FDC's primary subsidiary is FDC 100% which is owned through FDC 100%.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group:

Financial Ratios	March 31, 2021	December 31, 2020	
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.22	1.06
Acid test ratio	$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$	1.22	1.06
Solvency ratio	$\frac{\text{Net income} + \text{Depreciation}}{\text{Total liabilities}}$	0.04	0.11
Debt to equity ratio	$\frac{\text{Loans payable} + \text{Bonds payable} + \text{Lease liabilities}}{\text{Total Equity}}$	1.02	2.06
Asset to equity ratio	$\frac{\text{Total asset}}{\text{Total Equity}}$	3.90	4.94
Interest coverage ratio	$\frac{\text{Income before income tax (IBIT) + interest and other financing charges}}{\text{Interest and other financing charges}}$	6.16	6.63
Return on equity	$\frac{\text{Net income}}{\text{Total Equity}}$	0.11	0.36
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	0.03	0.07
Net profit margin	$\frac{\text{Net income}}{\text{Revenues and income}}$	0.60	0.60
Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.74	0.80
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	$\frac{\text{IBITDA}}{\text{Total interest paid}}$	10.68	5.97

REPORT ON THE COMPILATION OF THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have completed our assurance engagement to report on the compilation of the pro forma condensed consolidated financial information of Cyberzone Properties, Inc. and its subsidiary (the Group) by the Group's management. The pro forma condensed consolidated financial information consists of the pro forma consolidated statement of financial position as at March 31, 2021, the pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity, and pro forma consolidated statements of cash flows for the three months ended March 31, 2021 and for the year ended December 31, 2020, and related notes. The applicable criteria on the basis of which the Group's management has compiled the pro forma financial information is described in Note 2 to the pro forma consolidated financial information.

The pro forma condensed consolidated financial information has been compiled by the Group's management to illustrate the impact of the transactions set out in Note 3 on the Group's financial position as at March 31, 2021 as if the transactions had taken place on March 31, 2021, which is the end of the period presented, and the Group's financial performance and cash flows for the three months ended March 31, 2021 and for the year ended December 31, 2020, as if the transactions had taken place at January 1, the beginning of each of the periods presented. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Group's management from the Group's audited consolidated financial statements as at and for the year ended December 31, 2020, for which an audit report has been issued on March 9, 2021 and from the audited interim consolidated financial statements for the three months ended March 31, 2021, on which audit report has been issued on May 24, 2021.

Responsibility for the Pro Forma Condensed Consolidated Financial Information

The Group's management is responsible for compiling the pro forma condensed consolidated financial information on the basis of the applicable criteria set out in Note 2 to the pro forma condensed consolidated financial information.

Auditor's Responsibilities

Our responsibility is to express an opinion, as required by Section 9, Part II of the Revised Securities Regulation Code 68 about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Group's management on the basis of the applicable criteria set out in Note 2 to the pro forma consolidated financial information.



We conducted our engagement in accordance with the Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Philippine Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Group's management has compiled, in all material respects, the pro forma condensed consolidated financial information on the basis of the applicable criteria set out in Note 2 on the pro forma condensed consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma condensed consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma condensed consolidated financial information.

The purpose of pro forma condensed consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2021, or at the beginning of each of the periods presented, would have been as presented.

As reasonable assurance engagement to report on whether the pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Group's management in the compilation of the pro forma condensed consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria, and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Group, the event or transaction in respect of which the pro forma condensed consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma condensed consolidated financial information.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the pro forma condensed consolidated financial information.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

May 24, 2021



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.I)	Pro Forma Balances (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	₱976,210,958	₱-	₱976,210,958
Receivables	1,272,698,142	1,127,934,679	2,400,632,821
Other current assets	1,115,490,899	(972,974,847)	142,516,052
	<u>3,364,399,999</u>	<u>154,959,832</u>	<u>3,519,359,831</u>
Noncurrent assets held for distribution	8,807,019,679	(8,807,019,679)	-
Total Current Assets	12,171,419,678	(8,652,059,847)	3,519,359,831
Noncurrent Assets			
Advances to contractors	20,662,534	(11,418,588)	9,243,946
Investment properties	9,350,128,417	(35,132,410)	9,314,996,007
Property and equipment	74,594,512	(1,733,972)	72,860,540
Intangible assets	1,091,269,502	-	1,091,269,502
Other noncurrent assets	372,885,183	(144,325,980)	228,559,203
Total Noncurrent Assets	10,909,540,148	(192,610,950)	10,716,929,198
Total Assets	₱23,080,959,826	(₱8,844,670,797)	₱14,236,289,029
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	₱1,368,289,066	(₱40,170,468)	₱1,328,118,598
Current portion of:			
Lease liabilities	1,826,084	-	1,826,084
Security and other deposits	134,343,934	(2,691,688)	131,652,246
Dividends payable	8,302,333,555	(8,302,333,555)	-
	<u>9,806,792,639</u>	<u>(8,345,195,711)</u>	<u>1,461,596,928</u>
Liabilities directly related to noncurrent assets held for distribution	185,977,113	(185,977,113)	-
Total Current Liabilities	9,992,769,752	(8,531,172,824)	1,461,596,928
Noncurrent Liabilities			
Bonds payable	5,977,360,240	-	5,977,360,240
Lease liabilities - net of current portion	25,614,337	-	25,614,337
Security and other deposits - net of current portion	723,022,369	(94,397,973)	628,624,396
Deferred tax liability - net	123,908,824	31,202,376	155,111,200
Other noncurrent liabilities	326,935,275	(323,107,918)	3,827,357
Total Noncurrent Liabilities	7,176,841,045	(386,303,515)	6,790,537,530
Total Liabilities	17,169,610,797	(8,917,476,339)	8,252,134,458

(Forward)



	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.I)	Pro Forma Balances (Unaudited)
Equity			
Capital stock	₱1,163,426,668	₱-	₱1,163,426,668
Additional paid-in capital	102,900,666	-	102,900,666
Deposit for future stock subscriptions	3,746,250,000	-	3,746,250,000
Retained earnings	898,805,850	72,805,542	971,611,392
Remeasurement gain on retirement plan	(34,155)	-	(34,155)
Total Equity	5,911,349,029	72,805,542	5,984,154,571
Total Liabilities and Equity	₱23,080,959,826	(₱8,844,670,797)	₱14,236,289,029

See accompanying Notes to Pro Forma Condensed Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.II)	Pro Forma Balances (Unaudited)
REVENUES AND INCOME			
Rental revenue	₱710,106,439	(₱84,726,224)	₱625,380,215
Others	358,391,906	(29,545,151)	328,846,755
	<u>1,068,498,345</u>	<u>(114,271,375)</u>	<u>954,226,970</u>
COST AND EXPENSES			
Utilities	155,212,862	(22,363,911)	132,848,951
Depreciation and amortization	121,834,654	(17,249,128)	104,585,526
Rental expense	65,711,431	(6,811,424)	58,900,007
Manpower and service cost	57,426,558	(7,590,904)	49,835,654
Repairs and maintenance	51,800,574	(7,303,989)	44,496,585
Taxes and licenses	32,534,542	(7,546,923)	24,987,619
Insurance	9,237,989	(811,319)	8,426,670
Service and management fees	8,135,855	(283,670)	7,852,185
Others	2,471,043	(304,526)	2,166,517
	<u>504,365,508</u>	<u>(70,265,794)</u>	<u>434,099,714</u>
OTHER INCOME (CHARGES)			
Gain on derecognition of lease liabilities	85,175,124	–	85,175,124
Interest income	689,099	–	689,099
Interest and other financing charges	(105,339,780)	4,524,715	(100,815,065)
Other income (charges) – net	(964,449)	323,238	(641,211)
	<u>(20,440,006)</u>	<u>4,847,953</u>	<u>(15,592,053)</u>
INCOME BEFORE INCOME TAX	<u>543,692,831</u>	<u>(39,157,628)</u>	<u>504,535,203</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	50,679,604	(14,875,380)	35,804,224
Deferred	(146,094,065)	128,888,609	(17,205,456)
	<u>(95,414,461)</u>	<u>114,013,229</u>	<u>18,598,768</u>
NET INCOME	<u>639,107,292</u>	<u>(153,170,857)</u>	<u>485,936,435</u>
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement loss on retirement plan, net of tax	(63,000)	–	(63,000)
TOTAL COMPREHENSIVE INCOME	<u>₱639,044,292</u>	<u>(₱153,170,857)</u>	<u>₱485,873,435</u>
BASIC/DILUTED EARNINGS PER SHARE			
(Note 4)			
a. Net income	₱639,107,292	(₱153,170,857)	₱485,936,435
b. Weighted average outstanding common shares	2,326,853,336	–	2,326,853,336
Basic/Diluted Earnings Per Share (a/b)	<u>₱0.27</u>		<u>₱0.21</u>

See accompanying Notes to Pro Forma Condensed Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.II)	Pro Forma Balances (Unaudited)
REVENUES AND INCOME			
Rental revenue	₱2,833,413,910	(₱359,020,367)	₱2,474,393,543
Others	274,359,236	34,479,760	308,838,996
	<u>3,107,773,146</u>	<u>(324,540,607)</u>	<u>2,783,232,539</u>
COST AND EXPENSES			
Depreciation and amortization	441,025,865	(60,900,948)	380,124,917
Rental expense	297,968,918	(29,969,255)	267,999,663
Taxes and licenses	63,894,241	(16,689,476)	47,204,765
Manpower and service cost	34,015,698	-	34,015,698
Service and management fees	7,462,542	(457,015)	7,005,527
Pension expense	487,197	-	487,197
Others	6,295,399	(1,477,430)	4,817,969
	<u>851,149,860</u>	<u>(109,494,124)</u>	<u>741,655,736</u>
OTHER INCOME (CHARGES)			
Gain on sale of investment property	65,038,584	-	65,038,584
Interest income	3,908,966	(1,793,702)	2,115,264
Interest and other financing charges	(351,361,074)	152,237,174	(199,123,900)
Other income (charges) - net	3,523,521	(1,130,473)	2,393,048
	<u>(278,890,003)</u>	<u>149,312,999</u>	<u>(129,577,004)</u>
INCOME BEFORE INCOME TAX	<u>1,977,733,283</u>	<u>(65,733,484)</u>	<u>1,911,999,799</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	231,150,026	108,024,820	339,174,846
Deferred	(114,258,532)	74,888,364	(39,370,168)
	<u>116,891,494</u>	<u>182,913,184</u>	<u>299,804,678</u>
NET INCOME	<u>1,860,841,789</u>	<u>(248,646,668)</u>	<u>1,612,195,121</u>
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement loss on retirement plan, net of tax	(1,055,090)	-	(1,055,090)
TOTAL COMPREHENSIVE INCOME	<u>₱1,859,786,699</u>	<u>(₱248,646,668)</u>	<u>₱1,611,140,031</u>
BASIC/DILUTED EARNINGS PER SHARE			
(Note 4)			
a. Net income	₱1,860,841,789	(₱248,646,668)	₱1,612,195,121
b. Weighted average outstanding common shares	2,326,853,336	-	2,326,853,336
Basic/Diluted Earnings Per Share (a/b)	<u>₱0.80</u>		<u>₱0.69</u>

See accompanying Notes to Pro Forma Condensed Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

**PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND FOR THE YEAR ENDED DECEMBER 31, 2020**

	Capital Stock (Note 3.III)	Additional Paid-in Capital	Deposit for Future Stock Subscription (Note 3.III)	Appropriated Retained Earnings	Unappropriated Retained Earnings (Note 3.III)	Remeasurement Gain (Loss) on Retirement Plan	Total
Balances at January 1, 2021	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱-	₱1,950,125,348	₱28,845	₱5,106,064,860
Pro Forma Comprehensive income	-	-	-	-	485,936,435	-	485,936,435
Pro forma net income (Note 3.III)	-	-	-	-	-	(63,000)	(63,000)
Other comprehensive loss	-	-	-	-	-	(63,000)	(63,000)
Total pro forma comprehensive income	-	-	-	-	485,936,435	(63,000)	485,873,435
Dividends declared	-	-	-	-	(1,690,426,790)	-	(1,690,426,790)
Deposit for future subscription	-	-	1,856,666,667	-	-	-	1,856,666,667
Pro forma adjustments (Note 3.III)	-	-	-	-	225,976,399	-	225,976,399
Balances at March 31, 2021	₱1,163,426,668	₱102,900,666	₱3,746,250,000	₱-	₱971,611,392	(₱34,155)	₱5,984,154,571

	Capital Stock (Note 3.III)	Additional Paid-in Capital	Deposit for Future Stock Subscription (Note 3.III)	Appropriated Retained Earnings	Unappropriated Retained Earnings (Note 3.III)	Remeasurement Gain (Loss) on Retirement Plan	Total
Balances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱-	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
Pro Forma Comprehensive income	-	-	-	-	1,612,195,121	-	1,612,195,121
Pro forma net income (Note 3.III)	-	-	-	-	-	(1,055,090)	(1,055,090)
Other comprehensive loss	-	-	-	-	-	(1,055,090)	(1,055,090)
Total pro forma comprehensive income	-	-	-	-	1,612,195,121	(1,055,090)	1,611,140,031
Dividends declared	-	-	-	-	(6,611,906,765)	-	(6,611,906,765)
Deposit for future subscription	-	-	1,889,583,333	-	-	-	1,889,583,333
Release from appropriation	-	-	-	(6,300,000,000)	-	-	(6,300,000,000)
Pro forma adjustments (Note 3.III)	-	-	-	-	(1,354,110,417)	-	(1,354,110,417)
Balances at December 31, 2020	₱1,163,426,668	₱102,900,666	₱3,746,250,000	₱-	₱347,368,263	₱28,845	₱5,359,974,442

See accompanying Notes to Pro Forma Condensed Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱543,692,831	(₱39,157,628)	₱504,535,203
Adjustments for:			
Depreciation and amortization	121,834,654	(17,249,128)	104,585,526
Interest expense and other financing changes	105,339,780	(4,524,715)	100,815,065
Gain on derecognition of lease liabilities	(85,175,124)	-	(85,175,124)
Interest income	(689,099)	-	(689,099)
Operating income before changes in operating assets and liabilities	685,003,042	(60,931,471)	624,071,571
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(31,844,563)	(53,009,332)	(84,853,895)
Other current assets	(51,063,945)	47,400,425	(3,663,520)
Increase (decrease) in:			
Accounts and other payables	(158,393,358)	116,778,034	(41,615,324)
Security and other deposits	8,292,243	1,999,588	10,291,831
Other noncurrent liabilities	26,549,593	(26,549,593)	-
Net cash generated from operations	478,543,012	25,687,651	504,230,663
Interest received	689,099	-	689,099
Income tax paid	(50,679,604)	14,875,380	(35,804,224)
Net cash provided by operating activities	428,552,507	40,563,031	469,115,538
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Noncurrent assets held for distribution	(173,848,295)	173,848,295	-
Investment properties	(4,969,319)	4,969,319	-
Intangible assets	(60,385,990)	60,385,990	-
Property and equipment	(10,649,822)	-	(10,649,822)
Decrease (increase) in:			
Advances to contractors	(2,269,355)	-	(2,269,355)
Other noncurrent assets	15,532,703	-	15,532,703
Net cash provided by (used in) investing activities	(236,590,078)	239,203,604	2,613,526

(Forward)



	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Principal portion of lease liabilities	(₱14,105,442)	₱13,545,246	(₱560,196)
Interest and transaction cost	(72,163,561)	—	(72,163,561)
Net cash provided by (used in) financing activities	(86,269,003)	13,545,246	(72,723,757)
OTHER PRO FORMA ADJUSTMENTS			
(Note 3.IV)	—	(293,311,881)	(293,311,881)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
	105,693,426	—	105,693,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
	870,517,532	—	870,517,532
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
	₱976,210,958	₱—	₱976,210,958

See accompanying Notes to Pro forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,977,733,283	(65,733,484)	₱1,911,999,799
Adjustments for:			
Depreciation and amortization	486,065,150	(60,900,948)	425,164,202
Interest expense and other financing changes	351,361,074	(152,237,174)	199,123,900
Gain on sale of investment properties	(65,038,584)	-	(65,038,584)
Gain on derecognition of lease liability	(5,842,526)	-	(5,842,526)
Pension expense	487,197	-	487,197
Interest income	(3,908,966)	1,793,702	(2,115,264)
Operating income before changes in operating assets and liabilities	2,740,856,628	(277,077,904)	2,463,778,724
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(54,648,565)	50,173,252	(4,475,313)
Other current assets	(200,426,188)	7,893,501	(192,532,687)
Increase (decrease) in:			
Accounts and other payables	(191,226,805)	174,284,164	(16,942,641)
Other current liabilities	(129,337,085)	70,828,196	(58,508,889)
Security and other deposits	25,187,166	(3,581,609)	21,605,557
Other noncurrent liabilities	97,504,469	(97,504,469)	-
Net cash generated from operations	2,287,909,620	(74,984,869)	2,212,924,751
Interest received	3,908,966	(1,793,702)	2,115,264
Income tax paid	(231,583,519)	(108,024,820)	(339,608,339)
Net cash provided by (used in) operating activities	2,060,235,067	(184,803,391)	1,875,431,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	737,840,581	-	737,840,581
ProOffice Work Services, Inc.	17,162,936	-	17,162,936
Additions to:			
Investment properties	(1,158,021,511)	1,158,021,511	-
Intangible assets	(241,043,644)	241,043,644	-
Property and equipment	(16,760,634)	-	(16,760,634)
Decrease in:			
Advances to contractors	97,551,319	-	97,551,319
Other noncurrent assets	88,011,202	-	88,011,202
Net cash provided by (used in) investing activities	(475,259,751)	1,399,065,155	923,805,404

(Forward)



	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable	₱1,000,000,000	(₱1,000,000,000)	₱-
Payments of:			
Cash dividends	(348,339,734)	-	(348,339,734)
Principal portion of lease liabilities	(47,613,247)	22,106,447	(25,506,800)
Interest and transaction cost	(471,907,571)	210,766,213	(261,141,358)
Loans payable	(1,355,454,545)	1,355,454,545	-
Net cash provided by (used in) financing activities	(1,223,315,097)	588,327,205	(634,987,892)
OTHER PRO FORMA ADJUSTMENTS			
(Note 3.IV)	-	(1,802,588,969)	(1,802,588,969)
NET INCREASE IN CASH AND CASH EQUIVALENTS	361,660,219	-	361,660,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,857,313	-	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱870,517,532	₱-	₱870,517,532

See accompanying Notes to Pro forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General Information

Corporate Information

Cyberzone Properties, Inc. (the "Parent Company" or "CPI") was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company's primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent Company was the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice.

The registered office address of the Parent Company and ProOffice is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

CPI's parent company is FLI, a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is CPI's ultimate parent company. FLI, FDC and ALG were all incorporated in the Philippines.

On December 4, 2020, the Board of Directors (BOD) approved the following amendments of the Parent Company's articles of incorporation:

- increase in the Parent Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of One Peso (₱1.00) per share and 4,185.0 million preferred shares with a par value of One Peso (₱1.00).
- to change the Parent Company's primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust (REIT) Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of ₱1.00 each will become two (2)



common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from ₱2,000.0 million divided into 2,000.0 million common shares with a par value of ₱1.00 per share to ₱7,131.9 million divided into 14,263.7 million common shares with a par value of ₱0.50 per share. These amendments do not impact the proforma adjustments.

On March 12, 2021, FLI subscribed to 2,565.9 million common shares out of the Company's proposed amendment to the increase in authorized capital stock superseding FLI's subscription to the Company's shares on December 15, 2020. The Company submitted the application for the reduction of par value and the amendment to the increase in authorized capital stock with the SEC on March 18, 2021.

As of March 31, 2021, these amendments are awaiting approval by the SEC.

Authorization for Issuance of the Pro Forma Consolidated Financial Information

The pro forma condensed consolidated financial information as at March 31, 2021 and for the three months ended March 31, 2021 and for the year ended December 31, 2020 were authorized for issue by the BOD on May 24, 2021.

2. Basis of Preparing Pro Forma Condensed Consolidated Financial Information

The pro forma condensed consolidated financial information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code 68 (SRC Rule 68).

The pro forma condensed consolidated financial information has been prepared solely for the inclusion in the REIT Plan prepared by the Parent Company in connection with its planned capital-raising activity. The pro forma condensed consolidated financial information should be read in conjunction with the audited interim consolidated financial statements as of and for the three months ended March 31, 2021 and the audited consolidated financial statements as of and for the year ended December 31, 2020.

The objective of this pro forma condensed consolidated financial information is to show the effects of the transaction described below on the historical financial information of the Group had it occurred at an earlier date. However, the pro forma consolidated financial information is not necessarily indicative of the results of operations or related effects on the consolidated financial statements that would have been attained had the transaction described below actually occurred at an earlier date. The pro forma condensed consolidated financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

Significant Transactions

The following significant transactions are expected to occur after March 31, 2021:

Assignment of loans payable to FLI and conversion to equity deposit for future stock subscription

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million.



On December 9, 2020, the Parent Company notified the banks in writing of the assignment of its loans payable to FLI. As of March 31, 2021 and December 31, 2020, total loans payable with effective written consent and derecognized in the statement of financial position of the Parent Company amounted to ₱3,863.0 million and ₱1,518.8 million, respectively. The Parent Company recognized the related interest and other financing charges on these loans payable up to derecognition date.

As of March 31, 2021 and December 31, 2020, deposit for future stock subscription presented under Equity amounted to ₱3,746.3 million and ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to ₱1,856.7 million and ₱1,518.8 million in January 2021 and in December 2020, respectively, and principal installments on loans paid by FLI on behalf of the Parent Company prior to assignment of loans in December 2020 amounting to ₱370.8 million.

Declaration of property dividends

On December 4, 2020, the BOD approved the declaration of batch 1 of assets as property dividends. This consists of the following assets: Axis Tower Two, Axis Tower Three, Axis Tower 4 and Cebu South Road Properties (SRP) lot. The dividends are payable to stockholders of record as of November 30, 2020 on a date set and approved by SEC.

On February 11, 2021, the BOD approved the declaration of the second batch of assets as property dividends. These are operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2. The dividends are payable to stockholders of record as of February 15, 2021 on a date set and approved by SEC.

The dividend declaration will result to derecognition of noncurrent assets held for distribution amounting to ₱8,807.0 million as of March 31, 2021. The noncurrent assets held for distribution includes properties declared as dividends amounting to ₱8,302.3 million, additions to construction in progress and BTO rights declared as property dividends from the date of declaration up to March 31, 2021 amounting to ₱422.7 million and the related right of use assets for the land subleased by the Parent Company where these properties were constructed amounting to ₱82.0 million.

These noncurrent assets held for distribution will be derecognized in the interim consolidated financial statements once the SEC approves the distribution of the dividends, the Parent Company is compensated for the additional construction costs incurred related to these properties from declaration date to March 31, 2021 and the related lease contracts are assigned to FLI. The Parent Company accounted the property dividends at cost. All taxes related to this transaction is on the account of FLI.

Assignment of rights under the build, transfer and operate (BTO) Agreement

On February 11, 2021, the BOD approved the transfer to FLI by way of assignment of right to manage and operate a third batch of assets, Towers 3 and 4 of Filinvest Cebu Cyberzone. These two assets are still under construction. On February 26, 2021, CPI and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized as of March 31, 2021.

The cost of the assigned assets will be paid by FLI to the Parent Company. All taxes related to this transaction is on the account of FLI. The resulting due to/from FLI arising from the abovementioned transactions will be presented at net.



3. Pro Forma Adjustments

The pro forma condensed consolidated financial information is based on the historical information of the Group as shown in the audited consolidated financial statements of the Group as at March 31, 2021 and for the three months ended March 31, 2021 and for the year ended December 31, 2020 and after giving effect to certain assumptions and pro forma adjustments described in the succeeding paragraphs. The pro forma adjustments are based on available information and certain assumptions that the Group believes are reasonable under the circumstances.

The pro forma condensed consolidated financial information does not purport to represent what the results of operations and financial position of the Group would have been had the significant transactions discussed in the succeeding paragraphs occurred as at March 31, 2021 or on January 1 of each of the periods presented or as the case may be, nor does it purport to project the results of operations of the Group for any future period or date, since the closing and completion of the significant transaction is still subject to the satisfaction of certain conditions precedent. This has been prepared for illustration purposes only and on the assumption that all relevant conditions precedent has been satisfied.

For the purpose of the pro forma consolidated statements of comprehensive income, changes in equity and cash flows, the transactions are assumed to have occurred on January 1, which is the beginning of each of the periods presented. For the purpose of the pro forma consolidated statement of financial position, the transaction is assumed to have occurred on March 31, 2021, the end of the period presented.

Prior to the preparation of the pro forma consolidated financial information, the Group has already reclassified the investment properties and intangible assets declared as property dividends to “Noncurrent asset held for distribution” and the loans payable as payment for capital stock subscription to “Deposits for future stock subscription”.

I. Pro forma adjustments in the pro forma consolidated statement of financial position as of March 31, 2021

For the purpose of the pro forma consolidated statement of financial position as at March 31, 2021, the significant transactions are assumed to have occurred on March 31, 2021.

A. Property dividends

1. Adjustment to settle the dividends payable and distribution of properties declared as dividends on December 4, 2020 pertaining to Axis Towers 2, 3, and 4 and Cebu SRP lot:

	Increase (decrease)
<i>Assets</i>	
Receivables (<i>b and c</i>)	₱1,265,788,793
Other current assets (<i>c</i>)	(844,038,810)
Noncurrent assets held for distribution (<i>a</i>)	(7,033,656,748)
<i>Liabilities</i>	
Dividends payable(<i>a</i>)	(6,611,906,765)



- a. Derecognition of ₱7,033.7 million in noncurrent assets held for distribution and the dividend payable amounting to ₱6,611.9 million.
 - b. Recognition of due from FLI on the difference between the noncurrent asset held for distribution and dividends payable amounting to ₱421.7 million.
 - c. Application of Input VAT against the Output VAT amounting to ₱844.0 million related to property distribution. The distribution of the assets is considered as sale subjected to Output VAT and all taxes related to the transfer is for the account of FLI.
2. Adjustment to settle the dividends payable and distribution of properties declared as dividends on February 11, 2021 pertaining to Convergys, FLI EDSA, IT School and Cebu BTO Tower 2:

	Increase (decrease)
<i>Assets</i>	
Receivables (b)	₱203,934,194
Other current assets (c)	(57,107,530)
Noncurrent assets held for distribution (a)	(1,691,393,736)
<i>Liabilities</i>	
Accounts payable and accrued expenses (c)	145,859,718
Dividends payable (a)	(1,690,426,790)

- a. Derecognition of ₱1,691.3 million in noncurrent assets held for distribution and the dividend payable amounting to ₱1,690.4 million.
- b. Recognition of amounts due from FLI for the related reimbursement for output VAT paid on the distribution and additional construction costs amounting to ₱203.9 million.
- c. The total output VAT related to property distribution amounting to ₱203.0 million will be reduced by application of Input VAT (included in other current and noncurrent assets) amounting to ₱57.1 million. As a result, the remaining net output VAT payable amounted to ₱145.9 million. The distribution of the assets is considered as sale subjected to output VAT.

B. Derecognition of assets and liabilities of non-REIT properties

1. Adjustment to derecognize the corresponding assets and liabilities related to non-REIT properties (i.e., prepaid DCS connection charges, prepaid commission presented as part of investment properties, property and equipment, advance rent, retention payable, security deposits):

	Increase (decrease)
<i>Assets</i>	
Receivables	(₱129,418,536)
Other current assets	(71,828,507)
Investment properties	(35,132,410)
Advances to contractors	(11,418,588)
Property and equipment	(1,733,972)
Other noncurrent assets	(144,325,980)
<i>Liabilities</i>	
Accounts payable and accrued expenses (a)	26,339,586
Security and other deposits - current portion	(2,691,688)
Security and other deposits - net of current portion	(94,397,973)
Other noncurrent liabilities	(323,107,918)



- a. The adjustment to accounts payable pertains to recognition of amounts due to FLI equivalent to the net payables transferred amounting to ₱231.0 million, net of liabilities derecognized related to the non-REIT properties amounting ₱186.0 million.
2. Derecognition of lease liabilities and the related right-of-use assets presented under Noncurrent assets held for distribution related to FLI EDSA and Cebu BTO Tower 2. The transaction resulted to a gain on derecognition of lease liabilities amounting ₱104.0 million and provision for deferred tax amounting ₱31.2 million recognized directly in retained earnings.

	Increase (decrease)
<i>Assets</i>	
Nonecurrent assets held for distribution	(₱81,969,195)
<i>Liabilities</i>	
Liabilities directly related to noncurrent assets held for distribution	(185,977,113)
Deferred tax liability - net	31,202,376
<i>Equity</i>	
Retained earnings	72,805,542

3. Adjustment to offset receivable from and payable to FLI:

	(Decrease)
<i>Assets</i>	
Receivables	(₱212,369,772)
<i>Liabilities</i>	
Accounts payable and accrued expenses	(212,369,772)

II. Pro forma adjustments in the pro forma consolidated statements of comprehensive income for the three months ended March 31, 2021 and for the year ended December 31, 2020

For the purpose of the pro forma consolidated statements of comprehensive income for the three months ended March 31, 2021 and for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, which is the beginning of each of the periods presented.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020.

For the year ended December 31, 2020, the Group availed of the above deferral and have presented CUSA net of cost and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H. For the three months ended March 31, 2021, the CUSA is presented at gross.

The pro forma consolidated statements of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the significant transactions.



A. Assignment of loans

Derecognition of interest and other financing charges from assigned loans to FLI amounting to ₱7.9 million and ₱40.9 million for the three months ended March 31, 2021 and the year ended December 31, 2020, respectively.

B. Property Dividends

1. Derecognition of net income derived from properties declared as dividends on December 4, 2020 pertaining to Axis Towers 2, 3, and 4 and SRP lot:

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
<i>Revenues and income</i>		
Rental revenue	(₱46,421,597)	(₱149,969,205)
Others	(16,349,476)	32,140,191
<i>Cost and expenses</i>		
Utilities	(10,211,522)	-
Depreciation and amortization	(5,987,149)	(17,082,759)
Taxes and licenses	(5,485,585)	(4,741,810)
Manpower and service cost	(5,219,788)	-
Rental expense	(4,611,874)	(12,700,431)
Insurance	(177,997)	-
Service and management fees	(178,838)	(206,996)
Others	(283,895)	(5,825)
<i>Other income (charges)</i>		
Interest income	-	(1,279)
Interest and other financing charges	-	(92,910,038)
Other income	262,467	(773,072)
<i>Provision for income tax</i>		
Current	(12,748,895)	80,519,874
Deferred	11,145,681	103,130,246

2. Derecognition of net income derived from properties declared as dividends on February 11, 2021 pertaining to Convergys, FLI EDSA, IT School and Cebu BTO Tower 2:

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
<i>Revenues and income</i>		
Rental revenue	(₱38,304,627)	(₱209,051,162)
Others	(13,195,675)	2,339,569
<i>Cost and expenses</i>		
Utilities	(12,152,389)	-
Depreciation and amortization	(11,261,979)	(43,818,189)
Repairs and maintenance	(7,303,989)	-
Manpower and service cost	(2,371,116)	-
Rental expense	(2,199,550)	(17,268,824)

(Forward)



	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Taxes and licenses	(₱2,061,338)	(₱4,399,666)
Insurance	(633,322)	—
Service and management fees	(87,807)	(223,961)
Others	(93,131)	(1,404,249)
<i>Other income (charges)</i>		
Interest income	—	(1,007,217)
Interest and other financing charges	(1,327,266)	(17,272,033)
Other income (charges)	103	—
<i>Provision for income tax</i>		
Current	253,288	2,418,890
Deferred	51,719,624	(5,802,028)

C. Assignment of BTO Rights

Derecognition of net loss derived from the assignment of right to manage and operate BTO rights - Cebu BTO Towers 3 and 4:

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
<i>Cost and expenses</i>		
Service and management fees	(₱17,025)	(₱26,058)
Taxes and licenses	—	(7,548,000)
Others	72,500	(67,356)
<i>Other income (charges)</i>		
Interest and other financing charges	4,692,905	(1,170,178)
Interest income	—	(785,206)
Other income	60,668	(357,401)
<i>Provision for income tax</i>		
Current	(2,379,773)	25,086,056
Deferred	66,023,304	(22,439,854)

III. Pro forma adjustments in the pro forma consolidated statements of changes in equity for the three months ended March 31, 2021 and for the year ended December 31, 2020

For the purpose of the pro forma consolidated statements of changes in equity for the three months ended March 31, 2021 and for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, which is the beginning of each of the periods presented.

Pro forma adjustments have been made to present the effect on equity of the pro forma adjustments to the consolidated net income of the Group as reflected in the pro forma consolidated statements of comprehensive income for the three months ended March 31, 2021 and the year ended December 31, 2020, as discussed in the preceding section.



The following are the pro forma adjustments made:

A. Assignment of loans

For the year ended December 31, 2020, the assignment of the loans payable to FLI amounting to ₱1,856.7 million was converted to deposit for future stock subscription.

B. Declaration of dividends

On February 11, 2021, the BOD of the Parent Company approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends.

For the year ended December 31, 2020, the dividend payable amounting to ₱1,690.4 million was deducted from the unappropriated retained earnings.

C. Other pro forma adjustments

In order to tie-up the ending balance of equity in the pro forma consolidated statement of changes in equity to the amounts reflected in the pro forma consolidated statement of financial position, adjustments are made and presented as “Pro forma adjustments” in the pro forma consolidated statements of changes in equity.

	Increase	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
<i>Retained earnings</i>		
Net income	₱153,170,857	₱248,646,668
Gain on derecognition of lease liabilities	72,805,542	87,669,704

Gain on derecognition of lease liabilities pertains to a nonrecurring transaction hence directly recognized to retained earnings (see Notes 3.I.B)

IV. Pro forma adjustments in the pro forma consolidated statements of cash flows for the three months ended March 31, 2021 and for the year ended December 31, 2020

For the purpose of the pro forma consolidated statements of cash flows for the three months ended March 31, 2021 and for the year ended December 31, 2020, the transactions of property dividends and assignment BTO rights are assumed to have occurred on January 1, the beginning of each of the periods presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the significant transaction.

Pro forma adjustments have been made to reflect the cashflow impact of the assignment of loans and derecognition of the assets distributed as property dividends and assignment of BTO rights for the three months ended March 31, 2021 and for the year ended December 31, 2020.



The following is the summary of the adjustments made for the three months ended March 31, 2021 and for the year ended December 31, 2020:

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Operating cash flows	₱40,563,031	(₱184,803,391)
Investing cash flows	239,203,604	1,399,065,155
Financing cash flows	13,545,246	588,327,205

Below are the specific significant pro forma adjustments made for the three months ended March 31, 2021 and for the year ended December 31, 2020:

A. Operating Activities

1. Derecognition of income before income tax effect of distribution/assignment of the non-REIT properties and assignment of loans amounting to ₱39.2 million and ₱65.7 million for the three months ended March 31, 2021 and for the year ended December 31, 2020 (see Notes 3.II.A, 3.II.B and 3.II.C).
2. Derecognition of noncash adjustments to income before income tax of non-REIT properties and assignment of loans arising from the following (see Notes 3.II.A, 3.II.B and 3.II.C):

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Depreciation and amortization	(₱17,249,128)	(₱60,900,948)
Interest and other financing charges	(4,524,715)	(152,237,174)
Interest income	-	1,793,702

3. Derecognition of the impact of working capital changes of the non-REIT properties. The related increase (decrease) in operating cashflows follows:

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Receivables	(₱53,009,332)	₱50,173,252
Other current assets	47,400,425	7,893,501
Accounts and other payables	116,778,034	174,284,164
Other current liabilities	-	70,828,196
Security and other deposits	1,999,588	(3,581,609)
Other noncurrent liabilities	(26,549,593)	(97,504,469)



4. Derecognition of interest received and income taxes paid related to non-REIT properties as follows (see Notes 3.II.B and 3.II.C):

	Increase (decrease)	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Income taxes paid	₱14,875,380	(₱108,024,820)
Interest received	-	(1,793,702)

B. Investing Activities

Derecognition of additions to noncurrent assets held for distribution, intangible assets and investment properties as follows (see Notes 3.I.A and 3.I.B):

	Increase	
	March 31, 2021 (Three months)	December 31, 2020 (One Year)
Noncurrent assets held for distribution	₱173,848,295	₱-
Intangible assets	60,385,990	241,043,644
Investment properties	4,969,319	1,158,021,511

C. Financing Activities

1. For the three months ended March 31, 2021, adjustment on the payments of the principal portion of lease liabilities were made amounting to ₱13.5 million.
2. For the year ended December 31, 2020, the adjustments are as follows:
 - a. Adjustment on the loans availment and payments pertaining to the assigned loans amounting ₱1,000.0 million and ₱1,355.5 million, respectively (see Note 3.II.A).
 - b. Adjustment on interest payments related to the assigned loans payable amounting ₱210.8 million.
 - c. Adjustment on the payments of lease liability pertaining to assets distributed as property dividends and assignment of BTO rights amounting ₱22.1 million (see Note 3.II.C).

D. Other pro forma adjustments

In order to tie-up the ending balance of cash and cash equivalent in the pro forma consolidated statements of cash flows to the amounts reflected in the pro forma consolidated statement of financial position, adjustments are made and presented as "Other pro forma adjustments" in the pro forma consolidated statements of cash flows. Cash flows decreased by ₱293.3 million and ₱1,802.6 million for the three months ended March 31, 2021 and December 31, 2020, respectively, representing the net effect of pro forma adjustments to operating, investing and financing cash flows from derecognition of non-REIT assets and assignment of loans.



4. Basic/Diluted Earnings Per Share (EPS) Computation

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 1).



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th - 7th Floors, Vector One Building,
Northgate Cyberzone, Filinvest City,
Alabang, Muntinlupa City.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Cyberzone Properties, Inc. (the Parent Company) and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2020, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Key Audit Matters

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



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Fair value of investment properties

The Parent Company operates 19 mixed-use office buildings located in Luzon. The Parent Company accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. The carrying value and fair value of investment properties amounted to ₱11,629.8 million and ₱37,284.3 million, respectively, as of December 31, 2020. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Parent Company's investment properties as a key audit matter because it is a significant disclosure given the Parent Company's leasing business and the determination of the fair values of these properties involves significant management assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 8 to the consolidated financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the fair value determination of investment properties as of December 31, 2020. These assumptions include discount rates and growth rates.

We compared the key assumptions used such as growth rates against the historical performance per building, contractual terms and relevant external data. We tested the parameters used in determining discount rates against market data. We evaluated the competence, capabilities and independence of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of the fair value disclosure of investment properties in the consolidated financial statements.



Other Information

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether such information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 to 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is
Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		
	2020	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 16)	P870,517,532	P508,857,313	P717,533,656
Receivables (Note 5)	830,144,454	775,495,889	527,039,505
Other current assets (Note 10)	1,171,332,106	981,085,273	133,105,537
	<u>2,871,994,092</u>	<u>2,265,438,475</u>	<u>1,377,678,698</u>
Noncurrent assets held for distribution (Notes 8 and 15)	6,843,701,346	-	-
Total Current Assets	9,715,695,438	2,265,438,475	1,377,678,698
Noncurrent Assets			
Advances to contractors (Note 7)	18,393,179	436,337,964	280,020,176
Investment properties (Notes 8 and 19)	11,629,804,872	16,156,773,249	13,908,323,251
Property and equipment (Note 9)	68,394,882	54,950,323	39,635,268
Intangible assets (Notes 6 and 19)	3,408,827,424	2,889,687,107	2,557,823,732
Other noncurrent assets (Note 10)	388,417,886	389,406,612	1,119,532,597
Total Noncurrent Assets	15,513,838,243	19,927,155,255	17,905,335,024
Total Assets	P25,229,533,681	P22,192,593,730	P19,283,013,722
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 11)	P1,583,711,747	P1,873,104,575	P2,029,447,816
Current portion of:			
Loans payable (Notes 12, 24 and 25)	744,166,667	1,355,454,545	839,242,424
Lease liabilities (Note 19)	92,617,060	16,258,553	-
Security and other deposits (Note 14)	116,414,891	245,751,976	164,695,239
Dividends payable (Note 15)	6,611,906,765	348,339,734	-
Income tax payable	-	433,493	8,503,433
Total Current Liabilities	9,148,817,130	3,839,342,876	3,041,888,912
Noncurrent Liabilities			
Loans payable - net of current portion (Notes 12, 24 and 25)	1,600,000,000	2,862,916,667	2,618,371,212
Bonds payable (Notes 13, 24 and 25)	5,974,168,846	5,961,553,269	5,948,937,691
Lease liabilities - net of current portion (Note 19)	2,097,498,105	267,169,975	-
Security and other deposits - net of current portion (Note 14)	732,659,169	707,472,003	642,405,071
Deferred tax liability - net (Note 18)	269,939,889	384,650,602	264,842,643
Other noncurrent liabilities (Notes 14 and 17)	300,385,682	200,886,745	47,063,584
Total Noncurrent Liabilities	10,974,651,691	10,384,649,261	9,521,620,201
Total Liabilities	20,123,468,821	14,223,992,137	12,563,509,113
Equity			
Capital stock (Note 15)	1,163,426,668	1,163,426,668	1,163,426,668
Additional paid-in capital (Note 15)	102,900,666	102,900,666	102,900,666
Deposit for future stock subscription (Notes 12 and 15)	1,889,583,333	-	-
Appropriated retained earnings (Note 15)	-	6,300,000,000	5,000,000,000
Unappropriated retained earnings (Note 15)	1,950,125,348	401,190,324	452,093,340
Re measurement gain on retirement plan (Note 17)	28,845	1,083,935	1,083,935
Total Equity	5,106,064,860	7,968,601,593	6,719,504,609
Total Liabilities and Equity	P25,229,533,681	P22,192,593,730	P19,283,013,722

See accompanying Notes to Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUES AND INCOME			
Rental revenue (Notes 6, 8, 16 and 19)	₱2,833,413,910	₱2,814,668,936	₱2,340,797,218
Others (Note 20)	274,359,236	87,055,910	14,561,670
	3,107,773,146	2,901,724,846	2,355,358,888
COSTS AND EXPENSES			
Depreciation and amortization (Notes 6, 8, 9, and 19)	441,025,865	372,223,885	274,347,869
Rental expense (Notes 16 and 19)	297,968,918	305,153,634	281,012,798
Taxes and licenses	63,894,241	28,326,728	34,130,871
Manpower cost	34,015,698	12,948,357	8,569,219
Service and management fees (Note 16)	7,462,542	14,070,865	11,888,473
Pension expense (Note 17)	487,197	413,785	764,060
Advertising and marketing	-	-	14,645,372
Others	6,295,399	2,174,917	4,402,546
	851,149,860	735,312,171	629,761,208
OTHER INCOME (CHARGES)			
Gain on sale of investment property (Note 8)	65,038,584	-	-
Interest income (Notes 4, 5, 16 and 21)	3,908,966	10,468,164	45,896,805
Interest and other financing charges (Notes 12, 13 and 19)	(351,361,074)	(230,520,294)	(155,115,797)
Other income (charges) - net	3,523,521	(2,576,278)	(493,058)
	(278,890,003)	(222,628,408)	(109,712,050)
INCOME BEFORE INCOME TAX	1,977,733,283	1,943,784,267	1,615,885,630
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	231,150,026	189,580,926	114,097,572
Deferred	(114,258,532)	119,807,959	91,505,733
	116,891,494	309,388,885	205,603,305
NET INCOME	1,860,841,789	1,634,395,382	1,410,282,325
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax (Note 17)	(1,055,090)	-	173,088
TOTAL COMPREHENSIVE INCOME	₱1,859,786,699	₱1,634,395,382	₱1,410,455,413
Basic/Diluted Earnings Per Share (Note 22)	₱0.80	₱0.70	₱0.61

See accompanying Notes to Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Deposit for Future Stock Subscription (Note 15)	Appropriated Retained Earnings (Note 15)	Unappropriated Retained Earnings (Note 15)	Remeasurement Gain on Retirement Plan (Note 17)	Total
For the Year Ended December 31, 2020							
Balances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱-	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
Comprehensive income	-	-	-	-	1,860,841,789	-	1,860,841,789
Net income	-	-	-	-	-	(1,055,090)	(1,055,090)
Other comprehensive income	-	-	-	-	1,860,841,789	(1,055,090)	1,859,786,699
Total comprehensive income	-	-	-	-	(6,611,906,765)	-	(6,611,906,765)
Dividends declared (Note 15)	-	-	-	(6,300,000,000)	6,300,000,000	-	-
Reversal of appropriation (Note 15)	-	-	-	-	-	-	-
Deposit for future subscription (Note 15)	-	-	1,889,583,333	-	-	-	1,889,583,333
Balances at December 31, 2020	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱-	₱1,950,125,348	₱28,845	₱5,106,064,860
For the Year Ended December 31, 2019							
Balances at January 1, 2019, as previously presented	₱1,163,426,668	₱102,900,666	₱-	₱5,000,000,000	₱452,093,340	₱1,083,935	₱6,719,504,609
Effect of adoption of PFRS 16	-	-	-	-	(36,958,664)	-	(36,958,664)
Balances at January 1, 2019, as restated	1,163,426,668	102,900,666	-	5,000,000,000	415,134,676	1,083,935	6,682,545,945
Comprehensive income	-	-	-	-	1,634,395,382	-	1,634,395,382
Net income	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	1,634,395,382	-	1,634,395,382
Total comprehensive income	-	-	-	-	(348,339,734)	-	(348,339,734)
Dividends declared (Note 15)	-	-	-	1,300,000,000	(1,300,000,000)	-	-
Appropriation (Note 15)	-	-	-	-	-	-	-
Balances at December 31, 2019	₱1,163,426,668	₱102,900,666	₱-	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
For the Year Ended December 31, 2018							
Balances at January 1, 2018	₱1,163,426,668	₱102,900,666	₱-	₱3,500,000,000	₱854,307,418	₱910,847	₱5,621,545,599
Comprehensive income	-	-	-	-	1,410,282,325	-	1,410,282,325
Net income	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	1,410,282,325	173,088	1,410,282,325
Total comprehensive income	-	-	-	-	(312,496,403)	173,088	(312,496,403)
Dividends declared (Note 15)	-	-	-	1,500,000,000	(1,500,000,000)	-	-
Appropriation (Note 15)	-	-	-	-	-	-	-
Balances at December 31, 2018	₱1,163,426,668	₱102,900,666	₱-	₱5,000,000,000	₱452,093,340	₱1,083,935	₱6,719,504,609

See accompanying Notes to Consolidated Financial Statements



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,977,733,283	₱1,943,784,267	₱1,615,885,630
Adjustments for:			
Depreciation and amortization (Notes 6, 8, 9, 19 and 20)	486,065,150	418,797,652	311,245,402
Interest expense and other financing changes (Notes 12, 13 and 19)	351,361,074	230,520,294	155,115,797
Gain on sale of investment properties (Note 8)	(65,038,584)	-	-
Gain on derecognition of lease liability (Note 19)	(5,842,526)	-	-
Pension expense (Note 17)	487,197	413,785	764,060
Interest income (Note 21)	(3,908,966)	(10,468,164)	(45,896,805)
Operating income before changes in operating assets and liabilities	2,740,856,628	2,583,047,834	2,037,114,084
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(54,648,565)	(248,456,384)	522,591,209
Other current assets	(200,426,188)	(210,446,398)	(149,690,697)
Increase (decrease) in:			
Accounts payable and accrued expenses	(191,226,805)	(144,925,151)	531,711,476
Other current liabilities	(129,337,085)	81,056,737	8,660,159
Security and other deposits	25,187,166	65,066,932	(149,558,789)
Other noncurrent liabilities	97,504,469	153,409,376	155,751,052
Net cash generated from operations	2,287,909,620	2,278,752,946	2,956,578,494
Interest received (Note 16)	3,908,966	10,468,164	58,362,405
Income tax paid	(231,583,519)	(197,650,866)	(113,748,484)
Net cash provided by operating activities	2,060,235,067	2,091,570,244	2,901,192,415
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties (Note 8)	737,840,581	-	-
ProOffice Work Services, Inc. (Note 1)	17,162,936	-	-
Additions to:			
Investment properties (Note 8)	(1,158,021,511)	(2,163,580,071)	(1,755,516,332)
Intangible assets (Note 6)	(241,043,644)	(172,480,426)	(113,369,515)
Property and equipment (Note 9)	(16,760,634)	(39,207,659)	(6,773,403)
Decrease (increase) in:			
Advances to contractors	97,551,319	(156,317,788)	(78,265,348)
Other noncurrent assets (Note 10)	88,011,202	(32,676,043)	(155,546,513)
Net cash used in investing activities	(475,259,751)	(2,564,261,987)	(2,109,471,111)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from availments of loans payable (Notes 12 and 25)	1,000,000,000	2,100,000,000	-
Payments of:			
Cash dividends (Note 15)	(348,339,734)	-	(312,496,403)
Principal portion of lease liability (Note 19)	(47,613,247)	(17,259,680)	-
Interest and transaction cost (Note 26)	(471,907,571)	(479,482,496)	(492,045,934)
Loans payable (Notes 12 and 25)	(1,355,454,545)	(1,339,242,424)	(594,734,848)
Net cash provided by (used) in financing activities	(1,223,315,097)	264,015,400	(1,399,277,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	361,660,219	(208,676,343)	(607,555,881)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,857,313	717,533,656	1,325,089,537
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱870,517,532	₱508,857,313	₱717,533,656

See accompanying Notes to Consolidated Financial Statements.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the “Parent Company” or “CPI”) was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company’s primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent Company was the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

The registered office address of the Parent Company and ProOffice (collectively referred to as “the Group”) is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Group’s parent company is FLI, a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is the Group’s ultimate parent company. FLI, FDC and ALG were all incorporated in the Philippines.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company’s articles of incorporation to change the Parent Company’s primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the “REIT Act”), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

As of December 31, 2020, these amendments are awaiting approval by the SEC.

Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the BOD on March 9, 2021.



2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Parent Company, and all amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements include the balances of ProOffice from its acquisition in March 2019 until its disposal on December 23, 2020. As a result of the disposal, the Group derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Parent Company.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the Securities and Exchange Commission (SEC) under Memorandum Circulars (MC) No. 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

This includes deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* on the accounting for common usage service area (CUSA) charges

The details and the impact of the adoption of the above financial reporting reliefs are also discussed in the changes in accounting policies.

Basis of Consolidation

The consolidated financial statements comprise the amounts of the Parent Company and its subsidiary as of and for the years ended December 31, 2020, 2019 and 2018.

The voting rights held by CPI in ProOffice are in proportion to its ownership interest of 60% as of December 31, 2019 (nil as of December 31, 2020 and 2018; see Note 1).

ProOffice is incorporated and operating in the Philippines. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.



When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The voting rights held by noncontrolling interests in the subsidiary are in proportion of their ownership interest and are not material in the consolidated financial statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.



Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group. The nature and impact of each new standard and amendment are described below:

- *Amendments to PFRS 3, Business Combinations, Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.
- *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- *Amendments to PFRS 16, COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.



A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020. However, the adoption of the amendment does not have a material impact since there is no changes to the lease payments of the Group.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group.

Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component



The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- *Amendments to PFRS 3, Reference to the Conceptual Framework*
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- *Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use*
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.



Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC



After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12.

Had these provisions been adopted and the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The IFRIC Agenda Decision has no impact to the Group.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The PIC Q&A has no impact to the Group.



Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. Held primarily for the purpose of trading;
- c. Expected to be realized within twelve (12) months after the financial reporting period; or
- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- a. It is expected to be settled in normal operating cycle;
- b. It is held primarily for the purpose of trading;
- c. It is due to be settled within 12 months after the financial reporting period; or
- d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the 'SPPI test' and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2020 and 2019 the Group's financial assets comprise of financial assets at amortized cost. As of December 31, 2018, the Group's financial assets comprise of FVTOCI and financial assets at amortized cost.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

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 Group's business model whose objective is to hold assets in order to collect contractual cash flows; 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 at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Note 25).

Financial assets at FVTOCI (equity instruments)

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Company's investments in unquoted shares of stocks (see Note 10).

Dividends earned on holding these equity instruments are recognized in the statement of income when the Company's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.



Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2020, 2019 and 2018, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits (see Notes 11, 12, 13, 14 and 16).

Subsequent measurement

Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortization is included as finance costs in the consolidated statement of comprehensive income.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the lessee's deposit held or other credit enhancements that are integral to the contractual terms.



The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each financial reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (60) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other receivables and other financial assets, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.



Offsetting Financial Instruments

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Advances to Contractors

Advances to contractors pertain to down-payments made by the Group which are applied against future billings for development and construction contracts. Advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other current assets" and "Accounts payable and accrued expenses", respectively in the consolidated statement of financial position.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Investment properties include buildings that are held to earn rentals and are not occupied by the Group. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.



Construction in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Investment properties also include prepaid commission representing incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Property and Equipment

Property and equipment consist of land improvements and furniture and fixtures. The Group's property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, and overhaul costs are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment is computed using the straight-line method over the economic useful lives of these assets as follows:

	Years
Land improvements	5
Furniture and fixtures	3 - 5

The economic useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.



Property and equipment are derecognized when either they have been disposed of or when the property and equipment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of property and equipment are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Intangible Assets

Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

The economic useful lives of intangible assets are assessed to be either finite or indefinite.

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the economic useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Other Assets

Other current and noncurrent assets are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value.

Prepaid District Cooling System (DCS) connection charges

Prepaid DCS connection charges are initially recognized at cost and are subsequently amortized over the term of the supply period (i.e., 20 years) commencing on the date when the related building is connected to the DCS facility. Portion related to the connection of succeeding buildings are amortized over the remaining years of the supply period.

Noncurrent Assets Held for Distribution

A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

Noncurrent asset (or disposal group) classified as held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.



Impairment of Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity

Capital stock and additional paid-in capital

The Group records capital stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deposits for Future Stock Subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Parent Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

Retained earnings

Retained earnings represent accumulated earnings of the Group, less dividends declared and any adjustment arising from application of new accounting standards or changes in accounting policies applied retroactively. Retained earnings are restricted for any appropriation as approved by the Group's BOD.

Dividends are deducted from unappropriated retained earnings when declared and approved by the Group's BOD. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after financial reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.



Earnings per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after considering the retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Revenue Recognition

The Group is in the business of leasing its investment property portfolio. The Group's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting mostly the real estate industry.

On February 8, 2019, the SEC issued SEC Memorandum Circular No. 3 Series of 2019 providing relief to the real estate industry by deferring the application of the Accounting for Common Usage Service Area (CUSA) Charges as discussed in PIC Q&A No. 2018-12-H.

Effective January 1, 2021, the Group will adopt PIC Q&A No. 2018-12, and any subsequent amendments thereof, retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A. Had these provisions been adopted, it would have an impact in the consolidated financial statements. The Group is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted in the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2020 and net income in 2020.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Rental Revenue

Rental revenue is recognized in the consolidated statement of comprehensive income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.



Tenant Dues

Tenant dues are recognized when the related services are rendered. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Interest income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other income

Other income is recognized when the related services have been rendered and the right to receive payment is established.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Costs and Expense Recognition

These include the Group's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



All remeasurements recognized in other comprehensive income account "Remeasurement gain on retirement plan", net of tax and are not reclassified to another equity account in subsequent periods.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs.

Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

Deferred tax

Deferred tax is provided on all temporary differences at the report date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carry Over (NOLCO) can be used.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in the consolidated statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases (Effective January 1, 2019)

Group as lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as lessee

Except for short-term leases and lease of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use-assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.



The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.



Leases (Prior to January 1, 2019)

Group as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the financial report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the consolidated statement of comprehensive income for the year.

Segment Reporting

The Group's operating businesses are organized and managed according to the nature of the products and services provided. The Group has determined that it is operating as one operating segment as of December 31, 2020, 2019 and 2018 (see Note 23).

Provisions

A provision is recognized only when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial report date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.



Events After the Financial Reporting Date

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of lease term of contracts with renewal and termination options - Group as a lessee (Effective January 1, 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Group assessed that renewal is not reasonably certain.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 19).

Build Transfer Operate (BTO) Agreement with Cebu Province - Group as operator

On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the Parent Company at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City.



In August 2012, FLI assigned this agreement to the Parent Company. Based on the agreement, the Parent Company has assessed that the Cebu Province (Grantor) cannot control or regulate the services that the operator must provide using the infrastructure, to whom it must provide them and at what price. Due to this, the BTO agreement is assessed to be outside the scope of IFRIC 12, *Service Concession Arrangements*

The Parent Company, on the other hand, has the right to operate and earn rentals from the project upon completion but does not have ownership over the properties. The Parent Company also has no substantial risks and rewards on the properties for the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under “BTO rights” in the consolidated statement of financial position (see Note 6).

Determining whether an arrangement contains a lease - Build Operate Transfer (BOT) Agreement
On September 16, 2015, the Parent Company entered into a BOT agreement with Philippine DCS Development Corporation (PDDC), also a subsidiary of FLI. The BOT agreement relates to the construction and operation by PDDC of the DCS facilities for 20 years, during which PDDC will supply chilled water for the provision of cooling energy to the properties of the Group within Northgate Cyberzone, Muntinlupa City.

While the fulfillment of the terms and conditions of the agreement is dependent on the use of an asset (i.e., DCS facilities), management assessed that the right to control the operations of such asset is not conveyed to the Parent Company considering that: (a) the Parent Company has no ability to operate the asset nor the right to direct PDDC to operate the asset in a manner it determines; and (b) the supply of chilled water will not be exclusive to the properties of the Group during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16 (see Note 10).

Classification of noncurrent assets held for distribution

On December 4, 2020, the Parent Company declared as property dividends investment properties amounting to ₱6,611.9 million (see Note 15). The Parent Company assessed that the distribution of these investment properties is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends.

As of December 31, 2020, noncurrent assets held for distribution amounted to ₱6,843.7 million, inclusive of total additions to construction in progress declared as property dividends amounting to ₱231.8 million (see Note 8).

Impairment assessment of nonfinancial assets

The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Group considers indications of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of the asset’s fair value less cost to sell and value in use.

The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of December 31, 2020, 2019 and 2018, no other impairment indicators were identified for the Group’s nonfinancial assets (see Notes 6, 8 and 19).



Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the report date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of December 31, 2020, 2019 and 2018, the Group's allowance for ECL on its trade receivables amounted to ₱0.3 million (see Note 5).

Recognition of deferred tax asset

The Group reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2020, 2019 and 2018, deferred tax assets amounted to ₱269.2 million, ₱186.3 million and ₱107.06 million, respectively (see Note 18).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019	2018
Cash on hand and in banks	₱602,644,513	₱370,212,025	₱315,845,016
Cash equivalents	267,873,019	138,645,288	401,688,640
	₱870,517,532	₱508,857,313	₱717,533,656

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.10% to 3.75%, 0.10% to 4.50% and 0.13% to 4.50% in 2020, 2019 and 2018, respectively.



Interest earned from cash and cash equivalents amounted to ₱3.9 million, ₱8.4 million and ₱12.2 million in 2020, 2019 and 2018 respectively (see Note 21).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2020, 2019 and 2018.

5. Receivables

This account consists of:

	2020	2019	2018
Trade receivables (Note 16)	₱799,278,543	₱726,976,180	₱509,021,477
Advances to officers and employees	29,632,452	38,113,599	8,475,893
Others	1,518,717	10,691,368	9,827,393
	<u>830,429,712</u>	<u>775,781,147</u>	<u>527,324,763</u>
Less expected credit loss	285,258	285,258	285,258
	<u>₱830,144,454</u>	<u>₱775,495,889</u>	<u>₱527,039,505</u>

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These are covered by security deposits by tenants equivalent to 3 months of rental paid by the lessees. All overdue and unpaid rent, dues and charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to nil, ₱2.0 million and ₱3.9 million in 2020, 2019 and 2018, respectively (see Note 21).

In 2020, 2019 and 2018, the Group has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of December 31, 2020, 2019 and 2018.

Advances to officers and employees pertain to salary and loans granted by the Group which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Others include outstanding advances of real property tax to the land leased by the Group.

6. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Parent Company in August 2012 (see Note 3).

“BTO rights” relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2020, 2019 and 2018, cost of completed portion of the BTO project amounted to ₱2.6 billion, ₱2.6 billion, and ₱1.3 billion, respectively. Construction of Cebu Towers 1 and 2 were completed in 2018 and 2019, respectively, while construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2021 and 2022, respectively.

“Right-of-Use assets” pertain to the related lease payments required under land lease contracts and the BTO agreement for the land where the buildings were constructed.



The rollforward analysis of intangible assets follows:

	2020		
	BTO Rights	Right-of-Use Assets (Note 19)	Total
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	–	607,835,586
Reclassification (Notes 8 and 9)	8,403,391	–	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation (Note 20)	77,559,890	4,496,957	82,056,847
Reclassification (Notes 8 and 9)	15,041,813	–	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

	2019		
	BTO Rights	Right-of-Use Assets (Note 19)	Total
Cost			
Balance at beginning of year	₱2,683,107,723	₱–	₱2,683,107,723
Effect of adoption of PFRS 16	–	112,423,917	112,423,917
Balance at beginning of year, as restated	2,683,107,723	112,423,917	2,795,531,640
Additions	276,924,121	–	276,924,121
Balance at end of year	2,960,031,844	112,423,917	3,072,455,761
Accumulated Depreciation			
Balance at beginning of year	125,283,991	–	125,283,991
Depreciation (Note 20)	52,987,706	4,496,957	57,484,663
Balance at end of year	178,271,697	4,496,957	182,768,654
Net Book Value	₱2,781,760,147	₱107,926,960	₱2,889,687,107

	2018		
	BTO Rights	Right-of-Use Assets	Total
Cost			
Balance at beginning of year	₱2,508,773,554	₱–	₱2,508,773,554
Additions	174,334,169	–	174,334,169
Balance at end of year	2,683,107,723	–	2,683,107,723
Accumulated Depreciation			
Balance at beginning of year	71,639,880	–	71,639,880
Depreciation (Note 20)	53,644,111	–	53,644,111
Balance at end of year	125,283,991	–	125,283,991
Net Book Value	₱2,557,823,732	₱–	₱2,557,823,732

Rental income recognized arising from the BTO agreement amounted to ₱215.5 million, ₱193.3 million and ₱142.7 million in 2020, 2019 and 2018, respectively.

Tenants' dues from BTO rights amounted to ₱118.9 million, ₱126.2 million and ₱88.9 million as of December 31, 2020, 2019 and 2018, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these assets amounted to ₱126.4 million, ₱93.2 million and ₱80.4 million in 2020, 2019 and 2018, respectively (see Note 20). In 2019, ₱4.5 million of amortization of right-of-use assets was capitalized.



Borrowing costs capitalized on the BTO project amounted to ₱81.8 million, ₱104.4 million and ₱61.0 million in 2020, 2019 and 2018, respectively (see Notes 12 and 13). The capitalization rates used in 2020, 2019 and 2018 range from 4.0% to 5.2%.

Contractual obligations to acquire intangible assets amounted to ₱1,556.8 million, ₱1,046.5 million and ₱375.3 million as of December 31, 2020, 2019 and 2018, respectively.

7. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱18.4 million, ₱436.3 million and ₱280.0 million as of December 31, 2020, 2019 and 2018, respectively.

8. Investment Properties

The rollforward analyses of this account follows:

	2020					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,065,970,323	₱14,374,114,937	₱2,596,558,086	₱62,159,358	₱125,268,691	₱18,224,071,395
Additions (Note 19)	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	-	-	-	-	(672,801,997)
Derecognition (Note 19)	-	-	-	(264,490,746)	-	(264,490,746)
Reclassification (Notes 6, 9 and 15)	(405,839,771)	(2,571,952,120)	(3,889,469,481)	-	-	(6,867,261,372)
Balance at end of year	-	11,953,070,219	-	1,946,930,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	-	2,042,662,904	-	3,551,963	21,083,279	2,067,298,146
Depreciation (Note 20)	-	320,245,345	-	39,033,505	28,780,830	388,059,680
Derecognition (Note 19)	-	-	-	(3,396,956)	-	(3,396,956)
Reclassification (Notes 6, 9 and 15)	-	(23,560,026)	-	-	-	(23,560,026)
Balance at end of year	-	2,339,348,223	-	39,188,512	49,864,109	2,428,400,844
Net Book Value	₱-	₱9,613,721,996	₱-	₱1,907,742,241	₱108,340,635	₱11,629,804,872

	2019					
	Land	Buildings and Improvement	Construction in-progress	Right -of-use assets (Note 19)	Others	Total
Cost						
Balance at beginning of year	₱1,008,455,595	₱8,220,160,993	₱6,372,625,760	₱-	₱-	₱15,601,242,348
Effect of adoption of PFRS 16	-	-	-	62,159,358	77,121,536	139,280,894
Balance at beginning of year as restated	1,008,455,595	8,220,160,993	6,372,625,760	62,159,358	77,121,536	15,740,523,242
Additions	57,514,728	145,813,380	2,232,072,890	-	48,147,155	2,483,548,153
Reclassification	-	6,008,140,564	(6,008,140,564)	-	-	-
Balance at end of year	1,065,970,323	14,374,114,937	2,596,558,086	62,159,358	125,268,691	18,224,071,395
Accumulated Depreciation						
Balance at beginning of year	-	1,692,919,097	-	-	-	1,692,919,097
Effect of adoption of PFRS 16	-	36,958,664	-	-	-	36,958,664
Balance at beginning of year as restated	-	1,729,877,761	-	-	-	1,729,877,761
Depreciation (Note 20)	-	312,785,143	-	3,551,963	21,083,279	337,420,385
Balance at end of year	-	2,042,662,904	-	3,551,963	21,083,279	2,067,298,146
Net Book Value	₱1,065,970,323	₱12,331,452,033	₱2,596,558,086	₱58,607,395	₱104,185,412	₱16,156,773,249



	2018					Total
	Land	Buildings and Improvement	Construction in-progress	Right-of-use assets	Others	
Cost						
Balance at beginning of year	₱1,008,455,595	₱7,766,957,553	₱4,925,817,984	₱-	₱-	₱13,701,231,132
Additions	-	453,203,440	1,446,807,776	-	-	1,900,011,216
Balance at end of year	1,008,455,595	8,220,160,993	6,372,625,760	-	-	15,601,242,348
Accumulated Depreciation						
Balance at beginning of year	-	1,439,454,930	-	-	-	1,439,454,930
Depreciation (Note 20)	-	253,464,167	-	-	-	253,464,167
Balance at end of year	-	1,692,919,097	-	-	-	1,692,919,097
Net Book Value	₱1,008,455,595	₱6,527,241,896	₱6,372,625,760	₱-	₱-	₱13,908,323,251

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Group's office buildings. On January 1, 2019, upon the adoption of PFRS 16, the prepaid commission amounting to ₱77.1 million was reclassified to investment properties from other noncurrent assets.

Investment properties pertain to the Group's land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to ₱177.5 million, ₱180.3 million and ₱279.8 million in 2020, 2019 and 2018, respectively (see Notes 12 and 13). The capitalization rates used range from 4.0% to 5.6%, 4.0% to 5.5% and 4.0% to 5.2% in 2020, 2019 and 2018, respectively.

On October 7, 2020, the Group sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million. The gain on sale amounting ₱65.0 million is presented as gain on sale of investment property under "Other income (charges)" in the consolidated statement of comprehensive income.

As of December 31, 2020, the estimated fair value of the Parent Company's investment properties amounted to ₱37,284.3 million. The fair value of the investment properties is computed based on the income approach using discounted cash flow method. Using income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease income growth rate and discount rate.

The fair value used by the Parent Company is based on a valuation performed in 2020 by an accredited third-party appraisal who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

Rental income from investment properties amounted to ₱2,617.9 million, ₱2,621.4 million and ₱2,198.1 million in 2020, 2019 and 2018, respectively. Tenants' dues from investment properties, which are inclusive of CUSA, aircon and other charges amounted to ₱1,245.6 million, ₱1,290.7 million and ₱1,085.2 million as of December 31, 2020, 2019 and 2018, respectively (see Note 20).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱1,018.8 million, ₱1,268.8 million and ₱1,099.5 million in 2020, 2019 and 2018, respectively (see Note 20). In 2019, ₱3.6 million of amortization of right-of-use assets was capitalized.

Contractual obligations to acquire intangible assets amounted to ₱1,377.2 million, ₱2,041.0 million and ₱1,959.4 million as of December 31, 2020, 2019 and 2018, respectively.



As of December 31, 2020, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.

Noncurrent Assets Held for Distribution

On December 4, 2020, the Parent Company declared as property dividends investment properties with net carrying value amounting to ₱6,611.9 million (see Note 15). As of December 31, 2020, these properties, including net additions to construction in progress in December 2020 amounting to ₱231.8 million, are presented as Noncurrent assets held for distribution in the consolidated statement of financial position. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions in December 2021.

9. Property and Equipment

The rollforward analysis of this account follows:

	2020		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱38,703,160	₱80,175,614	₱118,878,774
Additions	201,211	16,559,423	16,760,634
Reclassification (Notes 6 and 8)	12,002	(4,814,695)	(4,802,693)
Balance at end of year	38,916,373	91,920,342	130,836,715
Accumulated Depreciation			
Balance at beginning of year	₱18,975,099	₱44,953,352	₱63,928,451
Depreciation (Note 20)	350,473	15,598,150	15,948,623
Reclassification (Notes 6 and 8)	—	(17,435,241)	(17,435,241)
Balance at end of year	19,325,572	43,116,261	62,441,833
Net Book Value	₱19,590,801	₱48,804,081	₱68,394,882

	2019		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱38,703,160	₱40,967,955	₱79,671,115
Additions	—	39,207,659	39,207,659
Balance at end of year	38,703,160	80,175,614	118,878,774
Accumulated Depreciation			
Balance at beginning of year	18,072,961	21,962,886	40,035,847
Depreciation (Note 20)	902,138	22,990,466	23,892,604
Balance at end of year	18,975,099	44,953,352	63,928,451
Net Book Value	₱19,728,061	₱35,222,262	₱54,950,323



	2018		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱36,950,793	₱35,946,919	₱72,897,712
Additions	1,752,367	5,021,036	6,773,403
Balance at end of year	38,703,160	40,967,955	79,671,115
Accumulated Depreciation			
Balance at beginning of year	17,229,156	18,669,566	35,898,722
Depreciation (Note 20)	843,805	3,293,320	4,137,125
Balance at end of year	18,072,961	21,962,886	40,035,847
Net Book Value	₱20,630,199	₱19,005,069	₱39,635,268

As of December 31, 2020, property and equipment is not used as collateral and is not subject to any and encumbrances.

10. Other Assets

Other current assets consist of:

	2020	2019	2018
Input VAT - net	₱986,282,331	₱1,014,334,638	₱790,020,962
Creditable withholding tax	94,649,221	—	—
Prepayments	68,233,324	20,948,196	27,198,594
Others	33,658,745	2,127,302	9,744,182
	1,182,823,621	1,037,410,136	826,963,738
Less noncurrent portion of input VAT	11,491,515	44,134,336	681,667,674
	1,171,332,106	993,275,800	145,296,064
Less allowance for probable losses	—	12,190,527	12,190,527
	₱1,171,332,106	₱981,085,273	₱133,105,537

Input Value Added Tax (VAT) represents the taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies. As of December 31, 2019 and 2018, the allowance for probable losses pertains to the portion of outstanding input VAT that is not expected to be utilized in the future (nil as of December 31, 2020).



Other noncurrent assets consist of:

	2020	2019	2018
Prepaid DCS connection charges (Note 16)	₱336,023,216	₱285,577,306	₱300,545,956
Deposits	40,903,155	46,752,894	41,187,431
Input VAT - noncurrent portion	11,491,515	44,134,336	681,667,674
Prepaid commission (Note 6)	—	—	77,121,536
Others	—	12,942,076	19,010,000
	₱388,417,886	₱389,406,612	₱1,119,532,597

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee is presented as “Others” in the consolidated statement of comprehensive income.

Others pertain financial assets at FVTOCI and advance payments intended for shares subscription.

The rollforward analysis of Prepaid DCS connection charge follows:

	2020	2019	2018
Cost			
Balance at beginning of year	₱316,250,070	₱316,250,070	₱248,878,142
Additions (Note 16)	66,610,664	—	67,371,928
Balance at end of year	382,860,734	316,250,070	316,250,070
Accumulated Amortization			
Balance at beginning of year	30,672,764	15,704,114	3,107,857
Amortization (Note 20)	16,164,754	14,968,650	12,596,257
Balance at end of year	46,837,518	30,672,764	15,704,114
Net Book Value	₱336,023,216	₱285,577,306	₱300,545,956

Deposits pertain to electric meter deposits and security deposits.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019	2018
Advances from tenants	₱566,558,897	₱620,797,006	₱515,817,828
Accrued expenses (Note 16)	262,209,073	240,344,795	327,848,932
Due to related parties (Note 16)	181,541,991	301,556,049	—
Retention payable - current portion (Note 14)	177,214,409	357,009,806	484,167,100
Payable to contractors (Note 7)	123,491,053	91,490,291	171,753,983
Payable to suppliers	121,453,381	123,357,126	101,709,612
Accrued interest payable (Notes 12 and 13)	113,036,580	109,323,017	111,450,986
Withholding taxes payable	38,206,363	29,226,485	35,111,863
Payable to land owner	—	—	281,587,512
	₱1,583,711,747	₱1,873,104,575	₱2,029,447,816

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.



Retention payable account pertains to the amounts withheld by the Group from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Payable to suppliers arise from various acquisitions of materials and supplies used for construction and are normally payable within the year.

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

Payable to contractors arises from progress billings received from contractors for the construction costs incurred by the Group.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one (1) month.

Payable to land owner pertains to the unpaid balance on the land acquired in South Road Properties, Cebu City in 2015. This was paid in 2019.

12. Loans Payable

This account consists of:

	2020	2019	2018
Developmental loans from local banks (Note 15)	₱2,344,166,667	₱4,218,371,212	₱3,457,613,636
Less current portion of loans payable	744,166,667	1,355,454,545	839,242,424
Noncurrent portion of loans payable	₱1,600,000,000	₱2,862,916,667	₱2,618,371,212

Developmental Bank Loans

These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum. Loans availed by the Parent Company in 2020, 2019 and 2018 amounted to ₱1,000.0 million, ₱2,100.0 million and nil, respectively. Principal payments made in 2020, 2019 and 2018 amounted to ₱984.6 million, ₱1.3 billion and ₱594.7 million, respectively (see Note 25).

Interest expense which was capitalized relating to loans payable amounted to ₱133.4 million, ₱72.6 million and ₱89.6 million in 2020, 2019 and 2018, respectively (see Notes 6 and 8). The capitalization rates used in 2020, 2019 and 2018 ranges from 4.0% to 5.2%.

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱81.6 million, ₱105.5 million and ₱95.5 million in 2020, 2019 and 2018, respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Parent Company notified the banks in writing of the assignment of loans.



As of December 31, 2020, the Parent Company received the letters of consent from certain banks authorizing the assignment of the loans to FLI. Consequently, the related loans payable amounting to ₱1,518.7 million was derecognized in the consolidated financial statements. In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Parent Company. The principal installment paid by FLI and the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020 (see Note 15).

The letters of consent from other banks for the loans payable outstanding as of December 31, 2020 were received, and the related developmental loans were derecognized subsequent to December 31, 2020 (see Note 27).

The Parent Company's loans payable is unsecured, and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio and interest coverage ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization. As of December 31, 2020, 2019 and 2018, the Parent Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

13. Bonds Payable

On July 7, 2017, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million and term of five and a half (5.5) years from the issue date. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of December 31, 2020, 2019 and 2018, the outstanding balance of bonds payable amounted to ₱5,974.2 million, ₱5,961.6 million and ₱5,948.9 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Parent Company exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to ₱108.8 million, ₱212.1 million, and ₱251.2 million in 2020, 2019 and 2018, respectively (see Notes 8 and 9).

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱199.2 million, ₱95.2 million and ₱46.9 million in 2020, 2019 and 2018 respectively.

Unamortized debt issuance cost on bonds payable amounted ₱25.8 million, ₱38.4 million and ₱51.1 million as of December 31, 2020, 2019 and 2018, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the consolidated statement of comprehensive income amounted to ₱12.7 million in 2020, 2019 and 2018.

The bonds require the Parent Company to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of December 31, 2020, 2019 and 2018, the Parent Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.



14. Other Liabilities

Security and other deposits

Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits as of December 31 follows:

	2020	2019	2018
Current portion	P116,414,891	P245,751,976	P164,695,239
Noncurrent portion	732,659,169	707,472,003	642,405,071
	P849,074,060	P953,223,979	P807,100,310

Other noncurrent liabilities

This account consists of:

	2020	2019	2018
Retention payable - net of current portion	P296,558,325	P199,053,856	P45,644,480
Retirement liabilities (Note 17)	3,827,357	1,832,889	1,419,104
	P300,385,682	P200,886,745	P47,063,584

15. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription

Details of the Parent Company's capital stock as of December 31, 2020, 2019 and 2018 follow:

Common stock - P1 par value	
Authorized - 2,000,000,000 shares	P2,000,000,000
Issued and outstanding - 1,163,426,668 shares	1,163,426,668
Additional paid-in capital	102,900,666

On December 4, 2020, the BOD approved the increase in the Parent Company's authorized capital stock to P14,985.0 million divided into 10,800.0 million common shares with a par value of P1.00 per share and 4,185.0 million preferred shares with a par value of P1.00. The Parent Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to P3,746.3 million shall be taken from the loans payable assigned to FLI (see Note 12).

As of December 31, 2020, deposit for future stock subscription amounted to P1,889.6 million, inclusive of the assigned loans payable amounting to P1,518.8 million and principal installments paid by FLI in December 2020 amounting to P370.8 million (see Note 12).



On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of ₱1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 22 and 27).

Retained Earnings

Appropriation

On December 4, 2020, the BOD approved the release its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed.

On December 20, 2019, the BOD approved the additional appropriation of retained earnings amounting to ₱1,300.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 19, 2018, the BOD approved the additional appropriation of retained earnings amounting to ₱1,500.0 million for capital expenditure requirement for the development of the following projects: Filinvest Axis Tower 3, and Filinvest Axis Tower 4 to be completed by 2020.

On December 20, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1,000.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

On December 21, 2016, the BOD approved the appropriation of retained earnings amounting to ₱2,500.0 million for capital expenditure requirements for the development of a project targeted to be completed by 2020.

Declaration of Dividend

On December 4, 2020, the Parent Company's BOD approved the declaration of property dividends with carrying value amounting to ₱6,611.9 million (see Note 8). The distribution of these properties shall be made upon approval by the SEC. In 2019 and 2018, the Parent Company declared cash dividends amounting to ₱348.3 million and ₱312.5 million, respectively. Dividends are declared out of the Company's unappropriated retained earnings.

After reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2020, 2019 and 2018 amounted to ₱1,680.9 million, ₱321.9 million and ₱404.6 million, respectively.

The following table shows how the Group computes for its dividend per share:

	2020	2019	2018
a. Dividends	₱6,611,906,765	₱348,339,734	₱312,496,403
b. Number of outstanding common shares	1,163,426,668	1,163,426,668	1,163,426,668
Dividends per share (a/b)	₱5.68	₱0.30	₱0.27



Capital Management

The Group’s primary objective is to maintain its current sound financial condition and strong debt service capabilities, as well as to continuously implement a prudent financial management program.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Group may also, from time to time, seek other sources of funding, which may include debt or equity issues, depending on its financing needs and market conditions. The Group continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

The Group monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total stockholders’ equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of long-term notes, bonds, and lease liabilities. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020, 2019 and 2018.

The following table shows how the Group computes for its debt-to-equity ratio:

	2020	2019	2018
Loans payable (Note 12)	₱2,344,166,667	₱4,218,371,212	₱3,457,613,636
Bonds payable (Note 13)	5,974,168,846	5,961,553,269	5,948,937,691
Lease liabilities (Note 19)	2,190,115,165	283,428,528	–
	10,508,450,678	10,463,353,009	9,406,551,327
Equity	5,106,064,860	7,968,601,593	6,719,504,609
Debt-to-equity ratio	2.06:1	1.31:1	1.40:1

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions (“RPT”) with a transaction value that reaches ten percent (10%) of the Group’s total consolidated assets shall be subject to the review by the RPT Committee. Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions (“Policy”). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2020, 2019 and 2018, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.



A summary of the Group's related party transactions in 2020, 2019 and 2018 are shown in the following table:

			2020		
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<i>Bank under common control</i>					
Cash and cash equivalents	P738,640,515	P738,640,515	0.1010% to 3.75%	No impairment	16 (a)
Interest income	3,908,966	-			
	P742,549,481	P738,640,515			
<i>Trade receivables (Note 5)</i>					
<i>Parent Company</i>					
Rental revenue	P24,965,196	P306,370	Noninterest-bearing; due and demandable	Unsecured	16 (b)
<i>Affiliate</i>					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	8,990,356	-	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	23,166,200	-	Noninterest-bearing	Unsecured	16 (d)
	P145,129,024	P453,099			
<i>Other Noncurrent Asset</i>					
<i>Affiliate</i>					
DCS connection charge (Note 10)	P15,266,782	P352,187,969		No impairment	16 (f)
Connection fees (Note 20)	-	(16,164,753)			
	P15,266,782	P336,023,216			
<i>Accounts payable and accrued expenses (Note 11)</i>					
<i>Parent Company</i>					
Rental expense	(P304,190,850)	P-	Noninterest-bearing; payable on demand	Unsecured	16 (c)
<i>Affiliate</i>					
Advances	(350,000,000)	-	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	-	Noninterest-bearing	Unsecured	16 (e)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(4,467,493)	-	Noninterest-bearing	Unsecured	16 (c)
<i>Affiliate</i>					
Service fee	(35,361,288)	(13,950,037)	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	-	-	Noninterest-bearing; payable on demand	Unsecured	
	(P994,538,279)	(P60,277,702)			
<i>Lease liabilities</i>					
<i>Parent Company</i>					
Lease liabilities (Note 19)	(P2,149,262,141)	(P2,190,115,165)	Noninterest-bearing; payable	Unsecured	16 (c)
<i>Other Noncurrent Liability</i>					
<i>Parent Company</i>					
Security deposit	(P7,278,060)	(P7,278,060)	Noninterest-bearing; payable	Unsecured	16 (b)
<i>Affiliate</i>					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	16 (b)
	(P19,296,484)	(P21,411,806)			



2019					
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<i>Bank under common control</i>					
Cash and cash equivalents	P375,902,879	P375,902,879	0.13% to 4.50%	No impairment	16 (a)
Interest income	8,435,364	-			
	P384,338,243	P375,902,879			
<i>Trade receivables (Note 5)</i>					
<i>Parent Company</i>					
Rental revenue	P25,195,857	P6,927,742	Noninterest-bearing; due and demandable	Unsecured	16 (b)
<i>Affiliate</i>					
Rental revenue	80,534,865	21,962,726	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	8,742,636	-	Noninterest-bearing	Unsecured	16 (b)
Commission income (Note 20)	6,440,293	-	Noninterest-bearing	Unsecured	16 (d)
	P120,913,651	P28,890,468			
<i>Other Noncurrent Asset</i>					
<i>Affiliate</i>					
DCS connection charge (Note 10)	P14,614,829	P300,545,956		No impairment	16 (f)
Connection fees (Note 20)	-	(14,968,650)			
	P14,614,829	P285,577,306			
<i>Accounts payable and accrued expenses (Note 11)</i>					
<i>Parent Company</i>					
Rental expense	(P289,545,398)	(P25,072,037)	Noninterest-bearing; payable on demand	Unsecured	16 (c)
<i>Affiliate</i>					
Advances	(300,000,000)	(300,000,000)	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(5,978,000)	(1,556,049)	Noninterest-bearing	Unsecured	16 (c)
Service and energy fees (Note 20)	(308,630,133)	(20,846,167)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(3,111,931)	-	Noninterest-bearing	Unsecured	16 (c)
<i>Affiliate</i>					
Service fee	(9,218,381)	-	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(11,569,770)	-	Noninterest-bearing; payable on demand	Unsecured	
	(P928,053,613)	(P347,474,253)			
<i>Other Noncurrent Liability</i>					
<i>Parent Company</i>					
Security deposit	P6,935,068	P-	Noninterest-bearing; payable	Unsecured	16 (b)
<i>Affiliate</i>					
Security deposits	22,060,351	2,115,322	Noninterest-bearing; payable	Unsecured	16 (b)
	P28,995,419	P2,115,322			
2018					
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
<i>Bank under common control</i>					
Cash and cash equivalents	P584,545,991	P584,545,991	0.50% to 4.50%	No impairment	16 (a)
Interest income	4,621,085	-			
	P589,167,076	P584,545,991			
<i>Trade receivables</i>					
<i>Parent Company</i>					
Rental revenue	P21,773,232	P17,620,536	Noninterest-bearing; due and demandable	Unsecured	16 (b)
<i>Affiliate</i>					
Rental revenue	66,754,145	12,882,076	Noninterest-bearing; collectible every 20th day of the month	Unsecured	16 (b)
Service fee income (Note 20)	7,673,436	-	Noninterest-bearing	Unsecured	16 (d)
Commission income (Note 20)	9,386,963	-			
	P83,814,544	P12,882,076			

(Forward)



	2018				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Due from Related Parties					
<i>Affiliates</i>					
Advances)	P675,360,000	P675,360,000	Interest-bearing at 6.0%, payable on demand	Unsecured	16 (e)
Interest income	29,783,425	12,465,600			
	P705,143,425	P687,825,600			
Other Noncurrent Asset					
<i>Parent Company</i>					
Security deposit	P-	P1,428,600			
<i>Affiliate</i>					
DCS connection charge (Note 10)	P67,371,928	P245,770,285		No impairment	16 (f)
Connection fees (Note 20)	(12,597,257)	-			
	P54,774,671	P247,198,385			
Accounts payable and accrued expenses (Note 11)					
<i>Parent Company</i>					
Rental expense	(P241,114,469)	(P21,999,961)	Noninterest-bearing; payable on demand	Unsecured	16 (c)
<i>Affiliate</i>					
Service and energy fee (Note 20)	(432,729,055)	(1,569,166)	Noninterest-bearing; payable on demand	Unsecured	16 (f)
Rental expense	(2,466,821)	(206,019)	Noninterest-bearing	Unsecured	16 (c)
<i>Affiliate</i>					
Service fee	(7,600,003)	-	Noninterest-bearing; payable on demand	Unsecured	16 (d)
Management fee and manpower cost	(4,288,470)	635,360	Noninterest-bearing; payable on demand	Unsecured	
	(P688,198,818)	(P23,139,786)			
Other Noncurrent Liability					
<i>Parent Company</i>					
Security deposit	P-	P6,608,326	Noninterest-bearing; due and demandable	Unsecured	16 (b)
<i>Affiliate</i>					
Security deposits	-	6,246,912	Noninterest-bearing; payable	Unsecured	16 (b)
	P-	P12,855,238			

Significant related party transactions are as follows.

- a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.
- b) *Lease agreements with related parties - Group as lessor*
 - The Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Company's buildings. Lease period is from October 16, 2016 to December 5, 2031, renewable for another 5 or 10 years.
 - The Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Company's buildings. Lease period is from September 2, 2019 to March 31, 2031 renewable for another 5 years.
 - The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel, an affiliate, for the office space in one of the Group's buildings. Lease period is from July 15, 2020 to July 14, 2025.



- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from August 10, 2017 to October 9, 2022.
 - The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.
 - The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Group's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- c) *Lease agreements with related parties - Group as lessee*
- The Parent Company, as a lessee, has existing land lease agreement with FLI on the location of the Company's buildings in Northgate both operational and still under construction. Rental expense is based on certain percentages of the Group's gross rental income.

In 2020, the Parent Company's lease agreement was amended as follows (see Note 19):
 - the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
 - the lease terms were extended for an additional term of 25 years.
 - In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.
- d) *Service agreements with related parties*
- The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Group. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located.
 - The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and Pro-Excel, entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee.
 - The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.
 - The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Company's parking facilities.



- The Parent Company entered into a service agreement with ProOffice Work Services, Inc. (PWSI), fellow subsidiary, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Group.
- e) On February 27, 2019, the Parent Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Parent Company.
- f) *BOT Agreement*
In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Parent Company and Philippine DCS Development Corporation (PDDC), the Parent Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.

On December 14, 2018, the Group paid additional prepaid connection charge for connecting the equipment to Filinvest Axis Tower 2 amounting ₱65.8 million (see Note 10).

Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱15.0 million, ₱12.6 million and ₱12.6 million in 2020, 2019 and 2018, respectively. These amounts were recognized as part of reimbursable expense to tenants (Note 20). Connection and service charges incurred for these buildings in 2020, 2019 and 2018 aggregated to ₱323.6 million, ₱289.0 million and ₱289.0 million, respectively (see Note 20).

There have been no guarantees provided or received for any related party receivables or payables. The Group has not recognized any impairment losses on amounts of receivables from related parties for the years ended December 31, 2020, 2019 and 2018. This assessment is undertaken each financial year through a receiver of financial position of the related part and the market in which the related party operates.

Key Management Personnel

In 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱9.7 million. In 2019 and 2018, key management personnel of the Company are employees of FAI. The compensation of the said employees is paid by FAI and as such, the necessary disclosure required under PAS 24, *Related Party Disclosures*, are included in FAI's financial statements.

17. Retirement Cost

The Group has a noncontributory, funded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Group accrues retirement costs (included in "Retirement liability" in the consolidated statements of financial position) based on an actuarially determined amount using the PUC method.



Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of "Pension expense" recognized in the consolidated statements of comprehensive income and "Retirement liability" recognized in the consolidated statements of financial position for the existing retirement plan.

Component of pension expense recognized in profit or loss follow:

	2020	2019	2018
Net pension expense:			
Service cost	₱457,912	₱301,676	₱689,205
Net interest expense	29,285	112,109	74,855
Total pension expense	₱487,197	₱413,785	₱764,060

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan as of December 31 follow:

	2020	2019	2018
Present value of defined benefit obligation	₱5,141,352	₱1,832,889	₱1,419,104
Fair value of plan assets	(1,313,995)	-	-
Net pension liabilities	₱3,827,357	₱1,832,889	₱1,419,104

The remeasurements recognized in OCI for the year ended December 31 follow:

	2020	2019	2018
Actuarial loss (gain) due to:			
Experience adjustments	₱371,141	₱-	₱-
Changes in financial assumptions	2,338,016	-	(173,088)
Adjustment	(1,871,285)	-	-
Remeasurement loss on plan assets	217,218	-	-
Balance at end of the period	₱1,055,090	₱-	(₱173,088)

Changes in the present value of the defined benefit obligation follow:

	2020	2019	2018
Balance at beginning of year	₱1,832,889	₱1,419,104	₱902,313
Current service cost	457,912	301,676	689,205
Interest expense	141,394	112,109	74,855
Amount to be recognized in OCI	2,709,157	-	(247,269)
Balance at end of year	₱5,141,352	₱1,832,889	₱1,419,104



Changes in the fair value of plan assets follow:

	2020	2019	2018
Balance at beginning of year	₱-	₱-	₱-
Contribution	1,419,104	-	-
Interest income	112,109	-	-
Remeasurement losses on plan assets	(217,218)	-	-
Balance at end of year	₱1,313,995	₱-	₱-

As of December 31, 2020, the plan asset amounting ₱1.31 million pertains to cash (nil in 2019 and 2018).

The Parent Company has no expected contribution to its defined benefit pension plan in 2021. The Parent Company reviews the level of funding required for the retirement plan. The Parent Company's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments follows:

Financial Year	2020	2019	2018
Year 1	₱4,429	₱2,071	₱2,071
Year 2	5,408	2,623	2,623
Year 3	6,639	3,272	3,272
Year 4	8,258	4,066	4,066
Year 5	10,241	5,019	5,019
Year 6 to 50	102,562,979	82,078,676	82,078,676

The principal assumptions used in determining pension benefits are as follow:

	2020	2019	2018
Discount rates	4.1%	7.9%	7.9%
Salary increase rates	8.0%	8.0%	8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) as of December 31, assuming all other assumptions were held constant:

	Increase (Decrease)			Impact on DBO		
	2020	2019	2018	2020	2019	2018
Discount rates	(18%)	(19%)	(19%)	(₱4,193,468)	(₱1,146,344)	(₱1,146,344)
	24%	24%	24%	6,349,599	1,765,333	1,765,333
Salary rates	22%	24%	24%	6,296,529	1,761,404	1,761,404
	(17%)	(19%)	(19%)	(4,253,434)	(1,144,311)	(1,144,311)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.



18. Income Tax

On June 6, 2000, the Group was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Group is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Parent Company is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
At 5% statutory income tax rate	₱70,860,967	₱55,369,000	₱58,574,566
Net result from non-PEZA activities:			
Current	160,289,059	134,211,926	55,523,007
Deferred	(114,258,532)	119,807,959	91,505,732
	₱116,891,494	₱309,388,885	₱205,603,305

The components of the Group's net deferred tax assets (liability) follows:

	2020	2019	2018
<i>Presented in profit or loss</i>			
Deferred tax assets			
Lease liabilities	₱200,002,363	₱85,028,558	₱-
Advance rentals	66,779,445	98,893,880	73,881,522
Provision for future major repairs	1,812,946	1,812,946	1,812,946
Accrual of pension obligation	514,052	514,052	389,917
Provision for doubtful accounts	85,577	85,577	85,577
Unrealized foreign currency exchange loss	13,067	12,133	13,351
Deferred rent payable	-	-	30,875,427
	269,207,450	186,347,146	107,058,740
Deferred tax liability			
Capitalized borrowing costs	(258,925,373)	(363,894,908)	(283,632,468)
Adjustment related to straight-line recognition of rental revenue	(119,797,641)	(157,068,352)	(88,194,734)
Right-of-use assets	(160,802,325)	(49,960,307)	-
	(539,525,339)	(570,923,567)	(371,827,202)
	(270,317,889)	(384,576,421)	(264,768,462)
<i>Presented in OCI</i>			
Deferred tax asset (liability) on net actuarial gains on pension liability	378,000	(74,181)	(74,181)
	(₱269,939,889)	(₱384,650,602)	(₱264,842,643)



The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
Tax at statutory rate	₱593,319,985	₱583,135,280	₱484,765,689
Adjustments for:			
Income tax at 5% preferential rate	(283,413,371)	(267,005,647)	(270,483,071)
Derecognition of deferred tax on temporary differences related to property dividend	(187,356,783)	-	-
Interest income subjected to final tax	(5,658,337)	(6,740,748)	(8,679,313)
	₱116,891,494	₱309,388,885	₱205,603,305

As of December 31, 2020, the proposed “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE” is being reviewed by the House of Representatives and the Senate. The said act aims to:

- a. Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
- b. Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
- c. Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation’s capability for similar circumstances in the future; and
- d. Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

As of December 31, 2020, the Group is still evaluating the potential impact of the CREATE bill in its consolidated financial statements.

19. Leases

Group as lessee

The Group has lease contracts for land as of January 1, 2019. The Group’s obligations under its leases are secured by the lessor’s title to the leased assets. The Group has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

On July 1, 2020, CPI and FLI amended their existing lease contract. The pertinent amendment provisions include the extension the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.26 million at contract amendment date (see Note 8).

The Company’s contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.



As at December 31, 2020 and 2019 (nil as at December 31, 2018), the rollforward analysis of right-of-use assets on land follows:

	2020		Total
	Investment Properties (Note 8)	Intangible Assets (Note 6)	
Cost			
At January 1	₱62,159,358	₱112,423,917	₱174,583,275
Additions	2,149,262,141	–	2,149,262,141
Derecognition	(264,490,746)	–	(264,490,746)
As at December 31	1,946,930,753	112,423,917	2,059,354,670
Accumulated Depreciation			
At January 1	3,551,963	4,496,957	8,048,920
Depreciation	39,033,505	4,496,957	43,530,462
Derecognition	(3,396,956)	–	(3,396,956)
As at December 31	39,188,512	8,993,914	48,182,426
Net Book Value	₱1,907,742,241	₱103,430,003	₱2,011,172,244

	2019		Total
	Investment Properties (Note 8)	Intangible Assets (Note 6)	
Cost			
At January 1	₱–	₱–	₱–
Effect of adoption of PFRS 16	62,159,358	112,423,917	174,583,275
At January 1, as restated	62,159,358	112,423,917	174,583,275
Additions	–	–	–
As at December 31	62,159,358	112,423,917	174,583,275
Accumulated Depreciation			
At January 1	–	–	–
Depreciation	3,551,963	4,496,957	8,048,920
As at December 31	3,551,963	4,496,957	8,048,920
Net Book Value	₱58,607,395	₱107,926,960	₱166,534,355

The following are the amounts recognized in the consolidated statement of comprehensive income for the year ended December 31, 2020 and 2019 (nil for the year ended December 31, 2018):

	2020	2019
Depreciation expense of right-of-use assets (included in general and administrative expenses)	₱40,133,506	₱8,048,920
Interest expense on lease liabilities (included in interest and other finance charges)	72,540,219	23,186,843
	₱112,673,725	₱31,235,763

Interest expense which was capitalized during the year relating to lease liability amounted to ₱14.6 million and ₱6.1 million in 2020 and 2019, respectively (nil in 2018). The capitalization rates used range from 4.7% to 5.19% and 5.12% in 2020 and 2019, respectively (nil in 2018).

In relation with the property dividend declaration in 2020, the Group derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively. The gain recognized from the derecognition amounted to ₱5.8 million.



As at December 31, the rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	₱283,428,528	₱277,501,365
Additions	2,149,262,141	-
Interest expense	72,540,219	23,186,843
Payments	(47,613,247)	(17,259,680)
Derecognized	(267,502,476)	-
As at December 31	2,190,115,165	283,428,528
Less current portion	92,617,060	16,258,553
Lease liabilities - net of current portion	₱2,097,498,105	₱267,169,975

The Group also has certain lease of land with variable rental payments and lease of office space considered as “low-value assets”. The Group applies the lease of ‘low-value assets’ recognition exemptions for these leases.

Variable lease payments presented as rental expense in the consolidated statement of comprehensive income for the years ended December 31, 2020, 2019 and 2018 amounted to ₱298.0 million and ₱305.2 million and ₱281.0 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

Maturity	2020	2019	2018
1 year	₱92,617,061	₱18,395,662	₱-
more than 1 years to 2 years	97,457,093	19,646,163	-
more than 2 years to 3 years	102,553,769	20,837,650	-
more than 3 years to 4 years	107,920,946	22,103,354	-
more than 5 years	5,332,476,996	612,602,448	-

Group as lessor

As lessor, future minimum rental receivables under renewable operating leases as of December 31 follows:

	2020	2019	2018
Within one year	₱2,831,168,803	₱3,110,851,654	₱2,337,139,861
After one year but not more than five years	8,428,851,003	12,170,411,487	5,688,831,684
After five years	5,568,619,525	9,149,293,267	1,882,644,391
	₱16,828,639,331	₱24,430,556,408	₱9,908,615,936

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in “Rental revenue” account in the consolidated statement of comprehensive income amounted to ₱340.0 million, ₱334.4 million and ₱289.6 million in 2020, 2019 and 2018, respectively.

The Group is engaged in office leasing operations and entered into lease agreements with third parties and related parties (see Note 16). These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher (see Note 14).



20. Other Income

Other income is composed of tenant reimbursements and other miscellaneous income from rental facilities. The account also includes commission income and service fee income recognized from service agreement from its affiliates.

	2020	2019	2018
Tenant dues (Notes 6 and 8)	₱1,364,484,480	₱1,416,889,335	₱1,174,098,142
Expenses incurred (Notes 8 and 10):			
Utilities (Notes 10 and 16)	(668,556,942)	(866,099,376)	(802,769,849)
Services	(194,606,783)	(224,881,314)	(173,419,118)
Repairs and maintenance	(175,297,470)	(181,581,591)	(161,817,405)
Depreciation (Notes 8 and 9)	(45,039,285)	(37,291,414)	(36,897,533)
Insurance	(4,019,860)	(11,199,434)	(3,164,994)
Others	(57,711,364)	(40,986,233)	(1,862,483)
	(1,145,231,704)	(1,362,039,362)	(1,179,931,382)
Net tenant dues	219,252,776	54,849,973	(5,833,240)
Service fee income (Note 16)	8,990,356	8,742,636	7,673,436
Commission income (Note 16)	23,166,200	6,440,293	9,386,963
Miscellaneous	22,949,904	17,023,008	3,334,511
	₱274,359,236	₱87,055,910	₱14,561,670

Miscellaneous income pertains to penalties and charges from tenants.

Others include chargeable real property taxes and other taxes, licenses and fees amounting to ₱57.4 million and ₱39.2 million in 2020 and 2019, respectively (nil in 2018).

21. Interest Income

Interest income consists of:

	2020	2019	2018
Interest income on:			
Cash and cash equivalents (Notes 4 and 16)	₱3,908,966	₱8,435,364	₱12,216,842
Advances to related parties (Note 16)	–	–	29,783,425
Others (Note 5)	–	2,032,800	3,896,538
	₱3,908,966	₱10,468,164	₱45,896,805

Others consist mainly of interest and penalties on late rental payment of tenants.

22. Earnings Per Share

	2020	2019	2018
a. Net income	₱1,860,841,789	₱1,634,395,382	₱1,410,282,325
b. Weighted average outstanding common shares	2,326,853,336	2,326,853,336	2,326,853,336
Basic/Diluted EPS (a/b)	₱0.80	₱0.70	₱0.61

The Group assessed that there were no potential dilutive common shares in 2020, 2019 and 2018.



The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 15). The EPS for the years ended December 31, 2019 and 2018 were likewise restated to consider this stock split.

23. Segment Reporting

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Group's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources.

The Group does not report its results based on geographical segments. The Group has no significant customer which contributes 10% of more to the revenues of the Group.

24. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Carrying value	Fair Value Significant unobservable inputs (Level 3)
December 31, 2020		
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	P2,344,166,667	P2,243,880,721
Bonds payable	5,974,168,846	5,686,998,186
Security and other deposits	849,074,060	821,552,066
Lease liabilities	2,190,115,165	2,083,161,648
	P11,357,524,738	P10,835,592,621
December 31, 2019		
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	P4,218,371,212	P4,023,650,058
Bonds payable	5,961,553,269	5,674,989,023
Security and other deposits	953,223,979	922,326,056
Lease liabilities	283,428,528	332,630,027
	P11,416,576,988	P10,953,595,164
December 31, 2018		
Asset measured at fair value		
Financial asset at FVTOCI	P9,010,000	P9,010,000
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	3,457,613,636	3,431,265,273
Bonds payable	5,948,937,691	5,946,290,641
Security and other deposits	807,100,000	707,023,925
	P10,213,651,327	P10,084,579,839



Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables, deposits and current portion of accounts payable and accrued expenses approximate the fair market values. The fair value of deposits under noncurrent assets has no significant impact to its carrying value as of December 31, 2020, 2019 and 2018.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- *Security and other deposits.* The discount rates used ranges from 2.4% to 4.3%, 2.4% to 4.3%, 2.4% to 3.9% as of December 31, 2020, 2019 and 2018, respectively. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable.* Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 4.01% to 5.58%, 4.01% to 6.07%, and 3.81% to 5.45% as of December 31, 2020, 2019 and 2018 respectively.

During the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses, lease liabilities and security and other deposits. The main purpose of the long-term debt is to finance the Group's operations while all other financial instruments resulted from the conduct of business.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's risk management policies are summarized below:

a. *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable and bonds payable.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
2020	+100	(P23.4 million)
	-100	23.4 million
2019	+100	(P42.2 million)
	-100	42.2 million
2018	+100	(P34.6 million)
	-100	34.6 million



There is no impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

b. *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Group's lease receivables using a provision matrix results to ₱0.29 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2020, 2019 and 2018, most of the Group's trade receivables are covered by security deposits and advances rentals. As of December 31, 2020, 2019 and 2018, allowance for ECL amounted to ₱0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



The table below shows the Group's credit quality as of December 31, 2020, 2019 and 2018:

	2020				Total
	Neither Past Due nor Impaired			Past Due but not Impaired	
	High Grade	Standard Grade	Past Due and Impaired		
Cash and cash equivalents*	₱870,424,532	₱-	₱-	₱-	₱870,424,532
Receivables	685,656,893	-	144,487,561	285,258	830,429,712
Deposits	40,903,155	-	-	-	40,903,155
	₱1,596,984,580	₱-	₱144,487,561	₱285,258	₱1,741,757,399

*Excludes cash on hand amounting to ₱93,000.

	2019				Total
	Neither Past Due nor Impaired			Past Due but not Impaired	
	High Grade	Standard Grade	Past Due and Impaired		
Cash and cash equivalents*	₱508,764,313	₱-	₱-	₱-	₱508,764,313
Receivables	771,454,105	-	4,041,784	285,258	775,781,147
Deposits	46,752,894	-	-	-	46,752,894
	₱1,326,971,312	₱-	₱4,041,784	₱285,258	₱1,331,298,354

*Excludes cash on hand amounting to ₱93,000.

	2018			Total	
	Neither Past Due nor Impaired		Past Due but not Impaired		
	High Grade	Standard Grade			
Cash and cash equivalents*	₱717,450,656	₱-	₱-	₱-	₱717,450,656
Receivables	506,976,403	-	19,777,844	285,258	527,039,505
Deposits	41,187,431	-	-	-	41,187,431
	₱1,265,614,490	₱-	₱19,777,844	₱285,258	₱1,285,677,592

*Excludes cash on hand amounting to ₱83,000.

The Group's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

The analysis of trade receivables which are past due but not impaired as of December 31, 2020, 2019 and 2018 follow:

	Past Due but not Impaired					Total
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	
2020	₱55,829,258	₱11,488,079	₱12,931,946	₱6,343,156	₱57,895,122	₱144,487,561
2019	2,972,901	362,606	244,475	232,123	229,679	4,041,784
2018	13,559,809	5,053,630	197,779	260,349	706,277	19,777,844

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's practice is that float will be kept at a minimum.



The Group has undiscounted payments of lease liabilities amounting to ₱47.6 million and ₱17.3 million for the years 2020 and 2019 (nil in 2018).

The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as at December 31, 2020, 2019 and 2018:

2020								
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱-	₱-	₱-	₱870,517,532	₱-	₱870,517,532
Receivables	795,250,212	35,179,500	-	-	-	830,429,712	-	830,429,712
Deposits	-	-	-	-	-	-	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱-	₱-	₱-	₱1,700,947,244	₱40,903,155	₱1,741,850,399

2019								
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱370,212,025	₱138,645,288	₱-	₱-	₱-	₱508,857,313	₱-	₱508,857,313
Receivables	772,024,621	2,972,901	362,606	244,475	176,544	775,781,147	-	775,781,147
Deposits	-	-	-	-	-	-	46,752,894	46,752,894
	₱1,142,236,646	₱141,618,189	₱362,606	₱244,475	₱176,544	₱1,284,638,460	₱46,752,894	₱1,331,391,354

2018								
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱315,845,016	₱401,688,640	₱-	₱-	₱-	₱717,533,656	₱-	₱717,533,656
Receivables	507,261,661	13,559,809	5,053,630	197,779	966,626	527,039,505	-	527,039,505
Deposits	-	-	-	-	-	-	41,187,431	41,187,431
	₱823,106,677	₱415,248,449	₱5,053,630	₱197,779	₱966,626	₱1,244,573,161	₱41,187,431	₱1,285,760,592



Maturity profile of the Group's financial liabilities, as at December 31, 2020, 2019 and 2018 is shown below (in thousands):

	2020							Total
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	
Loans payable	P-	P17,500	P12,500	P20,833	P693,334	P744,167	P1,200,000	P2,344,167
Bonds payable	-	-	-	-	-	-	6,000,000	6,000,000
Lease liabilities	-	6,842	12,326	17,819	55,630	92,617	401,374	2,190,115
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	370,398
Accounts payable and accrued expenses	1,583,712	-	-	-	-	1,583,712	-	1,583,712
Security and other deposits	-	-	116,415	-	-	116,415	473,417	849,074
	P1,599,633	P29,898	P146,750	P60,761	P827,994	P2,665,036	P8,131,667	P13,337,466
								P1,463,375

*Includes future interest payable.

	2019							Total
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	
Loans payable	P-	P260,871	P37,500	P38,333	P1,018,751	P1,355,455	P1,683,333	P4,218,371
Bonds payable	-	-	-	-	-	-	6,000,000	6,000,000
Lease liabilities	-	1,358	1,349	1,340	12,227	16,274	46,791	283,429
Interest on long-term debt*	18,190	-	-	-	160,851	179,041	205,248	485,413
Accounts payable and accrued expenses	1,873,105	-	-	-	-	1,873,105	-	1,873,105
Dividends payable	348,339	-	-	-	-	348,339	-	348,339
Security and other deposits	-	-	-	-	245,751	245,751	197,102	953,224
	P2,230,634	P262,229	P38,849	P39,673	P1,437,580	P4,017,965	P8,274,982	P14,161,881
								P240,210

*Includes future interest payable.

	2018							Total
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	
Loans payable	P83,978	P25,000	P288,313	P83,977	P357,955	P839,221	P2,318,393	P3,457,614
Bonds payable	-	-	-	-	-	-	6,000,000	6,000,000
Lease liabilities	-	-	-	-	-	-	-	-
Interest on long-term debt*	138,408	-	-	-	1,792,898	1,931,306	67,241	1,998,547
Accounts payable and accrued expenses	1,747,860	-	-	-	281,588	2,029,448	-	2,029,448
Security and other deposits	-	-	-	-	807,100	807,100	-	807,100
	P1,970,246	P25,000	P288,313	P83,977	P3,239,541	P5,607,075	P6,300,000	P14,292,709
								P-

*Includes future interest payable.



26. Notes to cash flows

Investing Activities

- The Group recognized right-of-use assets presented under investment properties and lease liabilities amounting to ₱2,149.3 million and ₱174.6 million in 2020 and 2019, respectively (see Notes 8 and 19).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the consolidated statements of financial position under “Accounts payable and accrued expenses” account, amounting ₱2.6 million, ₱91.5 million, and ₱171.8 million as of December 31, 2020, 2019 and 2018, respectively (see Note 11).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the consolidated statements of financial position under “Accounts payable and accrued expenses” account amounting to ₱83.5 million as of December 31, 2020 (nil in 2019 and 2018).
- In 2020, Advances to contractors closed to investment properties and BTO rights during the year amounted to ₱118.9 million and ₱201.5 million, respectively.
- In 2020, upon disposal, PWSI has cash amounting ₱17.4 million.
- In 2019, the outstanding balance for the cost of the land as of December 31, 2018 amounting ₱281.6 million was paid in full. Additional cost directly attributable to the acquisition of the land amounted to ₱57.5 million.

Financing Activities

Changes in liabilities arising from financing activities for the year ended December 31, 2020 and 2019 follows (in thousands):

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	December 31, 2020
Loans payable	₱4,218,371	₱1,000,000	(₱1,355,455)	(1,518,749)	₱2,344,167
Bonds payable	5,961,553	–	–	12,616	5,974,169
Lease liabilities	283,428	–	(47,613)	1,954,300	2,190,115
Accrued interest	109,323	–	(471,908)	475,622	113,037
Dividends payable	348,340	–	(348,340)	6,611,907	6,611,907
Deposit for future stock subscription	–	–	–	1,889,583	1,889,583
	₱10,921,015	₱1,000,000	(₱2,223,316)	₱9,425,279	₱19,122,978

	January 1, 2019	Availment/ Addition	Payments	Noncash Movement	December 31, 2019
Loans payable	₱3,457,613	₱2,100,000	(₱1,339,242)	₱–	₱4,218,371
Bonds payable	5,948,938	–	–	12,615	5,961,553
Lease liabilities	277,501	–	(17,260)	23,187	283,428
Dividends payable	–	–	–	348,340	348,340
Accrued interest	111,451	–	(479,482)	477,354	109,323
	₱9,795,503	₱2,100,000	(₱1,835,984)	₱861,496	₱10,921,015

	January 1, 2018	Availment/ Addition	Payments	Noncash Movement	December 31, 2018
Loans payable	₱4,052,348	₱–	(₱594,735)	₱–	₱3,457,613
Bonds payable	5,936,172	–	–	12,766	5,948,938
Dividends payable	–	–	(312,496)	312,496	–
Accrued interest	102,546	–	(492,046)	500,951	111,451
	₱10,091,066	₱–	(₱1,399,277)	₱826,213	₱9,518,002

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.



For the year ended December 31, 2020, the noncash movement also include addition in lease liability, declaration of dividends payable, and assignment of loans payable to FLI and the related recognition of related deposit for future stock subscription amounting ₱2,149.26 million, ₱6,611.91 million and ₱1,889.58 million, respectively (see Notes 19, 12 and 15).

27. Events After Reporting Period

Assignment of loans payable to FLI and conversion to deposit for future stock subscription

On December 9, 2020, the Parent Company notified the banks in writing of the assignment of its loans payable to FLI. The effective date of its written consent and derecognition date follows:

<u>Derecognition date</u>	<u>Principal Amount</u>
January 5, 2021	₱1,300,000,000
January 21, 2021	402,500,000
January 29, 2021	350,000,000
February 9, 2021	291,666,667
<u>Total</u>	<u>₱2,344,166,667</u>

Upon assignment of the loans payable to FLI, the liability amounting to ₱1,889.6 million was simultaneously converted to deposit for future stock subscription. As of January 29, 2021, the Parent Company's deposit for future stock subscription presented under Equity amounted to ₱3,746.25 million (see Note 15).

As of March 9, 2021, consent letters from all lenders have been obtained.

Filinvest to establish a REIT company

On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of CPI into a REIT Company. CPI is intended to be listed on the PSE in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI's BOD may subsequently approve.

Declaration of property dividend

On February 11, 2021, the BOD of the Parent Company approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. As of December 31, 2020, Cebu Tower 2 is presented as part of BTO rights under intangible assets while the others are presented as investment properties. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively.

Assignment of BTO Rights

On February 11, 2021, the BOD of the Parent Company also approved the transfer to FLI by way of assignment of right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone. As of December 31, 2020, these two assets are under construction and are presented as part of BTO rights under intangible assets. The assignment will result to derecognition of ₱887.2 million intangible assets.



Land lease in Northgate Cyberzone

On February 11, 2021, the BOD approved to enter into a new land lease contract between the Parent Company (as lessee) and FLI (as lessor) in Northgate Cyberzone for a period of 50 years commencing on February 11, 2021, renewable for another 25 years, under the same terms as the new lease contract, with the exception of the rental rate and other commercial terms which shall be negotiated and mutually agreed upon by the parties. On March 1, 2021, the Parent Company and FLI executed the related lease contract.

Amendment of the Parent Company's authorized capital stock

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of P1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Notes 15 and 22).

The Company will file an amended application for the increase in authorized capital stock with the SEC. The reduction in par value and increase in authorized capital stock are subject to the approval of the SEC.

Change of corporate name

On March 5, 2021, the BOD and the stockholders approved the change of corporate name of Cyberzone Properties, Inc. to Filinvest REIT Corp. The change of corporate name is subject to the approval of the SEC.

Listing and pricing of the Parent Company's shares

On March 9, 2021, the BOD and stockholders approved and authorized the initial public offering of the Parent Company's common shares (the "Offer"), subject to the registration requirements of the SEC and the listing requirements of the PSE under the following indicative terms and conditions:

- a. The offer and sale of up to 1,630,762,905 common shares of the Parent Company owned by FLI ("Selling Shareholder") (the "Secondary Offer Shares") to be offered by way of a secondary offer at an offer price of up to Php8.30 per share; and,
- b. The grant by the Parent Company and FLI of an over-allotment option pursuant to which a stabilizing agent or its relevant affiliate has the right to purchase up to 163,076,291 common shares of the Parent Company owned by the Selling Shareholder (the "Option Shares") under the same terms and conditions as the Secondary Offer Shares (the Secondary Offer Shares and the Option Shares are collectively the "Offer Shares").

COVID-19 Pandemic

The World Health Organization declared the outbreak of COVID-19 virus as a global pandemic on March 11, 2020. In a move to contain the COVID-19 pandemic in the Philippines, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, the government expanded the scope by placing the entire Luzon region under an Enhanced Community Quarantine (ECQ), with major cities in Visayas and Mindanao shortly following suit. On May 15, 2020, Metro Manila, Laguna and Cebu City transitioned from an ECQ to a Modified ECQ (MECQ) from May 16 to May 31, 2020 while other parts of the country were placed in less stringent states of community quarantine. On June 1, 2020, the government announced the transition from MECQ to General Community Quarantine (GCQ) for Metro Manila and other areas except Cebu City which continued to be under ECQ.



On June 29, 2020, the Inter-Agency Task Force of Emerging Infectious Disease (IATF) issued Resolution No. 55-A, placing high-to-moderate risk areas, including all highly urbanized cities in Metro Manila, under GCQ starting July 1 until July 15, 2020, and subsequently extended until July 30, 2020 upon IATF's issuance of the Resolution No. 60-A. On August 3, 2020, the Office of the President issued a Memorandum from the Executive Secretary placing MECQ over the National Capital Region, and the provinces of Laguna, Cavite, Rizal, and Bulacan until August 18, 2020.

On August 17, 2020, upon IATF's issuance of the Resolution No. 64, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal shall be placed under GCQ and the rest of the country under MGCQ until August 31, 2020. This was subsequently extended until October 31, 2020 and until December 31, 2020 upon IATF's issuance of the Resolution Nos. 67 and 81, respectively. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing GCQ over the National Capital Region, and MGCQ over the provinces of Bulacan, Cavite, Laguna and Rizal until March 9, 2021.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others. As of March 9, 2021, estimate of the impact cannot be made.

The general global slowdown and the imposition of community quarantine measures due to the COVID-19 pandemic had short- to medium-term effects on new Office Leasing activities. Prior to the pandemic, inquiries from potential tenants were about leasing entire floors of buildings but the demand was reduced to much smaller size cuts in 2020. Physical site inspections as required by all prospective tenants were halted due to the community quarantine restrictions. Contract signing and handover dates of new incoming tenants were adjusted to 2021. Construction rent free periods were given to accommodate fit out delays and social distancing guidelines on construction resulting from six to eight months delay in construction deliveries and construction manpower reduction by 50%. Non-renewal and pre-termination of contracts were also experienced in 2020 but this was counterweighed by the renewal of all lease expiries during the year at current market rates.





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cyberzone Properties, Inc. and its subsidiary (the Group) as at December 31, 2020, 2019 and 2018, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cyberzone Properties, Inc. and its subsidiary (the Group) at December 31, 2020, 2019 and 2018, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 9, 2021. 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 Group'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 Group's financial statements as at December 31, 2020, 2019 and 2018, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Accreditation No. 118546-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 248-679-852
BIR Accreditation No. 08-001998-137-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021



**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULES**

Supplementary Information and Disclosures Required by Revised SRC Rule 68

Unappropriated Retained Earnings Available for Dividend Distribution

Group Structure

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED BY
REQUIRED ON REVISED SRC RULE 68 AND 68.1
DECEMBER 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribes the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The entity’s Financial Assets comprises of cash and cash equivalents, receivables and deposit. As stated in the regulation, before mentioned amount should be provided if the aggregate cost or the market value of FVPL as of the end of the reporting period is 5% or more of the total current asset. As of December 31, 2020 the entity recorded the financial assets as financial assets at amortized cost, therefore it is deemed assumed that this schedule is not applicable to the company.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of December 31, 2020, the amount of receivable from officers and employees excluding those advances arising from the normal course of business does not meet the minimum required balance as stated in the Revised SRC Rule to be presented in the report. This schedule is not applicable to the company.

Schedule C. Amounts Receivable from Related Parties, which are eliminated during the consolidation of financial statements

On December 23, 2020, Cyberzone Properties Inc. sold its share in ProOffice Works to Filinvest Land, which resulted for Cyberzone Properties Inc. to lose its control over ProOffice. Therefore, this schedule is not applicable to the entity as of December 31, 2020.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Group (amounts in thousands). Each loan balance is presented net of unamortized deferred costs.

(i)	Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
<u>Developmental loans</u>				
	Unsecured 7-year loan obtained on July 7, 2014 and will mature on July 7, 2021 with interest rate equal to PDS Treasury Fixing. 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity.	₱402,500	₱402,500	₱-
	Unsecured loan obtained on November 19, 2016 and will mature on November 19, 2023 with fixed interest rate. The principal is payable in 16 quarterly payments starting February 2016; 50% payable at maturity.	350,000	50,000	300,000
	Unsecured loan obtained on June 28, 2016 and will mature on June 28, 2021 with fixed interest rate. The principal is payable in 12 quarterly payments starting September 2018; 50% payable at maturity.	291,667	291,667	-
	Unsecured loan obtained on June 28, 2019 and will mature on June 28, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting September 2021; 50% payable at maturity.	500,000	-	500,000
	Unsecured loan obtained on October 23, 2019 and will mature on October 23, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting January 2022; 50% payable at maturity.	500,000	-	500,000
	Unsecured loan obtained on December 6, 2019 and will mature on December 6, 2024. With fixed interest for 5 years, repricing at the end of 5th year. The principal is payable in 12 quarterly payments starting March 2022; 50% payable at maturity.	300,000	-	300,000
		<u>₱2,344,167</u>	<u>₱744,167</u>	<u>₱1,600,000</u>
<u>Bonds</u>				
	Fixed rate bonds with principal amount of ₱6.00 billion and term of 5.5 years from the issue date was issued by the Group on July 7, 2017 to mature on January 2023 with fixed interest rate is 5.05% per annum.	₱5,974,169	₱-	₱5,974,169
		<u>₱8,318,336</u>	<u>₱744,167</u>	<u>₱7,574,169</u>

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios of maximum debt-to-equity ratio of 2.33x and minimum interest coverage ratio of 1.1x. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

Schedule E. Indebtedness to Related Parties

This is not applicable to Cyberzone Properties Inc. since the indebtedness to related parties as of December 31, 2020 are all current in nature.

Schedule F. Guarantees of Securities of Other Issuers

This is not applicable to Cyberzone Properties Inc. since it does not have a guarantee of securities of other issuers as of December 31, 2020.

Schedule G. Capital Stock

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet caption</u>	<u>Number of shares reserved for options, warrants, conversion and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, Officers and Employees</u>	<u>Others</u>
Common Shares	2,000,000,000	1,163,426,668	–	1,163,426,663	5	None

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DISTRIBUTION
DECEMBER 31, 2020

Unappropriated Retained Earnings, January 1, 2020	₱401,190,324
Less: Movement in deferred tax assets in 2019	79,288,406
<hr/>	
Retained earnings as adjusted to amount available for dividend declaration, beginning	321,901,918
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Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	₱1,860,841,789
Effect of adoption of PFRS 16	—
Less: Non actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred tax asset that reduced the amount of income tax expense	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property (after tax)	—
<hr/>	
Net income actually earned during the period	1,860,841,789
Add (less):	
Deferred tax assets recognized (net of 2019 movement)	(189,919,044)
Dividend declarations during the period	(6,611,906,765)
Reversal of appropriations	6,300,000,000
Appropriations of retained earnings during the period	—
<hr/>	
Unappropriated Retained Earnings, as adjusted	
December 31, 2020	₱1,680,917,898
<hr/>	

As of December 31, 2020, deferred tax assets recognized related to the non-REIT properties (i.e., FLI Edsa, IT School, Concentrix Building (Convergys Building) and Filinvest Cyberzone Cebu Towers 2, 3 and 4) amounted to ₱157,685,424.

CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
FINANCIAL SOUNDNESS INDICATOR
DECEMBER 31, 2020

Below are the financial ratios that are relevant to the Group for the year ended December 31:

Financial Ratios		2020	2019	2018
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.06	0.59	0.45
Acid test ratio	$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$	1.06	0.59	0.45
Solvency ratio	$\frac{\text{Net income} + \text{Depreciation}}{\text{Total liabilities}}$	0.11	0.16	0.17
Debt to equity ratio	$\frac{\text{Loans payable} + \text{Bonds payable} + \text{Lease liabilities}}{\text{Total Equity}}$	2.06	1.31	1.40
Asset to equity ratio	$\frac{\text{Total asset}}{\text{Total Equity}}$	4.94	2.79	2.87
Interest coverage ratio	$\frac{\text{Income before income tax (IBIT) + interest and other financing charges}}{\text{Interest and other financing charges}}$	6.63	9.43	11.42
Return on equity	$\frac{\text{Net income}}{\text{Total Equity}}$	0.36	0.21	0.21
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	0.07	0.07	0.07
Net profit margin	$\frac{\text{Net income}}{\text{Revenues and income}}$	0.60	0.56	0.60
Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.80	0.64	0.65
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	$\frac{\text{IBITDA}}{\text{Total interest paid}}$	5.97	5.41	4.23

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON
THE COMPILATION OF THE PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**

The Stockholders and the Board of Directors
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Cyberzone Properties, Inc. and its subsidiary (the Group) by the Group's management. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at December 31, 2020, the pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity, and pro forma consolidated statements of cash flows for the year then ended, and related notes. The applicable criteria on the basis of which the Group's management has compiled the pro forma financial information is described in Note 2 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by the Group's management to illustrate the impact of the transactions set out in Note 3 on the Group's financial position as at December 31, 2020 as if the transactions had taken place on December 31, 2020, which is the end of the period presented, and the Group's financial performance and cash flows for the year ended December 31, 2020, as if the transactions had taken place at January 1, 2020, the beginning of the period presented. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Group's management from the Group's audited consolidated financial statements as at and for the year ended December 31, 2020, for which an audit report has been issued on March 9, 2021.

Responsibility for the Pro Forma Consolidated Financial Information

The Group's management is responsible for compiling the pro forma consolidated financial information on the basis of the applicable criteria set out in Note 2 to the pro forma consolidated financial information.

Auditor's Responsibilities

Our responsibility is to express an opinion, as required by Section 9, Part II of the Revised Securities Regulation Code 68 about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Group's management on the basis of the applicable criteria set out in Note 2 to the pro forma consolidated financial information.



We conducted our engagement in accordance with the Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Philippine Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Group's management has compiled, in all material respects, the pro forma consolidated financial information on the basis of the applicable criteria set out in Note 2 on the pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2020, or at the beginning of period presented, would have been as presented.

As reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Group's management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria, and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the pro forma consolidated financial information.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

March 9, 2021



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.1)	Pro Forma Balances (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	₱870,517,532	₱-	₱870,517,532
Receivables	830,144,454	942,591,031	1,772,735,485
Other current assets	1,171,332,106	(999,218,897)	172,113,209
	2,871,994,092	(56,627,866)	2,815,366,226
Noncurrent assets held for distribution	6,843,701,346	(6,843,701,346)	-
Total Current Assets	9,715,695,438	(6,900,329,212)	2,815,366,226
Noncurrent Assets			
Advances to contractors	18,393,179	(11,416,440)	6,976,739
Investment properties	11,629,804,872	(486,788,950)	11,143,015,922
Property and equipment	68,394,882	(1,855,990)	66,538,892
Intangible assets	3,408,827,424	(2,354,362,864)	1,054,464,560
Other noncurrent assets	388,417,886	(156,714,572)	231,703,314
Total Noncurrent Assets	15,513,838,243	(3,011,138,816)	12,502,699,427
Total Assets	₱25,229,533,681	(₱9,911,468,028)	₱15,318,065,653
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	₱1,583,711,747	(₱348,559,141)	₱1,235,152,606
Current portion of:			
Loans payable	744,166,667	(744,166,667)	-
Lease liabilities	92,617,060	(23,526,374)	69,090,686
Security and other deposits	116,414,891	(3,613,063)	112,801,828
Dividends payable	6,611,906,765	(6,611,906,765)	-
Total Current Liabilities	9,148,817,130	(7,731,772,010)	1,417,045,120
Noncurrent Liabilities			
Loans payable - net of current portion	1,600,000,000	(1,600,000,000)	-
Bonds payable	5,974,168,846	-	5,974,168,846
Lease liabilities - net of current portion	2,097,498,105	(365,197,758)	1,732,300,347
Security and other deposits - net of current portion	732,659,169	(96,397,561)	636,261,608
Deferred tax liability - net	269,939,889	(75,451,958)	194,487,931
Other noncurrent liabilities	300,385,682	(296,558,323)	3,827,359
Total Noncurrent Liabilities	10,974,651,691	(2,433,605,600)	8,541,046,091
Total Liabilities	20,123,468,821	(10,165,377,610)	9,958,091,211

(Forward)



	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.I)	Pro Forma Balances (Unaudited)
Equity			
Capital stock	₱1,163,426,668	₱—	₱1,163,426,668
Additional paid-in capital	102,900,666	—	102,900,666
Deposit for future stock subscriptions	1,889,583,333	1,856,666,667	3,746,250,000
Unappropriated retained earnings	1,950,125,348	(1,602,757,085)	347,368,263
Remeasurement gain on retirement plan	28,845	—	28,845
Total Equity	5,106,064,860	253,909,582	5,359,974,442
Total Liabilities and Equity	₱25,229,533,681	(₱9,911,468,028)	₱15,318,065,653

See accompanying Notes to Pro Forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.II)	Pro Forma Balances (Unaudited)
REVENUES AND INCOME			
Rental revenue	₱2,833,413,910	(₱359,020,367)	₱2,474,393,543
Others	274,359,236	34,479,760	308,838,996
	<u>3,107,773,146</u>	<u>(324,540,607)</u>	<u>2,783,232,539</u>
COST AND EXPENSES			
Depreciation and amortization	441,025,865	(60,900,948)	380,124,917
Rental expense	297,968,918	(29,969,255)	267,999,663
Taxes and licenses	63,894,241	(16,689,476)	47,204,765
Manpower cost	34,015,698	–	34,015,698
Service and management fees	7,462,542	(457,015)	7,005,527
Pension expense	487,197	–	487,197
Others	6,295,399	(1,477,430)	4,817,969
	<u>851,149,860</u>	<u>(109,494,124)</u>	<u>741,655,736</u>
OTHER INCOME (CHARGES)			
Gain on sale of investment property	65,038,584	–	65,038,584
Interest income	3,908,966	(1,793,702)	2,115,264
Interest and other financing charges	(351,361,074)	152,237,174	(199,123,900)
Other income (charges) – net	3,523,521	(1,130,473)	2,393,048
	<u>(278,890,003)</u>	<u>149,312,999</u>	<u>(129,577,004)</u>
INCOME BEFORE INCOME TAX	<u>1,977,733,283</u>	<u>(65,733,484)</u>	<u>1,911,999,799</u>
PROVISION FOR INCOME TAX			
Current	231,150,026	108,024,820	339,174,846
Deferred	(114,258,532)	74,888,364	(39,370,168)
	<u>116,891,494</u>	<u>182,913,184</u>	<u>299,804,678</u>
NET INCOME	<u>1,860,841,789</u>	<u>(248,646,668)</u>	<u>1,612,195,121</u>
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement loss on retirement plan, net of deferred income tax	(1,055,090)	–	(1,055,090)
TOTAL COMPREHENSIVE INCOME	<u>₱1,859,786,699</u>	<u>(₱248,646,668)</u>	<u>₱1,611,140,031</u>
Basic/Diluted Earnings Per Share (Note 4)	<u>₱0.80</u>		<u>₱0.69</u>

See accompanying Notes to Pro Forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Capital Stock (Note 3.III)	Additional Paid-in Capital	Deposit for Future Stock Subscription (Note 3.III)	Appropriated Retained Earnings	Unappropriated Retained Earnings (Note 3.III)	Remeasurement Gain (Loss) on Retirement Plan	Total
Balances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱-	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
Pro Forma Comprehensive income	-	-	-	-	1,612,195,121	-	1,612,195,121
Pro forma net income (Note 3.III)	-	-	-	-	-	(1,055,090)	(1,055,090)
Other comprehensive loss	-	-	-	-	-	(1,055,090)	(1,055,090)
Total pro forma comprehensive income	-	-	-	-	1,612,195,121	-	1,611,140,031
Dividends declared	-	-	-	-	(6,611,906,765)	-	(6,611,906,765)
Deposit for future subscription	-	-	1,889,583,333	-	-	-	1,889,583,333
Release from appropriation	-	-	-	(6,300,000,000)	6,300,000,000	-	-
Pro forma adjustments (Note 3.III)	-	-	1,856,666,667	-	(1,354,110,417)	-	502,556,250
Balances at December 31, 2020	₱1,163,426,668	₱102,900,666	₱3,746,250,000	₱-	₱347,368,263	₱28,845	₱5,359,974,442

See accompanying Notes to Pro Forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,977,733,283	(65,733,484)	₱1,911,999,799
Adjustments for:			
Depreciation and amortization	486,065,150	(60,900,948)	425,164,202
Interest expense and other financing changes	351,361,074	(152,237,174)	199,123,900
Gain on sale of investment properties	(65,038,584)	-	(65,038,584)
Gain on derecognition of lease liability	(5,842,526)	-	(5,842,526)
Pension expense	487,197	-	487,197
Interest income	(3,908,966)	1,793,702	(2,115,264)
Operating income before changes in operating assets and liabilities	2,740,856,628	(277,077,904)	2,463,778,724
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(54,648,565)	50,173,252	(4,475,313)
Other current assets	(200,426,188)	7,893,501	(192,532,687)
Increase (decrease) in:			
Accounts and other payables	(191,226,805)	174,284,164	(16,942,641)
Other current liabilities	(129,337,085)	70,828,196	(58,508,889)
Security and other deposits	25,187,166	(3,581,609)	21,605,557
Other noncurrent liabilities	97,504,469	(97,504,469)	-
Net cash generated from operations	2,287,909,620	(74,984,869)	2,212,924,751
Interest received	3,908,966	(1,793,702)	2,115,264
Income tax paid	(231,583,519)	(108,024,820)	(339,608,339)
Net cash provided by (used in) operating activities	2,060,235,067	(184,803,391)	1,875,431,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment properties	737,840,581	-	737,840,581
ProOffice Work Services, Inc.	17,162,936	-	17,162,936
Additions to:			
Investment properties	(1,158,021,511)	1,158,021,511	-
Intangible assets	(241,043,644)	241,043,644	-
Property and equipment	(16,760,634)	-	(16,760,634)
Decrease in:			
Advances to contractors	97,551,319	-	97,551,319
Other noncurrent assets	88,011,202	-	88,011,202
Net cash provided by (used in) investing activities	(475,259,751)	1,399,065,155	923,805,404

(Forward)



	Cyberzone Properties, Inc. (Audited)	Pro Forma Adjustments (Note 3.IV)	Pro Forma Balances (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable	₱1,000,000,000	(₱1,000,000,000)	₱-
Payments of:			
Cash dividends	(348,339,734)	-	(348,339,734)
Principal portion of lease liabilities	(47,613,247)	22,106,447	(25,506,800)
Interest and transaction cost	(471,907,571)	210,766,213	(261,141,358)
Loans payable	(1,355,454,545)	1,355,454,545	-
Net cash provided by (used in) financing activities	(1,223,315,097)	588,327,205	(634,987,892)
OTHER PRO FORMA ADJUSTMENTS			
(Note 3.IV)	-	(1,802,588,969)	(1,802,588,969)
NET INCREASE IN CASH AND CASH EQUIVALENTS	361,660,219	-	361,660,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,857,313	-	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱870,517,532	₱-	₱870,517,532

See accompanying Notes to Pro forma Consolidated Financial Information.



CYBERZONE PROPERTIES, INC. AND A SUBSIDIARY
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. General Information

Corporate Information

Cyberzone Properties, Inc. (the “Parent Company” or “CPI”) was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000. The Parent Company’s primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent Company is the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated and registered with the Philippine SEC to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Parent Company sold its interest in ProOffice and lost control over ProOffice.

The registered office address of the Parent Company is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

CPI’s parent company is Filinvest Land, Inc. (FLI), a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is the CPI’s ultimate parent company. FLI, FDC and ALG were all incorporated in the Philippines.

On December 4, 2020, the Board of Directors (BOD) approved the following amendments of the Parent Company’s articles of incorporation:

- increase in the Parent Company’s authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of One Peso (₱1.00) per share and 4,185.0 million preferred shares with a par value of One Peso (₱1.00).
- to change the Parent Company’s primary purpose to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust (REIT) Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act No. 9856 (the “REIT Act”), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.



As of December 31, 2020, these amendments are awaiting approval by the SEC.

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of ₱1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from ₱2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131.85 million divided into 14,263.70 million common shares with a par value of ₱0.50 per share. These amendments do not impact the proforma adjustments.

The Company will file an amended application for the increase in authorized capital stock with the SEC. The reduction in par value and increase in authorized capital stock are subject to the approval of the SEC.

The pro forma consolidated financial information includes the consolidated balances of the Parent Company and ProOffice (collectively referred to as “the Group”) and the pro forma adjustments relating to (a) assignment of loans and conversion to deposit for future stock subscription amounting to ₱1,856.7 million; (b) the property dividend of investment properties and intangible assets amounting to ₱306.4 million and ₱1,384.0 million, respectively ; and (b) assignment of build, transfer and operate (BTO) rights amounting to ₱887.2 million, which are to occur subsequent to December 31, 2020.

Authorization for Issuance of the Pro Forma Consolidated Financial Information

The pro forma consolidated financial information as at and for the year ended December 31, 2020 were authorized for issue by the BOD on March 9, 2021.

2. Basis of Preparing Pro Forma Consolidated Financial Information

The unaudited pro forma consolidated financial information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code 68 (SRC Rule 68).

The unaudited pro forma consolidated financial information has been prepared solely for the inclusion in the REIT Plan prepared by the Parent Company in connection with its planned capital-raising activity and for no other purpose. The pro forma consolidated financial information should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2020.

The objective of this pro forma consolidated financial information is to show the effects of the transaction described below on the historical financial information of the Group had it occurred at an earlier date. However, the pro forma consolidated financial information is not necessarily indicative of the results of operations or related effects on the consolidated financial statements that would have been attained had the transaction described below actually occurred at an earlier date. The pro forma consolidated financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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



Significant Transactions

The following significant transactions are expected to occur after December 31, 2020:

Increase in authorized capital stock

On December 4, 2020, the BOD approved the increase in authorized capital stock to ₱14,985.0 million. On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock.

The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI.

Assignment of loans payable to FLI and conversion to equity deposit for future stock subscription

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million.

On December 9, 2020, the Parent Company notified the banks in writing of the assignment of its loans payable to FLI. The effective date of its written consent and derecognition date follows:

<u>Derecognition date</u>	<u>Principal Amount</u>
January 5, 2021	₱1,300,000,000
January 21, 2021	402,500,000
January 29, 2021	350,000,000
February 9, 2021	291,666,667
<u>Total</u>	<u>₱2,344,166,667</u>

Upon assignment of the loans payable to FLI, the liability amounting to ₱1,889.7 million was simultaneously converted to deposit for future stock subscription. As of January 29, 2021, the Parent Company's deposit for future stock subscription presented under Equity amounted to ₱3,746.3 million.

Declaration of property dividends

On December 4, 2020, the BOD approved the declaration of batch 1 of assets as property dividends. This consists of the following assets: Axis Tower Two, Axis Tower Three, Axis Tower 4 and Cebu South Road Properties (SRP) lot. As of December 31, 2020, noncurrent assets held for distribution amounted to ₱6,843.7 million, inclusive of total additions to construction in progress declared as property dividends amounting to ₱231.8 million.

On February 11, 2021, the BOD approved the declaration of the second batch of assets as property dividends. These are operational office buildings FLJ Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2. The dividends are payable to stockholders of record as of February 15, 2021 on a date set and approved by SEC. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively.



These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions in December 2021. The Parent Company accounted the property dividends at cost. All taxes related to this transaction is on the account of FLI.

Assignment of rights under the build, transfer and operate (BTO) Agreement

On February 11, 2021, the BOD approved the transfer to FLI by way of assignment of right to manage and operate a third batch of assets, Towers 3 and 4 of Filinvest Cebu Cyberzone. These two assets are still under construction. As of December 31, 2020, these assets amounting to ₱887.2 million are presented as part of BTO rights under intangible assets. The cost of the assigned assets will be paid by FLI to the Parent Company. All taxes related to this transaction is on the account of FLI.

The resulting due to/from FLI arising from the abovementioned transactions will be presented at net.

3. Pro Forma Adjustments

The pro forma consolidated financial information is based on the historical information of the Group as shown in the consolidated financial statements of the Group as of and for the year ended December 31, 2020 and after giving effect to certain assumptions and pro forma adjustments described in the succeeding paragraphs. The pro forma adjustments are based on available information and certain assumptions that the Group believes are reasonable under the circumstances.

The pro forma consolidated financial information does not purport to represent what the results of operations and financial position of the Group would have been had the significant transactions discussed in the succeeding paragraphs occurred as at December 31, 2020 or on January 1, 2020 or as the case may be, nor does it purport to project the results of operations of the Group for any future period or date, since the closing and completion of the significant transaction is still subject to the satisfaction of certain conditions precedent. This has been prepared for illustration purposes only and on the assumption that all relevant conditions precedent has been satisfied.

For the purpose of the pro forma consolidated statements of comprehensive income, changes in equity and cash flows, the transactions are assumed to have occurred on January 1, 2020, the beginning of the period presented. For the purpose of the pro forma consolidated statement of financial position, the transaction is assumed to have occurred on December 31, 2020, the end of the period presented.

Prior to the preparation of the pro forma consolidated financial information, the Group has already reclassified a portion of the investment properties declared for dividend into "Noncurrent asset held for distribution" and a portion of loans payable as payment for capital stock subscription into "Deposits for future stock subscription".



I. Pro forma adjustments in the pro forma consolidated statement of financial position as of December 31, 2020

For the purpose of the pro forma consolidated statement of financial position as at December 31, 2020, the significant transactions are assumed to have occurred on December 31, 2020.

A. Assignment of loans

Adjustment to record the assignment of loans payable to FLI and issuance of subscribed capital stock.

	Increase (decrease)
<i>Liabilities</i>	
Accounts payable and accrued expenses (b)	₱487,500,000
Loans payable - current (a)	(744,166,667)
Loans payable - noncurrent (a)	(1,600,000,000)
<i>Equity</i>	
Deposit for future stock subscription (a)	1,856,666,667

- a. Derecognition of ₱2,344.2 million in loans payable and recognition of the related due to FLI for the assignment of loans and conversion of the assigned loans to FLI amounting to ₱1,856.7 million to deposit for future stock subscription.
- b. The difference between the loans payable and deposit for future stock subscription amounting to ₱487.5 million shall be reimbursed to FLI and was considered as an additional payable. Amount is eventually netted against due from FLI.

B. Property dividends

1. Adjustment to settle the dividends payable and distribution of property dividends declared on December 4, 2020 pertaining to Axis Towers 2, 3, and 4 and Cebu SRP lot:

	Increase (decrease)
<i>Assets</i>	
Receivables (b and c)	₱1,053,038,743
Other current assets (c)	(821,244,162)
Noncurrent assets held for distribution (a)	(6,843,701,346)
<i>Liabilities</i>	
Dividends payable(a)	(6,611,906,765)

- a. Derecognition of ₱6,843.7 million in noncurrent asset held for distribution and the dividend payable amounting to ₱6,611.9 million.
- b. Recognition of due from FLI on the difference between the noncurrent asset held for distribution and dividends payable amounting to ₱231.8 million.
- c. Application of Input VAT against the Output VAT amounting to ₱821.2 million related to property distribution. The distribution of the assets is considered as sale subjected to Output VAT.



2. Adjustment to derecognize the properties declared as dividends on February 11, 2021 pertaining to Convergys, FLI EDSA, IT School and Cebu BTO Tower 2:

	Increase (decrease)
<i>Assets</i>	
Receivables (c)	₱202,851,215
Other current assets (b)	(153,546,654)
Investment properties (a)	(306,426,843)
Intangible assets (a)	(1,383,999,946)
Other noncurrent assets (b)	(11,491,515)
<i>Liabilities and equity</i>	
Accounts payable and accrued expenses (b)	37,813,046
Retained earnings (a)	(1,690,426,789)

- a. Derecognition of ₱306.4 million in investment properties, ₱1,384.0 million intangible assets and reduction in unappropriated retained earnings amounting to ₱1,690.4 million for the property dividend declared on February 11, 2021.
- b. The total output VAT related to property distribution amounting to ₱202.8 million will be reduced by application of Input VAT (included in other current and noncurrent assets) amounting to ₱165.0 million. As a result, the remaining net output VAT payable amounted to ₱37.8 million. The distribution of the assets is considered as sale subjected to output VAT.
- c. Recognition of amounts due from FLI for the related reimbursement for output VAT paid on the distribution amounting to ₱202.9 million.

C. Assignment of BTO rights

Adjustment to recognize the assignment of the right to manage and operate the Cebu BTO Towers 3 and 4:

	Increase (decrease)
<i>Assets</i>	
Receivables	₱993,712,528
Intangible assets	(887,243,329)
<i>Liabilities</i>	
Accounts payable and accrued expenses	106,469,199

Derecognition of intangible assets amounting to ₱887.2 million and recognition of amounts due from FLI amounting to ₱993.7 million, inclusive of the related output VAT payable amounting to ₱106.5 million.



D. Derecognition of assets and liabilities of non-REIT properties

1. Adjustment to derecognize the corresponding assets and liabilities related to non-REIT properties (i.e., prepaid DCS connection charges, property and equipment, advance rent, retention payable, security deposits and deferred tax):

	Increase (decrease)
<i>Assets</i>	
Receivables	(₱182,427,868)
Other current assets	(24,428,081)
Property and equipment	(1,855,990)
Advances to contractors	(11,416,440)
Other noncurrent assets	(145,223,057)
<i>Liabilities</i>	
Accounts payable and accrued expenses (a)	144,242,201
Security and other deposits - current portion	(3,613,063)
Security and other deposits - net of current portion	(96,397,561)
Deferred tax liability - net	(113,024,689)
Other noncurrent liabilities	(296,558,324)

- a. The adjustment to accounts payable and accrued expenses pertains to recognition of amounts due to FLI equivalent to the net liabilities transferred amounting to ₱451.4 million, net of liabilities derecognized related to the non-REIT properties amounting ₱307.2 million.

2. Derecognition of lease liabilities and the related right-of-use assets presented under investment properties and intangible assets related to non-REIT properties. The transaction resulted to a gain on derecognition of lease liabilities amounting ₱125.2 million and provision for deferred tax amounting ₱37.6 million recognized directly in retained earnings.

	Increase (decrease)
<i>Assets</i>	
Investment properties	(₱180,362,107)
Intangible assets	(83,119,589)
<i>Liabilities</i>	
Lease liabilities - current portion	(23,526,374)
Lease liabilities - net of current portion	(365,197,757)
Deferred tax liability - net	37,572,731
<i>Equity</i>	
Retained earnings	87,669,704

3. Adjustment to offset receivable from and payable to FLI:

	Decrease
<i>Assets</i>	
Receivables	(₱1,124,583,587)
<i>Liabilities</i>	
Accounts payable and accrued expenses	(1,124,583,587)



II. Pro forma adjustments in the pro forma consolidated statement of comprehensive income for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of comprehensive income for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, 2020, which is the beginning of the period presented. The pro forma consolidated statement of comprehensive income do not include non-recurring charges or credits and related tax effects which result directly from the significant transactions.

A. Assignment of loans

Derecognition of interest and other financing charges amounting to ₱40.9 million from assigned loans to FLI.

B. Property Dividends

1. Derecognition of net income derived from properties declared as dividends on December 4, 2020 pertaining to Axis Towers 2, 3, and 4 and SRP lot:

	Increase (decrease)
<i>Revenues and income</i>	
Rental revenue	(₱149,969,205)
Others	32,140,191
<i>Cost and expenses</i>	
Depreciation and amortization	(17,082,759)
Rental expense	(12,700,431)
Taxes and licenses	(4,741,810)
Service and management fees	(206,996)
Others	(5,825)
<i>Other income (charges)</i>	
Interest and other financing charges	(92,910,038)
Interest income	(1,279)
Others income	(773,072)
<i>Provision for income tax</i>	
Current	80,519,874
Deferred	103,130,246

2. Derecognition of net income derived from properties declared as dividends on February 11, 2021 pertaining to Convergys, FLI EDSA, IT School and Cebu BTO Tower 2:

	Increase (decrease)
<i>Revenues and income</i>	
Rental revenue	(₱209,051,162)
Others	2,339,569
<i>Cost and expenses</i>	
Depreciation and amortization	(43,818,189)
Rental expense	(17,268,824)
Taxes and licenses	(4,399,666)
Service and management fees	(223,961)
Others	(1,404,249)



	<u>Increase (decrease)</u>
<i>Other income (charges)</i>	
Interest income	(₱1,007,217)
Interest and other financing charges	(17,272,033)
<i>Provision for income tax</i>	
Current	2,418,890
Deferred	(5,802,028)

C. Assignment of BTO Rights

Derecognition of net loss derived from the assignment of right to manage and operate BTO rights - Cebu BTO Towers 3 and 4:

	<u>Increase (decrease)</u>
<i>Cost and expenses</i>	
Taxes and licenses	(₱7,548,000)
Service and management fees	(26,058)
Others	(67,356)
<i>Other income (charges)</i>	
Interest income	(785,206)
Interest and other financing charges	(1,170,178)
Other income	(357,401)
<i>Provision for income tax</i>	
Current	25,086,056
Deferred	(22,439,854)

III. Pro forma adjustments in the pro forma consolidated statements of changes in equity for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of changes in equity for the year ended December 31, 2020, the transactions are assumed to have occurred on January 1, 2020, which is the beginning of the period presented.

Pro forma adjustments have been made to present the effect on equity of the pro forma adjustments to the consolidated net income of the Group as reflected in the pro forma consolidated statements of comprehensive income for the year ended December 31, 2020, as discussed in the preceding section.

The following are the pro forma adjustments made:

A. Assignment of loans

The assignment of the loans payable to FLI amounting to ₱1,856.7 million was converted to deposit for future stock subscription.

B. Declaration of dividends

On February 11, 2021, the BOD of the Parent Company approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. As a result of the proforma adjustment, retained earnings decreased by ₱1,690.4 million for the year ended December 31, 2020.



C. Other pro forma adjustments

In order to tie-up the ending balance of equity in the pro forma consolidated statement of changes in equity to the amounts reflected in the pro forma consolidated statement of financial position, adjustments are made and presented as “Pro forma adjustments” in the pro forma consolidated statement of changes in equity. Retained earnings were increased by:

- a. Net income arising from the non-REIT properties and assignment of loans amounting ₱248.6 million for the year ended December 31, 2020; and
- b. Gain on derecognition of lease liabilities on non-REIT properties, net of tax, amounting to ₱87.7 million.

IV. Pro forma adjustments in the pro forma consolidated statements of cash flows for the year ended December 31, 2020

For the purpose of the pro forma consolidated statement of cash flows for the year ended December 31, 2020, the transactions assignment BTO rights are assumed to have occurred on January 1, 2020, the beginning of the period presented. The pro forma consolidated statements of cash flows do not include non-recurring charges or credits and related tax effects which result directly from the significant transaction.

Pro forma adjustments have been made to reflect the cashflow impact of the assignment of loans and derecognition of the assets distributed as property dividends and assignment of BTO rights for the year ended December 31, 2020.

The following is the summary of the adjustments made for the year ended December 31, 2020:

	Increase (decrease)
Operating cash flows	(₱184,803,391)
Investing cash flows	1,399,065,155
Financing cash flows	588,327,205

Below are the specific significant pro forma adjustments made for the year ended December 31, 2020:

A. Operating Activities

1. Derecognition of income before income tax effect of distribution/assignment of the non-REIT properties and assignment of loans amounting to ₱65.7 million (see Notes 3.II.A, 3.II.B and 3.II.C).
2. Derecognition of noncash adjustments to income before income tax of non-REIT properties and assignment of loans arising from depreciation and amortization, interest and other financing charges and interest income amounting to ₱60.9 million, ₱152.2 million and ₱1.8 million, respectively (see Notes 3.II.A, 3.II.B and 3.II.C).



3. Derecognition of the impact of working capital changes of the non-REIT properties. The related increase (decrease) in operating cashflows follows:

	Increase (decrease)
Receivables	₱50,173,252
Other current assets	7,893,501
Accounts and other payables	174,284,164
Other current liabilities	70,828,196
Security and other deposits	(3,581,609)
Other noncurrent liabilities	(97,504,469)

4. Derecognition of interest received and income taxes paid related to non-REIT properties amounting to ₱1.8 million and ₱108.0 million, respectively (see Notes 3.II.B and 3.II.C).

B. Investing Activities

Derecognition of additions to investment properties and intangible assets amounting ₱1,158.0 million and ₱241.0 million, respectively (see Notes 3.I.B and 3.I.C).

C. Financing Activities

1. Adjustment on the loans availment and payments pertaining to the assigned loans amounting ₱1,000.0 million and ₱1,355.5 million, respectively (see Note 3.I.A).
2. Adjustment on interest payments related to the assigned loans payable amounting ₱210.8 million.
3. Adjustment on the payments of lease liability pertaining to assets distributed as property dividends and assignment of BTO rights amounting ₱22.1 million (see Note 3.I.D).

D. Other pro forma adjustments

In order to tie-up the ending balance of cash and cash equivalent in the pro forma consolidated statements of cash flows to the amounts reflected in the pro forma consolidated statement of financial position, adjustments are made and presented as “Other pro forma adjustments” in the pro forma consolidated statements of cash flows. Cash flows decreased by ₱1,802.6 million for the year ended December 31, 2020 representing the net effect of pro forma adjustments to operating, investing and financing cash flows from derecognition of non-REIT assets and assignment of loans.

4. Basic/Diluted Earnings Per Share (EPS) Computation

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.



Pro forma basic/diluted EPS of the Parent Company for the year ended December 31, 2020 is computed as follows:

a. Pro forma Net income	₱1,612,195,121
b. Weighted average outstanding common shares	2,326,853,336
<u>Basic/Diluted EPS (a/b)</u>	<u>₱0.69</u>

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 1).

As of December 31, 2020, historical basic/diluted EPS of the Parent Company is computed as follows:

a. Net income	₱1,860,841,789
b. Weighted average outstanding common shares	2,326,853,336
<u>Basic/Diluted EPS (a/b)</u>	<u>₱0.80</u>

The Parent Company has assessed that there were no potential dilutive common shares as of December 31, 2020.



ANNEX 1: REINVESTMENT PLAN

SPONSOR REINVESTMENT PLAN

Filinvest REIT Corp.

In connection with the offer of Filinvest REIT Corp. of:

Secondary Offer of 1,634,187,850 shares

With an over-allocation option of up to 163,418,785 shares

Offer price of P7.00

As of July 19, 2021

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I. Executive Summary

The Reinvestment Plan sets forth the planned uses of the net proceeds to be received by Filinvest Land, Inc. from the secondary offer of Filinvest REIT Corp. shares.

Filinvest REIT Corp. intends to offer and sell 1,634,187,850 of its common shares, with a par value of P0.50 per share. The firm offer shall comprise of 1,634,187,850 existing common shares offered by Filinvest Land Inc. as existing shareholder pursuant to a secondary offer. Filinvest REIT Corp. and Filinvest Land have granted BPI Capital Corporation an option exercisable in whole or in part to purchase up to 163,418,785 additional shares. The Offer shares shall be offered at a price of P7.00 per share. Filinvest Land expects to receive net proceeds of approximately **P10,972.3** million from the sale of Secondary shares (Firm Offer) or **P12,083.8** million from the sale of Secondary shares and optional shares (assuming full exercise of the over-allotment option, and after deducting fees and expenses payable by Filinvest Land) in accordance with the REIT plan of Filinvest REIT Corp. Filinvest REIT Corp. is not offering any primary shares and will not receive any proceeds from this offering.

Pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No.1 series of 2020 and Bureau of Internal Revenue (BIR) – Revenue Regulation No. 3-2020, any sponsor/ promoter of a REIT who contributes income-generating real estate to a REIT, shall submit a sworn statement to the SEC, the Philippine Stock Exchange (PSE), and the BIR, a reinvestment plan undertaking to reinvest any proceeds realized by the sponsor/ promoter from the sale of REIT shares or other securities issued in exchange for income-generating real estate to the REIT, in any real estate, including any redevelopment thereof, and/or infrastructure projects in the Philippines, within one (1) year from the date of receipt of proceeds or money by the sponsor/promoter.

Following current regulations, Filinvest Land intends to invest its net proceeds in the construction and development of its various office, retail and residential projects. Filinvest Land plans to invest the net proceeds in nine (9) office buildings, three (3) retail projects, five (5) mid-rise residential buildings as well as industrial lots. It also plans to use the funds for the purchase of land parcels for residential and commercial purposes and to expand the capacity of the District Cooling System in the Northgate Cyberzone. All disbursements for such projects are intended to be distributed within one year upon receipt of the proceeds from the secondary offer of Filinvest REIT Corp. shares and the sale of income-generating real estate to Filinvest REIT Corp. All of the projects for which the proceeds will be spent are located within the Philippines and none are to be spent outside of the Philippines. Please see section on “Reinvestment Plan” of this Sponsor Reinvestment Plan for more details on the commercial facilities. Filinvest Land does not intend to reinvest the net proceeds from the Offer Shares in any infrastructure project.

II. ABOUT THE SPONSOR

a. Company Background

Filinvest Land, Inc. (“FLI”) is a public corporation organized under the laws of the Philippines. Incorporated on November 24, 1989, it began commercial operations in August 1993 after its parent company, Filinvest Development Corporation (“FDC”), spun off most of its real estate operations and transferred all related assets and liabilities to FLI. FLI’s shares were listed on the PSE on October 25, 1993. As of December 31, 2020, FLI’s common shares are 64.67% held by FDC while the balance of 35.33% are held by the public.

FLI is one of the Philippines' leading real estate developers. Together with its predecessors, FLI has over 50 years of real estate expertise having developed over 2,500 hectares of land and providing home/home sites for over 200,000 families through the years. Filinvest has an established brand name and reputation in real estate, combining sales of lots and other residential developments with a growing commercial and mall leasing portfolio. FLI was a pioneer in focusing on the incentive-laden BPO industry. FLI has also accumulated a considerable land bank in strategic locations, comprising some of the largest contiguous areas of developable land in the country, laying a foundation for continued growth.

In its early days in the 1990s when most developers were still focused on the higher end of the market, FLI entered the affordable housing space, allowing it to benefit from the growth of OFW remittances and a housing supply shortage. FLI primarily targets the affordable and middle-income residential markets, which FLI believes are the largest addressable markets in residential development in the Philippines. According to the Philippine Statistics Authority and Housing and Land Use Regulatory Board, there is expected to be a housing backlog across the affordable and middle-income segments of about 3.2 million by 2030. FLI believes it is well-positioned to take advantage of the housing backlog through its varied product offerings and geographic presence. FLI has residential developments in 53 cities and towns in 19 provinces in the Philippines and is one of the largest mid-rise building (MRB) developers in the country today.

FLI was one of the pioneers in providing projects and office space catering to the BPO industry, which started in 2000 and quickly became a key driver for the Philippines' strong economic growth. As a result of this early entry into the BPO space and the reputation it has built, FLI has more than doubled its aggregate office GLA from 175,565 sq.m. in 2012 to 523,905 sq.m. in 2020. Its existing portfolio of 31 office buildings are mainly located in business parks or in mixed-used complexes highly accessible to public transport. FLI believes its business park model, wherein it builds on areas specifically suited for business and industrial establishments supported, in certain cases, by incentives from the government, makes it a preferred site of major BPO tenants. FLI's buildings are located primarily in Northgate Cyberzone in Filinvest City, Alabang, Muntinlupa, an 18.7-hectare PEZA-registered information technology park that enjoys developer incentives. This is also the site of its District cooling system, the largest district cooling system plant in the country. Other office developments are in Bay City, Pasay, EDSA near Ortigas MRT station, Clark Mimosa and Cebu IT Park. Meanwhile, among FLI's standalone projects is the 52-storey Grade A, PEZA-registered PBCom Tower along Ayala Avenue in the Makati CBD which is the tallest building in the country.

FLI's retail development is carried by its Filinvest Lifemalls brand. Filinvest Lifemalls are entertainment and lifestyle-oriented malls that complement the Filinvest Group's CBD and township developments. As of end-2020, FLI has 256,830 sq.m. of GLA from retail developments, the flagship of which is the Festival Supermall located within the Filinvest City development in Alabang, Muntinlupa. Festival Supermall has approximately 1,500 local and global tenants.

FLI intends to continue building up its investment portfolio in office and retail which are among the key drivers of the Philippine economy. FLI also intends to expand its investment portfolio to include logistic warehouses and co-working/living products that could benefit from the acceleration of e-commerce and new office trends, respectively. FLI aims to take advantage of its strategically located land bank located in key regional centers across the Philippines, which will

allow it to accelerate the growth of its recurring income portfolio in line with market demand. As of end-2020, FLI had an aggregate land bank of 1,896.6 hectares of raw land, primarily for residential development, which includes 494.9 hectares of land held under joint venture agreements. FLI believes that this land bank is sufficient to sustain at least five years of residential development and sales as well as commercial, office and retail leasing projects. Its existing landholdings in its three major hubs of Alabang, Clark and Cebu will be able to support the development of up to 5.3 million sq.m. of GLA.

b. Management and Organization

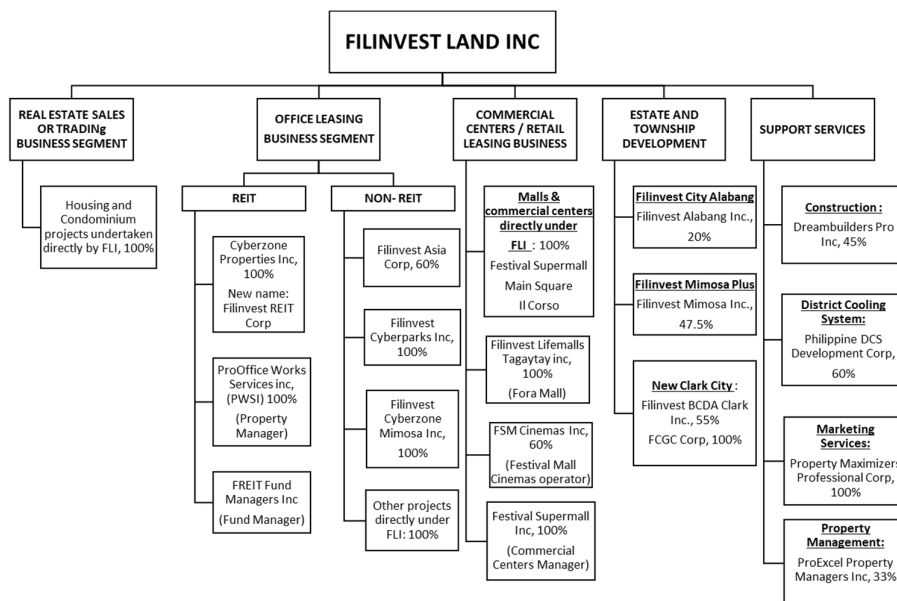
The following table provides information regarding the members of the management of Filinvest Land.

<p>Lourdes Josephine Gotianun-Yap <i>Director, President and Chief Executive Officer</i></p>	<p>Mrs. Yap, 65, Filipino, was first elected as a Director of FLI on 24 November 1989. Mrs. Yap, who was elected as the President and CEO of FLI on 31 October 2012, is also a Director and the President and CEO of FDC, a publicly-listed company, and a Director in FDCUI, Filinvest Alabang, Inc. ("FAI"), Cyberzone Properties, Inc. ("CPI") and EW, a publicly-listed company. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.</p>
<p>Ana Venus A. Mejia <i>First Senior Vice President, Treasurer, Chief Finance Officer and Compliance Officer</i></p>	<p>Ms. Mejia, 55, Filipino, has been with the Filinvest Company for 25 years and has served the Company in various capacities. She concurrently serves as CFO/Treasurer of FAI, FSI, FAC, CPI. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.</p>
<p>Sharon P. Pagaling-Refuerzo <i>Corporate Secretary and Corporate Information Officer</i></p>	<p>Atty. Pagaling-Refuerzo, 41, Filipino is concurrently Senior Assistant Vice President of the Corporate Advisory Services of the Legal Department of FLI. She is also the Corporate Secretary of FDC, CPI, TPCCI and Timberland Sports and Nature Club, Inc., as well as Corporate Secretary of various companies of the Company. Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree, cum laude, from the University of the Philippines and a law degree from San Beda College.</p>
<p>Tristaneil Las Marias <i>Executive Vice President and Chief Strategy Officer</i></p>	<p>Mr. Las Marias, 46, Filipino, is the Executive Vice President and Chief Strategy Officer of FLI. He started in 1997 as Head of Regional Projects and went on to hold a higher position as Senior Vice President and Cluster Head for Visayas and Mindanao projects as well as Southwest and Central Luzon. He obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University.</p>

<p>Vince Lawrence Abejo <i>First Senior Vice President and Chief Sales and Marketing Officer</i></p>	<p>Mr. Abejo, 48, Filipino, is the Chief Sales and Marketing Officer of FLI. He has twenty-two (22) years combined experience in sales and marketing, strategy and corporate affairs and general management. He has held various key marketing positions in the real estate industry as well as across different industries – FMCG, telecoms, tobacco and healthcare and geographies (Philippines, Switzerland, Malaysia and Vietnam). He graduated from the University of the Philippines (Diliman), with a degree in BS Administration in 1994 and completed an Advanced Management Program from Harvard Business School in 2012.</p>
<p>Joselito Fontejon Santos <i>Senior Vice President and Head of Retail and Mixed Use Business</i></p>	<p>Mr. Santos, 56, Filipino, is the Head of High Rise Buildings (HRB), Niche Market, Mixed Use and Retail Business. Prior to joining Filinvest, he worked with several property developers such as Ortigas & Co., Ayala Land, Rockwell, Moldex, and a subsidiary of a Malaysian conglomerate. He graduated from De La Salle University with a degree in Bachelor of Science in Mechanical Engineering in 1984 and a Master's degree in Business Management from the Asian Institute of Management in 1990.</p>
<p>Francis V. Ceballos <i>Senior Vice President and Head of the Industrial/Logistics Business</i></p>	<p>Mr. Ceballos, 55, Filipino, joined FLI last 2010 and is currently the Senior Vice President and Business Group Head focusing on Northeast Luzon areas. He graduated from Ateneo de Manila University with a degree in Management Engineering and obtained his MBA from the Asian Institute of Management.</p>
<p>Winnifred H. Lim <i>Senior Vice President and Chief Technical Planning Officer</i></p>	<p>Engr. Lim, 56, Filipino, is the Senior Vice President and Chief Technical Planning Officer of FLI. He started as the company's Engineering Head last 2000 and currently leads Engineering, Architecture, Planning and Design, Survey, and Special Projects. He obtained his Master's Degree in Structural Engineering at the University of the Philippines Diliman.</p>
<p>Edgardo C. Raymundo <i>Chief Audit Executive</i></p>	<p>Mr. Raymundo, 58, is the Chief Audit Executive of FLI. A certified public accountant (CPA), Mr. Raymundo was previously a Senior Auditor of Pepsi-Cola Distributors. Prior to that, he was a Senior Auditor of SGV and Co. He obtained his Bachelor's degree in Accountancy from the Polytechnic University of the Philippines.</p>
<p>Harriet Joan C. Ducepec <i>Chief Risk Officer</i></p>	<p>Ms. Ducepec, 55, Filipino, is First Vice President and Chief Risk Officer of FLI. She has been with the Filinvest Group for 24 years, joining in October 1996 as Assistant Vice President and Head of Corporate Planning and Market Research. She is currently First Vice President and Chief of Staff and Head of the Executive Management Staff under the Office of the President and CEO. She has over 30 years of experience in corporate planning in both real estate and banking industries. Prior to joining Filinvest, she worked with ASB Realty, United Coconut Planters Bank, Union Bank of the Philippines, and International Corporate Bank. She obtained her Bachelor of Arts degree in Economics, cum laude, from the University of the Philippines Diliman and completed the</p>

	Strategic Business Economics Program from the University of Asia and the Pacific.
Melissa C. Ortiz <i>Investor Relations Officer</i>	Ms. Ortiz, 50, Filipino, is the Investor Relations Officer of FLI. She was previously head of investor relations for ABS-CBN Corporation, head of corporate and financial planning for Nutriasia, Inc., and head of financial planning and investor relations for MERALCO. She is a Certified Public Accountant. She obtained her Bachelor's Degree in Business Administration from the University of the Philippines and obtained her Master's Degree in Business Administration and Master of Science degree in Computational Finance from De La Salle University.

Filinvest Land Inc.'s group structure is as follows:



III. PROCEEDS RECEIVED BY THE SPONSOR

Pursuant to a secondary offer, Filinvest Land Inc. is offering its existing 1,797,606,635 common shares in Filinvest REIT Corp., (including over-allotment). Filinvest Land expects to receive net proceeds of approximately **P12,083.8** million from the sale of secondary shares and Optional Shares (assuming full exercise of the over-allocation option, and after deducting fees and expenses payable by Filinvest Land), in accordance with the Preliminary REIT Plan of Filinvest REIT Corp.

IV. REINVESTMENT PLAN

Filinvest Land, Inc. intends to use the net proceeds received from the secondary offer to fund ongoing and future investments in real estate properties in Metro Manila and other key regions in the Philippines, which Filinvest Land may undertake on its own or through its subsidiaries. The transfer of funding from Filinvest Land to the relevant Filinvest Land subsidiary may be through the capital infusion or through shareholder financing. In either case, the relevant documentary stamp taxes will be paid by the proper party, subject to their agreement. This includes investment in commercial, office, and residential buildings. The projected disbursements in connection with the proposed use of proceeds is provided in the succeeding table. (Annex 1)

Filinvest Land and its subsidiaries shall endeavor to cause the completion of the construction of the projects enumerated above within the projected timeframe. However, the exact completion dates and corresponding disbursements related to the projects specified above are subject to unforeseen events including but not limited to pandemic, fire, earthquake, other natural elements, acts of God, war, civil disturbance, and government and economic controls. Delays in the construction timetable and progress billings may also arise out of unforeseen site conditions or difficulty in obtaining the necessary labor or materials for the projects, or due to any other cause beyond the control Filinvest Land and its subsidiaries.

V. Monitoring and Review

Filinvest Land shall monitor the actual disbursements of projects proposed in the Reinvestment Plan on a quarterly basis. For purposes of monitoring, Filinvest Land shall prepare quarterly progress reports of actual disbursements on the projects covered by this Reinvestment Plan.

In the event of changes in the actual disbursements of projects proposed in this Reinvestment Plan, Filinvest Land shall inform the SEC, PSE, BIR or any other appropriate government agency, by sending a written notice to that effect.

VI. Reporting

Filinvest Land shall comply with reportorial and disclosure requirements prescribed by the SEC, PSE, BIR, or any other appropriate government agency.

Filinvest Land shall submit with the PSE a quarterly progress report and a final report on the implementation of the Reinvestment Plan that is duly certified by its Chief Finance Officer, Treasurer and External Auditor. The quarterly progress report shall be submitted to the PSE following the relevant PSE rules. Filinvest Land shall likewise submit a final report on the implementation of the REIT Plan and submit the same to the PSE.

The Reinvestment Plan and the status of its implementation shall be included in the appropriate structured reports of Filinvest Land to the SEC and the PSE. Any investment pursuant to the Reinvestment Plan shall also be disclosed by Filinvest Land via SEC Form 17-C as such investment is made. Filinvest Land shall likewise furnish the SEC with copies of the relevant documentary tax returns as may be applicable.

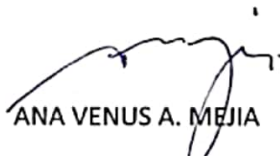
CERTIFICATION

The REINVESTMENT PLAN was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission, Philippine Stock Exchange, and the Bureau of Internal Revenue. The information and data provided herein are complete, true, and correct to the best of our knowledge and/ or based on authentic records.

By:

FILINVEST LAND, INC.

Sponsor


ANA VENUS A. MEJIA
Attorney-in-Fact

ANNEX 1: SPONSOR REINVESTMENT PLAN (Secondary Offer) (in P mln)

Assuming that there is no overallotment P10,972 Million Pesos

Project Name	Location	Product	Status	Percentage Completion	Target Completion Date	Total Capex Planned for 1 Year (P mln)	Capex (Pmln) 3Q2021	Capex (Pmln) 4Q2021	Capex (P mln) 1Q2022	Capex (P mln) 2Q2022	Ownership Land	Ownership Building	Disbursing Entity	Segment
Axis Three	Northgate Cyberzone	Office Building	Ongoing construction	70%	Jun-22	1,022	290	290	221	221	Filinvest Land	Filinvest Land after the prop div	Filinvest Land, Inc.	O
Axis Four	Northgate Cyberzone	Office Building	Ongoing construction	90%	Jan-22	868	289	289	145	145	Filinvest Land	Filinvest Land after the prop div	Filinvest Land, Inc.	O
Cebu Tower 3	Cebu City	Office Building	Ongoing construction	22%	Sep-22	1,043	183	182	339	339	Cebu Govt	Filinvest Land, Inc.	Filinvest Land, Inc.	O
Cebu Tower 4	Cebu City	Office Building	Ongoing construction	22%	Jun-23	616	154	154	154	154	Cebu Govt	Filinvest Land, Inc.	Filinvest Land, Inc.	O
Marina Town	Dumaguete	Office Building	Ongoing construction	22%	Dec-21	164	82	82			Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	O
Columna	Manila	Office Building	Ongoing construction	13%	Sep-22	768	262	262	122	122	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	O
387 Gil Puyat	Makati CBD	Office Building	Ongoing construction	49%	Oct-21	342	171	171			3rd party ; under land lease with	Filinvest Cyberparks Inc	Filinvest Cyberparks Inc	O
4Workplus	Clark Mimosa	Office Building	Ongoing construction	90%	Aug-21	36	18	18			BCDA	Filinvest Cyberzone Mimosa Inc	Filinvest Cyberzone Mimosa Inc	O
7 Workplus	Clark Mimosa	Office Building	Ongoing construction	90%	Aug-21	207	45	44	59	59	BCDA	Filinvest Cyberzone Mimosa Inc	Filinvest Cyberzone Mimosa Inc	O
PDDC	Filinvest City, Alabang	District Cooling System	Ongoing expansion and bidding	0%	Jun-22	250		50	100	100	Filinvest Alabang Inc	Phil. DCS Development Corp.	Phil. DCS Development Corp.	D
Filinvest Innovation Park	New Clark City	Industrial- Land Devt.	Ongoing construction	50%	Dec-22	350	50	100	100	100	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Filinvest Innovation Park	New Clark City	Industrial- Warehouses	Pre-Bidding	0%	Dec-22	200			100	100	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Filinvest Innovation Park	Calamba Laguna	Industrial	Permitting	0%	Oct-22	200		50	100	50	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Marina Town Mall	Dumaguete	Retail mall	Ongoing construction	22%	Dec-21	258	129	129			Filinvest Land	Filinvest Land	Filinvest Land	R
Cebu Cyberzone Retail	Cebu City	Retail mall	Ongoing construction	19%	Sep-22	99	25	25	25	24	Provincial Govt of Cebu	Filinvest Land	Filinvest Land	R
Clark Lifestyle Mall	Filinvest Mimosa Park	Retail mall	Ongoing construction	1%	Dec-21	535	85	100	150	200	Clark Development Corp	Filinvest Cyberzone Mimosa Inc	Filinvest Cyberzone Mimosa Inc	R
Panglao Oasis	Taguig City	MRB Mid Inc Residential	Ongoing construction	35%	Dec-23	892	216	216	230	230	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Alta Spatial	Valenzuela City	MRB Mid Inc Residential	Ongoing construction	32%	Dec-23	735	200	201	167	167	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Verde Spatial	Quezon City	MRB Mid Inc Residential	Ongoing construction	58%	Dec-23	225	100	125			Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Bali Oasis	Pasig City	MRB Mid Inc Residential	Ongoing construction	55%	Dec-23	229	100	129			Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Belize Oasis	Muntinlupa City	MRB Mid Inc Residential	Ongoing construction	5%	Dec-22	368	54	54	130	130	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Raw Land	various locations	Land	Committed payts due and offers	0%		1,350	100	250	500	500	various prospective land sellers	Filinvest Land, Inc.	Filinvest Land, Inc.	L
Dreambuilders capex	Taguig and Laguna	Construction batching and prefab plan	Pre Bidding	0%	1Q 2022	215	100	65	50		Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
TOTAL						10,972	2,653	2,986	2,692	2,641				

	Count	Total Mix	Total Capex Planned for 1 Year (P mln)	Capex (Pmln) 3Q2021	Capex (Pmln) 4Q2021	Capex (P mln) 1Q2022	Capex (P mln) 2Q2022
Office leasing	9	46%	5,066	1,494	1,492	1,040	1,040
retail leasing	3	8%	892	239	254	175	224
Industrial	3	7%	750	50	150	300	250
DCS and others	1	2%	250	-	50	100	100
land bank and others	1	12%	1,350	100	250	500	500
Trading Residential	6	24%	2,664	770	790	577	527
TOTAL	23	100%	10,972	2,653	2,986	2,692	2,641

ANNEX 1: SPONSOR REINVESTMENT PLAN (Secondary Offer) (in P mln)
 Assuming that overallotment option will be exercised P12,084 Million Pesos

Project Name	Location	Product	Status	Percentage Completion	Target Completion Date	Total Capex Planned for 1 Year (P mln)	Capex (Pmln) 3Q2021	Capex (Pmln) 4Q2021	Capex (P mln) 1Q2022	Capex (P mln) 2Q2022	Ownership Land	Ownership Building	Disbursing Entity	Segment
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Marina Town	Dumaguete	Office Building	Ongoing construction	22%	Dec-21	164	82	82			Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	O
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387 Gil Puyat	Makati CBD	Office Building	Ongoing construction	49%	Oct-21	342	171	171			3rd party ; under land lease with	Filinvest Cyberparks Inc	Filinvest Cyberparks Inc	O
4Workplus	Clark Mimosa	Office Building	Ongoing construction	90%	Aug-21	36	18	18			BCDA	Filinvest Cyberzone Mimosa Inc	Filinvest Cyberzone Mimosa Inc	O
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Filinvest Innovation Park	New Clark City	Industrial- Land Devt.	Ongoing construction	50%	Dec-22	400	100	100	100	100	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Filinvest Innovation Park	New Clark City	Industrial- Warehouses	Pre-Bidding	0%	Dec-22	200			100	100	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Filinvest Innovation Park	Calamba Laguna	Industrial	Permitting	0%	Oct-22	250		50	100	100	BCDA	Filinvest BCDA Clark Inc.	Filinvest BCDA Clark Inc.	I
Marina Town Mall	Dumaguete	Retail mall	Ongoing construction	22%	Dec-21	258	129	129			Filinvest Land	Filinvest Land	Filinvest Land	R
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Clark Lifestyle Mall	Filinvest Mimosa Park	Retail mall	Ongoing construction	1%	Dec-21	397	97	100	100	100	Clark Development Corp	Filinvest Cyberzone Mimosa Inc	Filinvest Cyberzone Mimosa Inc	R
Panglao Oasis	Taguig City	MRB Mid Inc Residential	Ongoing construction	35%	Dec-23	892	216	216	230	230	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
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Bali Oasis	Pasig City	MRB Mid Inc Residential	Ongoing construction	55%	Dec-23	229	100	129			Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Belize Oasis	Muntinlupa City	MRB Mid Inc Residential	Ongoing construction	5%	Dec-22	368	54	54	130	130	Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
Raw Land	various locations	Land	Committed payts due and offers	0%		2,500	625	625	625	625	various prospective land sellers	Filinvest Land, Inc.	Filinvest Land, Inc.	L
Dreambuilders capex	Taguig and Laguna	Construction batching and prefab plan	Pre Bidding	0%	1Q 2022	215	100	65	50		Filinvest Land	Filinvest Land, Inc.	Filinvest Land, Inc.	T
TOTAL						12,084	3,240	3,361	2,767	2,716				

	Count	Total Mix	Total Capex Planned for 1 Year (P mln)	Capex (Pmln) 3Q2021	Capex (Pmln) 4Q2021	Capex (P mln) 1Q2022	Capex (P mln) 2Q2022
Office leasing	9	42%	5,066	1,494	1,492	1,040	1,040
retail leasing	3	6%	754	251	254	125	124
Industrial	3	7%	850	100	150	300	300
DCS and others	1	2%	250	-	50	100	100
land bank and others	1	21%	2,500	625	625	625	625
Trading Residential	6	22%	2,664	770	790	577	527
TOTAL	23	100%	12,084	3,240	3,361	2,767	2,716

ANNEX 2: INDEPENDENT PROPERTY VALUATION
SUMMARY REPORTS

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Plaz@ A

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.1 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.1**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **PLAZ@ A** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **PLAZ@ A** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ A** as of 31 March 2021 is:

**PESOS:
ONE BILLION
SIX HUNDRED FIFTY-FOUR MILLION
NINE HUNDRED SIXTY THOUSAND ONLY**
(In Words)

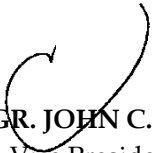
PHP1,654,960,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The

value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Plaz@ A Building” is a Grade A, PEZA Certified, purely office, 6-storey with roof deck level reinforced concrete framed building. It is built entirely from pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 10,860 sq.m. The building was completed and became operational in the Year 2007.



Figure 1: Building Facade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tiles, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – Generally, these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Crescent Drive and The Plaz@s compound road. It is about 200 meters from the intersection of Northgate Avenue and Crescent Drive, around 600 meters north from the junction of Alabang – Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot and a kilometer north from Festival Supermall Alabang.

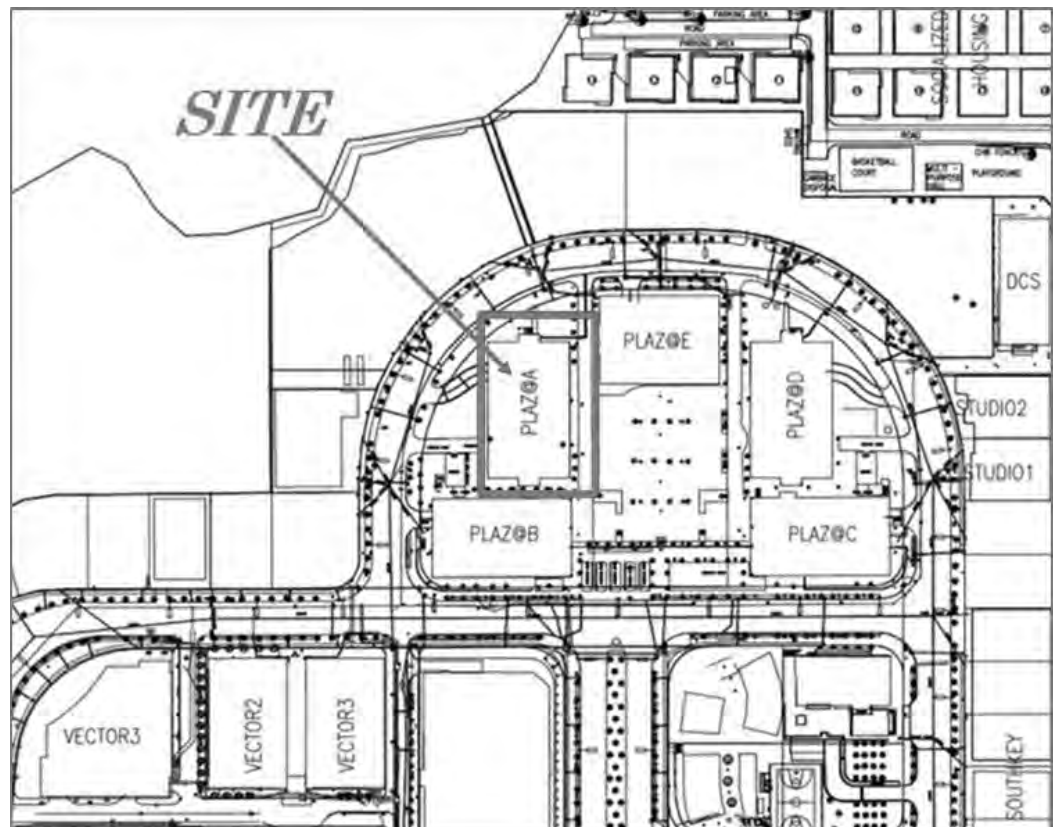


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of six office floors with an aggregate leasable area of 10,860 sq.m. and 64 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Plaz@ A, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Plaz@ A for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first-class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Plaz@ A** as of 31 March 2021 is:

**PESOS:
ONE BILLION
SIX HUNDRED FIFTY-FOUR MILLION
NINE HUNDRED SIXTY THOUSAND ONLY**
(In Words)

PHP1,654,960,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 PLAZ@ A
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS**

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	15.15%	15.15%	15.15%	15.15%	15.15%	15.15%
Depreciation and Amortization	%	7.98%	7.98%	7.98%	7.98%	7.98%	7.98%
Taxes and Licenses	%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%
Manpower Cost	%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	71,321,586	99,850,549	104,842,650	104,842,650	110,084,782	115,589,021
Parking	PHP	1,831,032	2,563,445	2,691,617	2,826,198	2,967,508	3,115,883
Rent Revenue	PHP	73,152,618	102,413,994	107,534,267	107,668,847	113,052,290	118,704,904
Less: Operating expenses	PHP						
Rental expense	PHP	11,081,746	15,514,494	16,290,154	16,310,541	17,126,068	17,982,372
Depreciation and Amortization	PHP	5,834,855	8,168,823	8,577,230	8,587,964	9,017,363	9,468,231
Taxes and Licenses	PHP	280,252	392,354	411,970	412,485	433,110	454,765
Manpower Cost	PHP	1,129,250	1,580,955	1,659,996	1,662,074	1,745,177	1,832,436
Other expenses	PHP	6,516	9,122	9,578	9,590	10,070	10,573
Total OPEX	PHP	18,332,618	25,665,748	26,948,928	26,982,655	28,331,788	29,748,377
NET INCOME	PHP	54,820,000	76,748,246	80,585,338	80,686,192	84,720,502	88,956,527
Add: Depreciation	PHP	5,834,855	8,168,823	8,577,230	8,587,964	9,017,363	9,468,231
NET CASH FLOWS	PHP	60,654,855	84,917,069	89,162,568	89,274,157	93,737,865	98,424,758
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	56,893,890	73,135,541	70,509,798	64,822,545	62,495,507	60,252,006
Net present value (NPV)	PHP	1,654,958,491					
Rounded to:	PHP	1,654,960,000					

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ A
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	15.15%	15.15%	15.15%	15.15%	
Depreciation and Amortization	%	7.98%	7.98%	7.98%	7.98%	
Taxes and Licenses	%	0.38%	0.38%	0.38%	0.38%	
Manpower Cost	%	1.54%	1.54%	1.54%	1.54%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	121,368,472	127,436,896	133,808,741	140,499,178	
Parking	PHP	3,271,677	3,435,261	3,607,024	3,787,375	
Rent Revenue	PHP	124,640,150	130,872,157	137,415,765	144,286,553	
Less: Operating expenses	PHP					
Rental expense	PHP	18,881,490	19,825,565	20,816,843	21,857,685	
Depreciation and Amortization	PHP	9,941,642	10,438,725	10,960,661	11,508,694	
Taxes and Licenses	PHP	477,503	501,379	526,448	552,770	
Manpower Cost	PHP	1,924,058	2,020,261	2,121,274	2,227,338	
Other expenses	PHP	11,102	11,657	12,240	12,852	
Total OPEX	PHP	31,235,796	32,797,586	34,437,465	36,159,339	
NET INCOME	PHP	93,404,353	98,074,571	102,978,299	108,127,214	
Add: Depreciation	PHP	9,941,642	10,438,725	10,960,661	11,508,694	
NET CASH FLOWS	PHP	103,345,996	108,513,295	113,938,960	119,635,908	
Terminal Value	PHP					2,405,607,583
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	58,089,044	56,003,729	53,993,274	52,054,991	1,046,708,167
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Plaz@ B

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.2 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.2**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **PLAZ@ B** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **PLAZ@ B** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ B** as of 31 March 2021 is:

PESOS:
EIGHT HUNDRED NINETY-THREE MILLION
FOUR HUNDRED TEN THOUSAND ONLY

(In Words)

PHP893,410,000.00

(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR

First Vice President

Certified Review Appraiser

Licensed Real Estate Appraiser

PRC REA No. 0002803


PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The

value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Plaz@ B Building” is a Grade A, PEZA Certified, purely office, 4-storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross floor area is 7,150.47 sq.m. while the Gross Leasable Floor area is 6,488 sq.m. The building was completed and operational in the Year 2001.



Figure 1: Building Facade

6.2 Description of Leasable Units

Office Units - Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots - Generally, these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Crescent Drive and The Plaz@s compound road. It is about 200 meters from the intersection of Northgate Avenue and Crescent Drive, around 600 meters north from the junction of Alabang - Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot and a kilometer north from Festival Supermall Alabang.

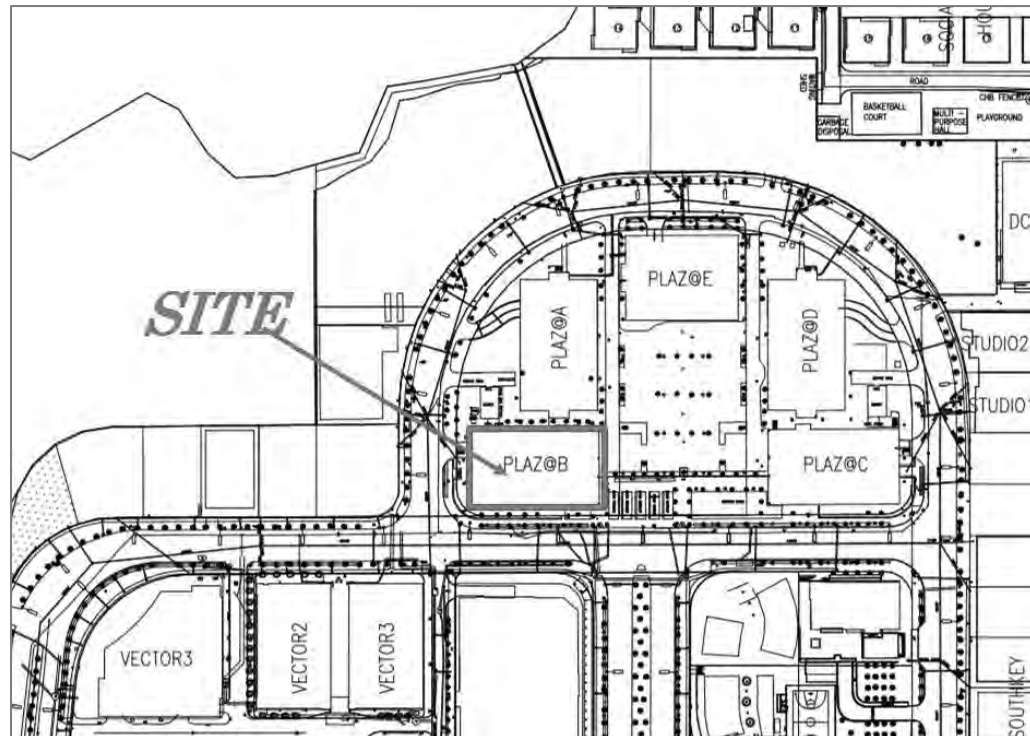


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 4 office floors with an aggregate leasable area of 6,488 sq.m. and 58 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 85.15% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of PLAZ@ B, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and PLAZ@ B for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first-class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ B** as of 31 March 2021 is:

PESOS:
EIGHT HUNDRED NINETY-THREE MILLION
FOUR HUNDRED TEN THOUSAND ONLY
(In Words)

PHP893,410,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.

PLAZ@ B

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	16.27%	16.27%	16.27%	16.27%	16.27%	16.27%
Depreciation and Amortization	%	22.08%	22.08%	22.08%	22.08%	22.08%	22.08%
Taxes and Licenses	%	3.43%	3.43%	3.43%	3.43%	3.43%	3.43%
Manpower Cost	%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%
Other expenses	%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	37,797,195	51,950,404	54,166,592	56,040,308	58,741,967	61,679,066
Parking	PHP	2,220,008	3,108,011	3,263,411	3,426,582	3,597,911	3,777,806
Others	PHP	2,166,236	1,940,242	2,086,367	2,244,548	2,279,544	2,452,599
Rent Revenue	PHP	42,183,438	56,998,656	59,516,370	61,711,437	64,619,422	67,909,470
Less: Operating expenses	PHP						
Rental expense	PHP	6,863,419	9,273,916	9,683,559	10,040,705	10,513,846	11,049,151
Depreciation and Amortization	PHP	9,314,829	12,586,284	13,142,239	13,626,948	14,269,081	14,995,580
Taxes and Licenses	PHP	1,446,464	1,954,476	2,040,808	2,116,077	2,215,791	2,328,607
Manpower Cost	PHP	795,440	1,074,806	1,122,282	1,163,674	1,218,509	1,280,548
Other expenses	PHP	89,488	120,917	126,258	130,915	137,084	144,064
Total OPEX	PHP	18,509,641	25,010,401	26,115,146	27,078,318	28,354,311	29,797,949
NET INCOME	PHP	23,673,797	31,988,256	33,401,223	34,633,119	36,265,111	38,111,521
Add: Depreciation	PHP	9,314,829	12,586,284	13,142,239	13,626,948	14,269,081	14,995,580
NET CASH FLOWS	PHP	32,988,626	44,574,540	46,543,462	48,260,066	50,534,192	53,107,101
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	30,943,133	38,390,198	36,806,590	35,041,947	33,691,400	32,510,208
Net present value (NPV)	PHP	893,410,296					
Rounded to:	PHP	893,410,000					

ANNEX A

FILINVEST LAND, INC.

PLAZ@ B

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	16.27%	16.27%	16.27%	16.27%	
Depreciation and Amortization	%	22.08%	22.08%	22.08%	22.08%	
Taxes and Licenses	%	3.43%	3.43%	3.43%	3.43%	
Manpower Cost	%	1.89%	1.89%	1.89%	1.89%	
Other expenses	%	0.21%	0.21%	0.21%	0.21%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	64,763,019	68,001,170	71,401,228	74,971,290	
Parking	PHP	3,966,696	4,165,031	4,373,283	4,591,947	
Others	PHP	2,640,032	2,843,125	3,063,277	3,302,021	
Rent Revenue	PHP	71,369,747	75,009,326	78,837,789	82,865,258	
Less: Operating expenses	PHP					
Rental expense	PHP	11,612,152	12,204,327	12,827,233	13,482,519	
Depreciation and Amortization	PHP	15,759,669	16,563,350	17,408,741	18,298,075	
Taxes and Licenses	PHP	2,447,259	2,572,060	2,703,337	2,841,438	
Manpower Cost	PHP	1,345,798	1,414,428	1,486,620	1,562,565	
Other expenses	PHP	151,404	159,125	167,247	175,791	
Total OPEX	PHP	31,316,282	32,913,290	34,593,178	36,360,389	
NET INCOME	PHP	40,053,466	42,096,036	44,244,610	46,504,869	
Add: Depreciation	PHP	15,759,669	16,563,350	17,408,741	18,298,075	
NET CASH FLOWS	PHP	55,813,134	58,659,386	61,653,351	64,802,944	
Terminal Value	PHP					1,303,040,672
NET PRESENT VALUE						
Period lapsed	years	6,7500	7,7500	8,7500	9,7500	9,7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	31,371,623	30,274,119	29,216,225	28,196,524	566,968,330
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Plaz@ C

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.3 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.3**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **PLAZ@ C** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **PLAZ@ C** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ C** as of 31 March 2021 is:

**PESOS:
ONE BILLION
THIRTY-FOUR MILLION
FOUR HUNDRED FORTY THOUSAND ONLY**
(In Words)

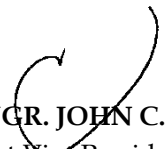
PHP1,034,440,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a **Market Value** of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Plaz@ C Building” is a Grade A, PEZA Certified, purely office, 4-storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross floor area is 7,150.47 sq.m. while the Gross Leasable Floor area is 6,540 sq.m. The building was completed and operational in the Year 2001.



Figure 1: Building Facade

6.2 Description of Leasable Units

Office Units - Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots - Generally, these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Crescent Drive and The Plaz@s compound road. It is about 200 meters from the intersection of Northgate Avenue and Crescent Drive, around 600 meters north from the junction of Alabang - Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot and a kilometer north from Festival Supermall Alabang.

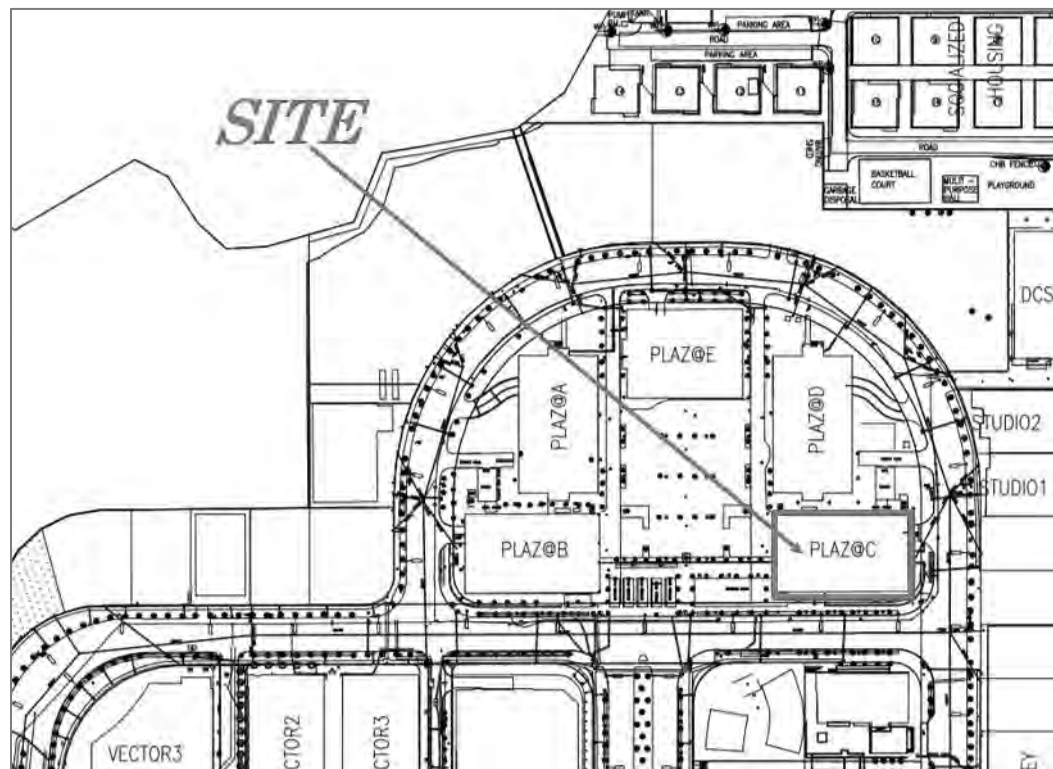


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 4 office floors with an aggregate leasable area of 6,540 sq.m. and 58 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of PLAZ@ C, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and PLAZ@ C for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ C** as of 31 March 2021 is:

**PESOS:
ONE BILLION
THIRTY-FOUR MILLION
FOUR HUNDRED FORTY THOUSAND ONLY**
(In Words)

PHP1,034,440,000.00
(In Figures)

9 Valuation Date

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ C
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	13.04%	13.04%	13.04%	13.04%	13.04%	13.04%
Depreciation and Amortization	%	10.93%	10.93%	10.93%	10.93%	10.93%	10.93%
Taxes and Licenses	%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
Other expenses	%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	42,925,703	57,234,271	60,095,984	63,100,783	66,255,822	69,568,614
Parking	PHP	1,895,022	2,653,031	2,785,682	2,924,966	3,071,215	3,224,776
Rent Revenue	PHP	44,820,725	59,887,301	62,881,666	66,025,750	69,327,037	72,793,389
Less: Operating expenses	PHP						
Rental expense	PHP	5,842,619	7,806,627	8,196,958	8,606,806	9,037,146	9,489,004
Depreciation and Amortization	PHP	4,899,033	6,545,853	6,873,146	7,216,803	7,577,643	7,956,526
Taxes and Licenses	PHP	289,833	387,261	406,624	426,956	448,303	470,719
Manpower Cost	PHP	645,390	862,339	905,456	950,729	998,265	1,048,179
Other expenses	PHP	8,458	11,301	11,866	12,459	13,082	13,736
Total OPEX	PHP	11,685,333	15,613,381	16,394,051	17,213,753	18,074,441	18,978,163
NET INCOME	PHP	33,135,392	44,273,920	46,487,616	48,811,997	51,252,596	53,815,226
Add: Depreciation	PHP	4,899,033	6,545,853	6,873,146	7,216,803	7,577,643	7,956,526
NET CASH FLOWS	PHP	38,034,425	50,819,773	53,360,762	56,028,800	58,830,240	61,771,752
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	35,676,063	43,768,958	42,197,714	40,682,875	39,222,417	37,814,388
Net present value (NPV)	PHP	1,034,441,788					
Rounded to:	PHP	1,034,440,000					

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ C
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	13.04%	13.04%	13.04%	13.04%	
Depreciation and Amortization	%	10.93%	10.93%	10.93%	10.93%	
Taxes and Licenses	%	0.65%	0.65%	0.65%	0.65%	
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	
Other expenses	%	0.02%	0.02%	0.02%	0.02%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	73,047,044	76,699,396	80,534,366	84,561,085	
Parking	PHP	3,386,014	3,555,315	3,733,081	3,919,735	
Rent Revenue	PHP	76,433,059	80,254,711	84,267,447	88,480,819	
Less: Operating expenses	PHP					
Rental expense	PHP	9,963,454	10,461,626	10,984,708	11,533,943	
Depreciation and Amortization	PHP	8,354,352	8,772,069	9,210,673	9,671,207	
Taxes and Licenses	PHP	494,254	518,967	544,916	572,161	
Manpower Cost	PHP	1,100,588	1,155,617	1,213,398	1,274,068	
Other expenses	PHP	14,423	15,144	15,902	16,697	
Total OPEX	PHP	19,927,071	20,923,424	21,969,596	23,068,075	
NET INCOME	PHP	56,505,988	59,331,287	62,297,851	65,412,744	
Add: Depreciation	PHP	8,354,352	8,772,069	9,210,673	9,671,207	
NET CASH FLOWS	PHP	64,860,339	68,103,356	71,508,524	75,083,950	
Terminal Value	PHP					1,509,768,458
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	36,456,905	35,148,153	33,886,384	32,669,910	656,918,022
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Plaz@ D

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.4 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.4**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **PLAZ@ D** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **PLAZ@ D** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ D** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED EIGHTY-THREE MILLION
SIXTY THOUSAND ONLY**
(In Words)

PHP1,483,060,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Plaz@ D Building” is a Grade A, PEZA Certified, purely office, 6-storey with roof deck level reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 10,860 sq.m. The building was completed and operational in the Year 2007.



Figure 1: Building Facade

6.2 Description of Leasable Units

Office Units - Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots - Generally, these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Crescent Drive and The Plaz@s compound road. It is about 200 meters from the intersection of Northgate Avenue and Crescent Drive, around 600 meters north from the junction of Alabang - Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot and a kilometer north from Festival Supermall Alabang.

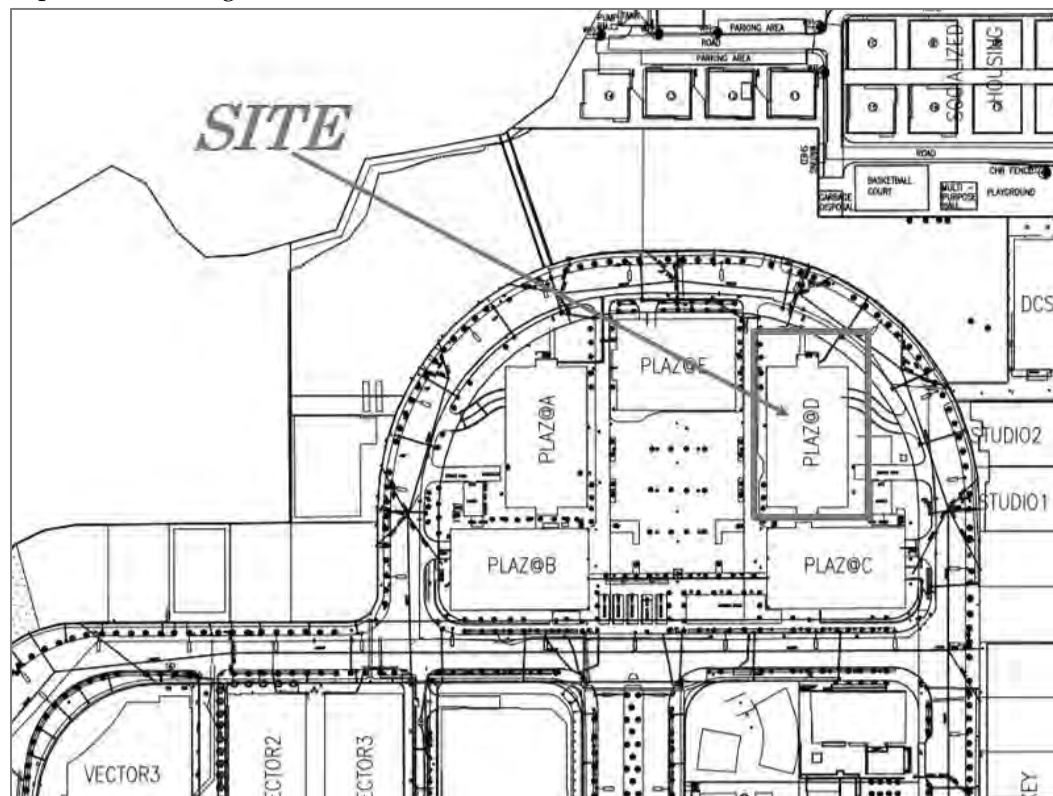


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of six office floors with an aggregate leasable area of 10,860 sq.m. and 64 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 83.19% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of PLAZ@ D, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and PLAZ@ D for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ D** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED EIGHTY-THREE MILLION
SIXTY THOUSAND ONLY**
(In Words)

PHP1,483,060,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ D
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	15.74%	15.74%	15.74%	15.74%	15.74%	15.74%
Depreciation and Amortization	%	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%
Taxes and Licenses	%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
Manpower Cost	%	1.53%	1.53%	1.53%	1.53%	1.53%	1.53%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	64,760,507	87,409,967	91,780,466	95,197,945	99,957,842	104,955,734
Parking	PHP	1,935,329	2,709,460	2,844,933	2,987,180	3,136,539	3,293,365
Rent Revenue	PHP	66,695,835	90,119,427	94,625,399	98,185,124	103,094,381	108,249,100
Less: Operating expenses	PHP						
Rental expense	PHP	10,498,499	14,185,575	14,894,853	15,455,185	16,227,944	17,039,341
Depreciation and Amortization	PHP	6,390,769	8,635,209	9,066,970	9,408,061	9,878,464	10,372,387
Taxes and Licenses	PHP	657,486	888,395	932,815	967,907	1,016,302	1,067,117
Manpower Cost	PHP	1,021,413	1,380,134	1,449,141	1,503,656	1,578,839	1,657,781
Other expenses	PHP	8,342	11,272	11,836	12,281	12,895	13,540
Total OPEX	PHP	18,576,510	25,100,585	26,355,614	27,347,090	28,714,444	30,150,166
NET INCOME	PHP	48,119,325	65,018,842	68,269,785	70,838,035	74,379,937	78,098,933
Add: Depreciation	PHP	6,390,769	8,635,209	9,066,970	9,408,061	9,878,464	10,372,387
NET CASH FLOWS	PHP	54,510,094	73,654,051	77,336,754	80,246,096	84,258,401	88,471,321
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	51,130,142	63,435,172	61,157,939	58,267,211	56,175,500	54,158,879
Net present value (NPV)	PHP	1,483,060,918					
Rounded to:	PHP	1,483,060,000					

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ D
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	15.74%	15.74%	15.74%	15.74%	
Depreciation and Amortization	%	9.58%	9.58%	9.58%	9.58%	
Taxes and Licenses	%	0.99%	0.99%	0.99%	0.99%	
Manpower Cost	%	1.53%	1.53%	1.53%	1.53%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	110,203,521	115,713,697	121,499,382	127,574,351	
Parking	PHP	3,458,034	3,630,935	3,812,482	4,003,106	
Rent Revenue	PHP	113,661,555	119,344,632	125,311,864	131,577,457	
Less: Operating expenses	PHP					
Rental expense	PHP	17,891,308	18,785,874	19,725,167	20,711,426	
Depreciation and Amortization	PHP	10,891,007	11,435,557	12,007,335	12,607,702	
Taxes and Licenses	PHP	1,120,473	1,176,497	1,235,322	1,297,088	
Manpower Cost	PHP	1,740,670	1,827,703	1,919,088	2,015,043	
Other expenses	PHP	14,217	14,928	15,674	16,458	
Total OPEX	PHP	31,657,675	33,240,558	34,902,586	36,647,716	
NET INCOME	PHP	82,003,880	86,104,074	90,409,278	94,929,742	
Add: Depreciation	PHP	10,891,007	11,435,557	12,007,335	12,607,702	
NET CASH FLOWS	PHP	92,894,887	97,539,631	102,416,613	107,537,443	
Terminal Value	PHP					2,162,334,813
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	52,214,651	50,340,219	48,533,076	46,790,807	940,857,322
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Plaz@ E

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.5 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.5**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **PLAZ@ E** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **PLAZ@ E** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ E** as of 31 March 2021 is:

**PESOS:
TWO BILLION
FOUR HUNDRED TWENTY-ONE MILLION
TEN THOUSAND ONLY**
(In Words)

PHP2,421,010,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Plaz@ E Building” is a Grade A, PEZA Certified, purely office, 12-storey with roof deck level reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground and 5th to 12th floors is utilized as BPO Offices, the 2nd to 4th floor as parking levels and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, three (3) passenger and one (2) service elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 14,859 sq.m. The building was completed and operational in the Year 2014.



Figure 1: Building Facade

6.2 Description of Leasable Units

Office Units - Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots - Generally, these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Crescent Drive and The Plaz@s compound road. It is about 200 meters from the intersection of Northgate Avenue and Crescent Drive, around 600 meters north from the junction of Alabang - Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot and a kilometer north from Festival Supermall Alabang.

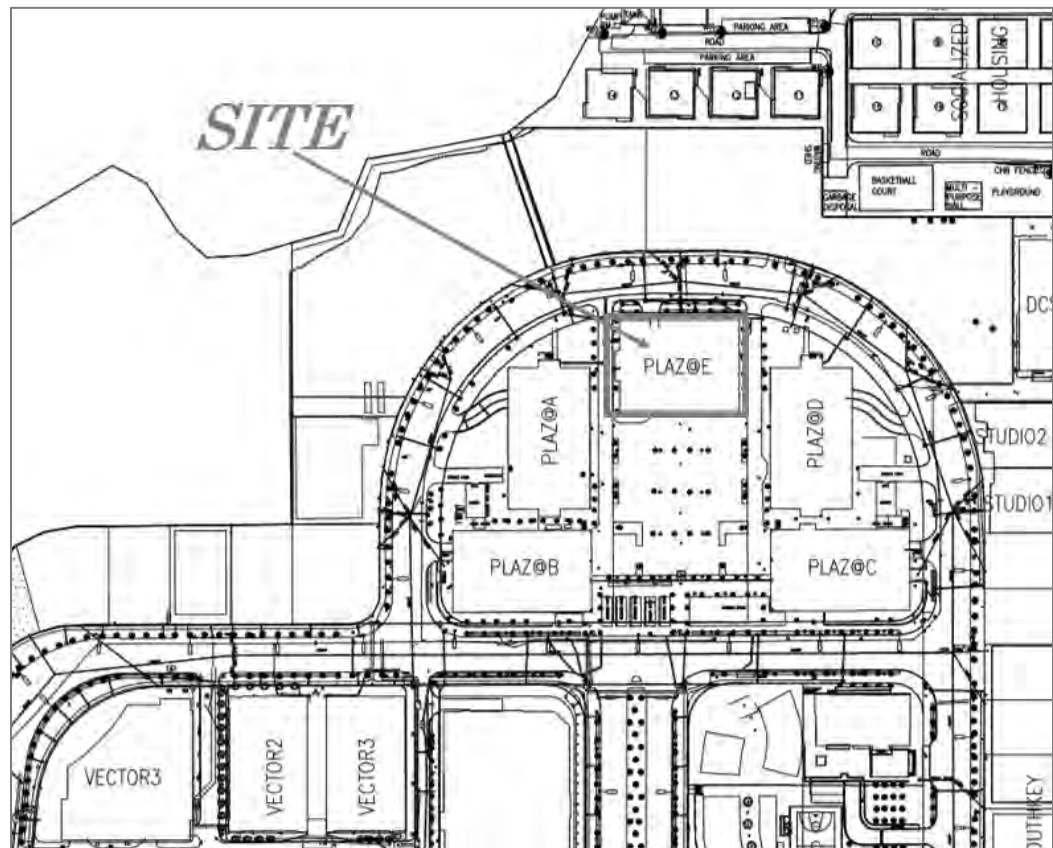


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 12 office floors with an aggregate leasable area of 14,859 sq.m. and 127 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of PLAZ@ E, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and PLAZ@ E for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/ Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **PLAZ@ E** as of 31 March 2021 is:

**PESOS:
TWO BILLION
FOUR HUNDRED TWENTY-ONE MILLION
TEN THOUSAND ONLY**
(In Words)

PHP2,421,010,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ E
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	14.42%	14.42%	14.42%	14.42%	14.42%	14.42%
Depreciation and Amortization	%	14.44%	14.44%	14.44%	14.44%	14.44%	14.44%
Taxes and Licenses	%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
Manpower Cost	%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	104,247,538	143,989,463	149,232,032	151,916,370	156,693,634	164,528,315
Parking	PHP	4,797,000	6,715,800	7,051,590	7,404,170	7,774,378	8,163,097
Rent Revenue	PHP	109,044,538	150,705,263	156,283,622	159,320,540	164,468,012	172,691,412
Less: Operating expenses	PHP						
Rental expense	PHP	15,723,227	21,730,323	22,534,671	22,972,567	23,714,785	24,900,525
Depreciation and Amortization	PHP	15,747,851	21,764,354	22,569,963	23,008,544	23,751,925	24,939,521
Taxes and Licenses	PHP	985,576	1,362,118	1,412,537	1,439,985	1,486,510	1,560,835
Manpower Cost	PHP	1,588,329	2,195,154	2,276,408	2,320,643	2,395,621	2,515,402
Other expenses	PHP	10,036	13,871	14,384	14,664	15,137	15,894
Total OPEX	PHP	34,055,019	47,065,820	48,807,962	49,756,403	51,363,978	53,932,177
NET INCOME	PHP	74,989,519	103,639,443	107,475,660	109,564,137	113,104,034	118,759,235
Add: Depreciation	PHP	15,747,851	21,764,354	22,569,963	23,008,544	23,751,925	24,939,521
NET CASH FLOWS	PHP	90,737,370	125,403,798	130,045,622	132,572,681	136,855,959	143,698,757
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	85,111,109	108,005,077	102,840,135	96,261,884	91,242,557	87,967,078
Net present value (NPV)	PHP	2,421,009,792					
Rounded to:	PHP	2,421,010,000					

ANNEX A

FILINVEST LAND, INC.
 PLAZ@ E
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	14.42%	14.42%	14.42%	14.42%	
Depreciation and Amortization	%	14.44%	14.44%	14.44%	14.44%	
Taxes and Licenses	%	0.90%	0.90%	0.90%	0.90%	
Manpower Cost	%	1.46%	1.46%	1.46%	1.46%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	172,754,731	181,392,468	190,462,091	199,985,196	
Parking	PHP	8,571,252	8,999,814	9,449,805	9,922,295	
Rent Revenue	PHP	181,325,983	190,392,282	199,911,896	209,907,491	
Less: Operating expenses						
Rental expense	PHP	26,145,551	27,452,829	28,825,470	30,266,743	
Depreciation and Amortization	PHP	26,186,497	27,495,822	28,870,613	30,314,144	
Taxes and Licenses	PHP	1,638,877	1,720,821	1,806,862	1,897,205	
Manpower Cost	PHP	2,641,172	2,773,230	2,911,892	3,057,486	
Other expenses	PHP	16,689	17,523	18,400	19,320	
Total OPEX	PHP	56,628,786	59,460,225	62,433,236	65,554,898	
NET INCOME	PHP	124,697,197	130,932,057	137,478,660	144,352,593	
Add: Depreciation	PHP	26,186,497	27,495,822	28,870,613	30,314,144	
NET CASH FLOWS	PHP	150,883,694	158,427,879	166,349,273	174,666,737	
Terminal Value	PHP					3,512,153,105
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	84,809,184	81,764,653	78,829,418	75,999,553	1,528,179,144
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Filinvest One Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.6 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.6**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **FILINVEST ONE** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **FILINVEST ONE** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST ONE** as of 31 March 2021 is:

**PESOS:
THREE BILLION
FOUR HUNDRED TWENTY-THREE MILLION
TWO HUNDRED EIGHTY THOUSAND ONLY**
(In Words)

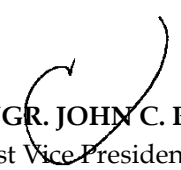
PHP3,423,280,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Filinvest One Building” is a Grade A, PEZA Certified, purely office, ten (10) storey with two basement levels and roof deck, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground up to the 10th floor is utilized as BPO Offices, while the two basement levels as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger and one (1) service elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 19,637 sq.m. The building was completed and operational in the Year 2013.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the northeast corner of Alabang-Zapote Road and Filinvest Avenue and is about 200 meters northwest from the intersection of Alabang-Zapote Road and Bridgeway Avenue, around 580 meters northwest from Festival Supermall Alabang and approximately 600 meters southeast from Alabang Town Center.

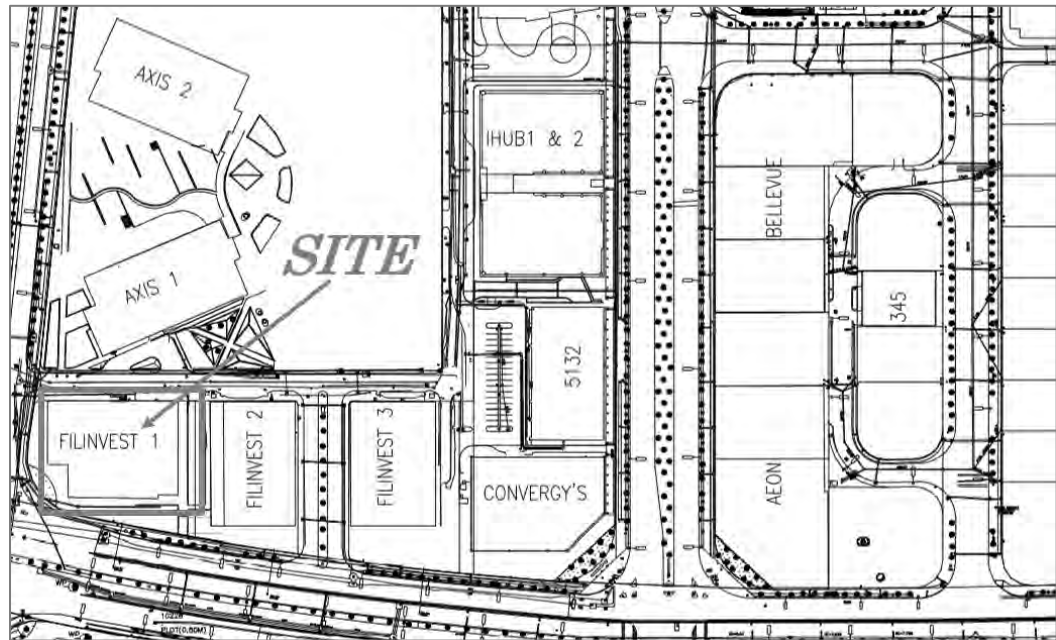


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 10 office floors with an aggregate leasable area of 19,637 sq.m. and 109 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of FILINVEST ONE, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and FILINVEST ONE for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/ Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST ONE** as of 31 March 2021 is:

**PESOS:
THREE BILLION
FOUR HUNDRED TWENTY-THREE MILLION
TWO HUNDRED EIGHTY THOUSAND ONLY**
(In Words)

PHP3,423,280,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
FILINVEST ONE
DISCOUNTED CASH FLOW
 as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	9.44%	9.44%	9.44%	9.44%	9.44%	9.44%
Depreciation and Amortization	%	11.90%	11.90%	11.90%	11.90%	11.90%	11.90%
Taxes and Licenses	%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%
Manpower Cost	%	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%
Service Management Fee	%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%
Other expenses	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	138,560,095	192,831,320	195,368,726	202,794,467	212,934,190	223,580,900
Parking	PHP	4,132,908	5,786,071	6,075,375	6,379,143	6,698,101	7,033,006
Rent Revenue	PHP	142,693,003	198,617,391	201,444,101	209,173,610	219,632,291	230,613,906
Less: Operating expenses							
Rental expense	PHP	13,475,112	18,756,292	19,023,230	19,753,161	20,740,819	21,777,860
Depreciation and Amortization	PHP	16,983,485	23,639,669	23,976,108	24,896,083	26,140,887	27,447,931
Taxes and Licenses	PHP	747,526	1,040,497	1,055,305	1,095,798	1,150,588	1,208,117
Manpower Cost	PHP	1,913,208	2,663,034	2,700,935	2,804,571	2,944,799	3,092,039
Service Management Fee	PHP	394,272	548,796	556,606	577,964	606,862	637,205
Other expenses	PHP	5,919	8,238	8,356	8,676	9,110	9,565
Total OPEX	PHP	33,519,522	46,656,527	47,320,540	49,136,252	51,593,065	54,172,718
NET INCOME	PHP	109,173,481	151,960,864	154,123,561	160,037,358	168,039,226	176,441,188
Add: Depreciation	PHP	16,983,485	23,639,669	23,976,108	24,896,083	26,140,887	27,447,931
NET CASH FLOWS	PHP	126,156,966	175,600,534	178,099,669	184,933,441	194,180,113	203,889,119
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	118,334,478	151,237,439	140,841,296	134,281,372	129,460,860	124,813,397
Net present value (NPV)	PHP	3,423,275,714					
Rounded to:	PHP	3,423,280,000					

ANNEX A

FILINVEST LAND, INC.
 FILINVEST ONE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	9.44%	9.44%	9.44%	9.44%	
Depreciation and Amortization	%	11.90%	11.90%	11.90%	11.90%	
Taxes and Licenses	%	0.52%	0.52%	0.52%	0.52%	
Manpower Cost	%	1.34%	1.34%	1.34%	1.34%	
Service Management Fee	%	0.28%	0.28%	0.28%	0.28%	
Other expenses	%	0.00%	0.00%	0.00%	0.00%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	234,759,945	246,497,942	258,822,839	271,763,981	
Parking	PHP	7,384,656	7,753,889	8,141,583	8,548,662	
Rent Revenue	PHP	242,144,601	254,251,831	266,964,422	280,312,644	
Less: Operating expenses	PHP					
Rental expense	PHP	22,866,753	24,010,091	25,210,595	26,471,125	
Depreciation and Amortization	PHP	28,820,328	30,261,344	31,774,411	33,363,132	
Taxes and Licenses	PHP	1,268,523	1,331,949	1,398,546	1,468,474	
Manpower Cost	PHP	3,246,641	3,408,973	3,579,422	3,758,393	
Service Management Fee	PHP	669,065	702,519	737,644	774,527	
Other expenses	PHP	10,044	10,546	11,073	11,627	
Total OPEX	PHP	56,881,354	59,725,422	62,711,693	65,847,277	
NET INCOME	PHP	185,263,247	194,526,409	204,252,730	214,465,366	
Add: Depreciation	PHP	28,820,328	30,261,344	31,774,411	33,363,132	
NET CASH FLOWS	PHP	214,083,575	224,787,754	236,027,141	247,828,498	
Terminal Value	PHP					4,983,270,692
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	120,332,772	116,012,995	111,848,292	107,833,096	2,168,279,717
Net present value (NPV)	PHP					
Rounded to:						
	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Filinvest Two Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.7 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.7**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **FILINVEST TWO** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **FILINVEST TWO** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST TWO** as of 31 March 2021 is:

**PESOS:
FOUR BILLION
ONE HUNDRED SEVENTY-NINE MILLION
NINE HUNDRED FIFTY THOUSAND ONLY**
(In Words)

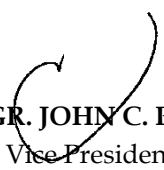
PHP4,179,950,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Filinvest Two Building” is a Grade A, PEZA Certified, purely office, fourteen (14) storey with two basement levels and roof deck, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground up to the 14th floor is utilized as BPO Offices, while the two basement levels as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, four (4) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 23,784.45 sq.m. The building was completed and operational in the Year 2015.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the northeast side of Alabang-Zapote Road, across Ford Alabang and is about 130 meters northwest from the intersection of Alabang-Zapote Road and Bridgeway Avenue, around 540 meters northwest from Festival Supermall Alabang and approximately 670 meters southeast from Alabang Town Center.

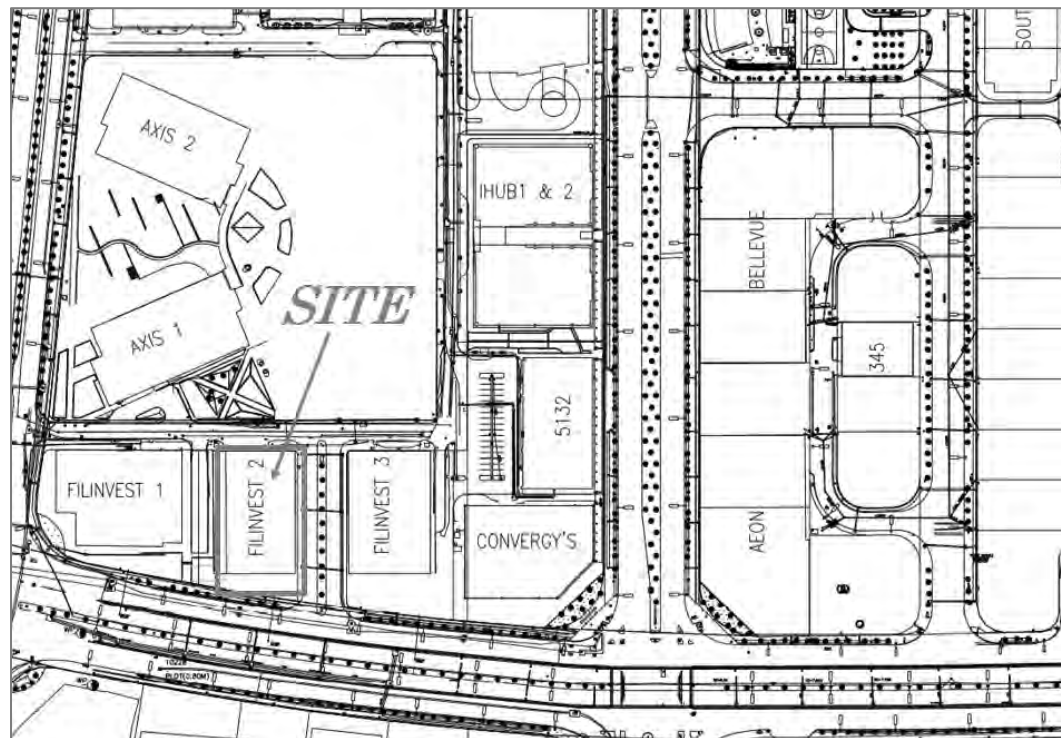


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 14 office floors with an aggregate leasable area of 23,784.45 sq.m. and 89 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of FILINVEST TWO, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and FILINVEST TWO for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10-year or 20-year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST TWO** as of 31 March 2021 is:

**PESOS:
FOUR BILLION
ONE HUNDRED SEVENTY-NINE MILLION
NINE HUNDRED FIFTY THOUSAND ONLY**
(In Words)

PHP4,179,950,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 FILINVEST TWO
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS**

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	8.90%	8.90%	8.90%	8.90%	8.90%	8.90%
Depreciation and Amortization	%	13.27%	13.27%	13.27%	13.27%	13.27%	13.27%
Taxes and Licenses	%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%
Manpower Cost	%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	161,042,626	225,459,677	236,732,661	248,569,294	260,997,758	274,047,646
Parking	PHP	3,386,592	4,741,229	4,978,290	5,227,205	5,488,565	5,762,993
Rent Revenue	PHP	164,429,218	230,200,906	241,710,951	253,796,498	266,486,323	279,810,639
Less: Operating expenses	PHP						
Rental expense	PHP	14,636,038	20,490,453	21,514,976	22,590,724	23,720,260	24,906,274
Depreciation and Amortization	PHP	21,816,377	30,542,927	32,070,074	33,673,577	35,357,256	37,125,119
Taxes and Licenses	PHP	630,838	883,173	927,331	973,698	1,022,383	1,073,502
Manpower Cost	PHP	2,242,657	3,139,720	3,296,706	3,461,541	3,634,618	3,816,349
Other expenses	PHP	8,881	12,434	13,056	13,708	14,394	15,114
Total OPEX	PHP	39,334,790	55,068,706	57,822,142	60,713,249	63,748,911	66,936,357
NET INCOME	PHP	125,094,428	175,132,199	183,888,809	193,083,250	202,737,412	212,874,283
Add: Depreciation	PHP	21,816,377	30,542,927	32,070,074	33,673,577	35,357,256	37,125,119
NET CASH FLOWS	PHP	146,910,805	205,675,126	215,958,883	226,756,827	238,094,668	249,999,402
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	137,801,454	177,139,435	170,780,379	164,649,604	158,738,915	153,040,411
Net present value (NPV)	PHP	4,179,953,832					
Rounded to:	PHP	4,179,950,000					

ANNEX A

FILINVEST LAND, INC.
 FILINVEST TWO
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	8.90%	8.90%	8.90%	8.90%	
Depreciation and Amortization	%	13.27%	13.27%	13.27%	13.27%	
Taxes and Licenses	%	0.38%	0.38%	0.38%	0.38%	
Manpower Cost	%	1.36%	1.36%	1.36%	1.36%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	287,750,029	302,137,530	317,244,406	333,106,627	
Parking	PHP	6,051,143	6,353,700	6,671,385	7,004,954	
Rent Revenue	PHP	293,801,171	308,491,230	323,915,792	340,111,581	
Less: Operating expenses	PHP					
Rental expense	PHP	26,151,587	27,459,167	28,832,125	30,273,731	
Depreciation and Amortization	PHP	38,981,375	40,930,444	42,976,966	45,125,814	
Taxes and Licenses	PHP	1,127,177	1,183,536	1,242,712	1,304,848	
Manpower Cost	PHP	4,007,166	4,207,525	4,417,901	4,638,796	
Other expenses	PHP	15,869	16,663	17,496	18,371	
Total OPEX	PHP	70,283,175	73,797,333	77,487,200	81,361,560	
NET INCOME	PHP	223,517,997	234,693,897	246,428,592	258,750,021	
Add: Depreciation	PHP	38,981,375	40,930,444	42,976,966	45,125,814	
NET CASH FLOWS	PHP	262,499,372	275,624,340	289,405,557	303,875,835	
Terminal Value	PHP					6,110,255,897
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	147,546,476	142,249,766	137,143,199	132,219,952	2,658,644,241
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Filinvest Three Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.8 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.8**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **FILINVEST THREE** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **FILINVEST THREE** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST THREE** as of 31 March 2021 is:

**PESOS:
THREE BILLION
SEVEN HUNDRED SIXTEEN MILLION
ONE HUNDRED TWENTY THOUSAND ONLY**
(In Words)

PHP3,716,120,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Filinvest Three Building” is a Grade A, PEZA Certified, purely office, fourteen (14) storey with two basement levels and roof deck, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground up to the 14th floor is utilized as BPO Offices, while the two basement levels as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, four (4) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 23,784.45 sq.m. The building was completed and operational in the Year 2015.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the northeast side of Alabang-Zapote Road, west across of Concentrix Building and is about 80 meters northwest from the intersection of Alabang-Zapote Road and Bridgeway Avenue, around 485 meters northwest from Festival Supermall Alabang and approximately 730 meters southeast from Alabang Town Center.

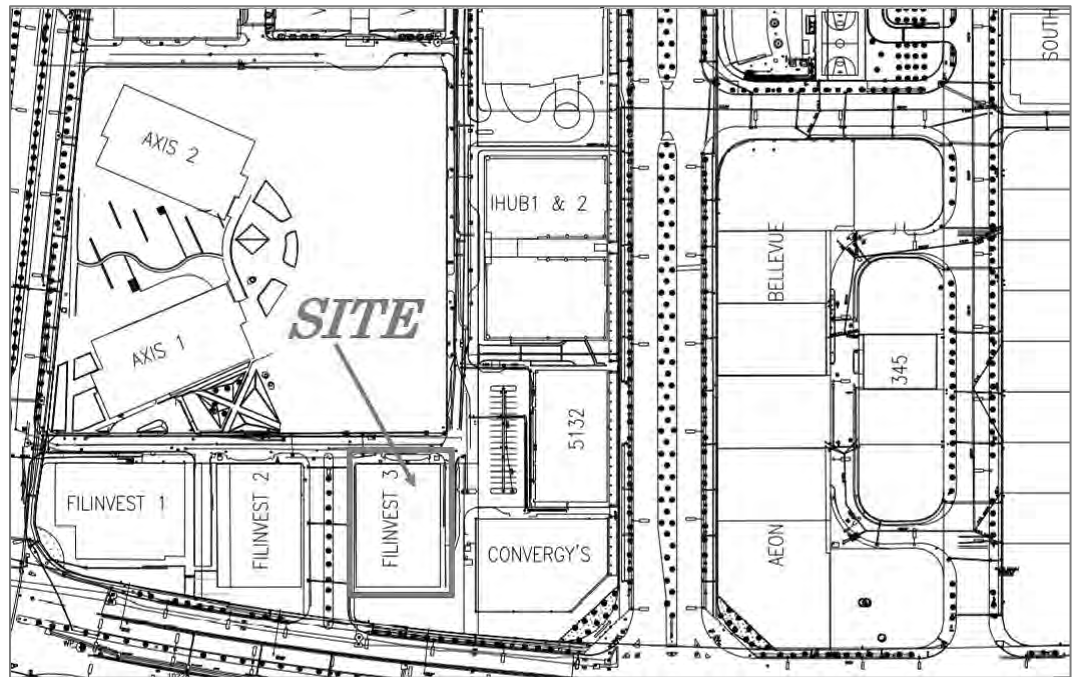


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 14 office floors with an aggregate leasable area of 23,784.45 sq.m. and 87 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 66.45% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of FILINVEST THREE, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and FILINVEST THREE for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **FILINVEST THREE** as of 31 March 2021 is:

**PESOS:
THREE BILLION
SEVEN HUNDRED SIXTEEN MILLION
ONE HUNDRED TWENTY THOUSAND ONLY**
(In Words)

PHP3,716,120,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
 FILINVEST THREE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	12.19%	12.19%	12.19%	12.19%	12.19%	12.19%
Depreciation and Amortization	%	21.71%	21.71%	21.71%	21.71%	21.71%	21.71%
Taxes and Licenses	%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%
Manpower Cost	%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office - occupied	PHP	102,519,470	141,970,983	144,395,181	151,614,940	159,195,687	167,155,472
Office - vacant (soon to be leased out)	PHP	35,911,260	75,413,646	79,184,328	83,143,545	87,300,722	91,665,758
Parking	PHP	3,429,756	4,801,658	5,041,741	5,293,828	5,558,520	5,836,446
Rent Revenue	PHP	141,860,486	222,186,288	228,621,251	240,052,313	252,054,929	264,657,676
Less: Operating expenses							
Rental expense	PHP	17,288,517	27,077,810	27,862,038	29,255,140	30,717,897	32,253,792
Depreciation and Amortization	PHP	30,795,771	48,233,291	49,630,225	52,111,736	54,717,323	57,453,189
Taxes and Licenses	PHP	3,060,636	4,793,662	4,932,497	5,179,121	5,438,077	5,709,981
Manpower Cost	PHP	2,123,722	3,326,239	3,422,573	3,593,702	3,773,387	3,962,056
Other expenses	PHP	11,747	18,399	18,932	19,879	20,873	21,916
Total OPEX	PHP	53,280,393	83,449,402	85,866,265	90,159,578	94,667,557	99,400,935
NET INCOME	PHP	88,580,094	138,736,886	142,754,986	149,892,736	157,387,372	165,256,741
Add: Depreciation	PHP	30,795,771	48,233,291	49,630,225	52,111,736	54,717,323	57,453,189
NET CASH FLOWS	PHP	119,375,865	186,970,177	192,385,211	202,004,471	212,104,695	222,709,930
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	111,973,846	161,029,640	152,138,309	146,676,758	141,411,269	136,334,803
Net present value (NPV)	PHP	3,716,118,769					
Rounded to:	PHP	3,716,120,000					

ANNEX A

FILINVEST LAND, INC.
 FILINVEST THREE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	12.19%	12.19%	12.19%	12.19%	
Depreciation and Amortization	%	21.71%	21.71%	21.71%	21.71%	
Taxes and Licenses	%	2.16%	2.16%	2.16%	2.16%	
Manpower Cost	%	1.50%	1.50%	1.50%	1.50%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office - occupied	PHP	175,513,245	184,288,908	193,503,353	203,178,521	
Office - vacant (soon to be leased out)	PHP	96,249,046	101,061,498	106,114,573	111,420,302	
Parking	PHP	6,128,268	6,434,681	6,756,416	7,094,236	
Rent Revenue	PHP	277,890,559	291,785,087	306,374,342	321,693,059	
Less: Operating expenses						
Rental expense	PHP	33,866,482	35,559,806	37,337,796	39,204,686	
Depreciation and Amortization	PHP	60,325,848	63,342,140	66,509,248	69,834,710	
Taxes and Licenses	PHP	5,995,480	6,295,254	6,610,017	6,940,518	
Manpower Cost	PHP	4,160,159	4,368,167	4,586,576	4,815,904	
Other expenses	PHP	23,012	24,163	25,371	26,639	
Total OPEX	PHP	104,370,981	109,589,530	115,069,007	120,822,457	
NET INCOME	PHP	173,519,578	182,195,557	191,305,335	200,870,602	
Add: Depreciation	PHP	60,325,848	63,342,140	66,509,248	69,834,710	
NET CASH FLOWS	PHP	233,845,426	245,537,697	257,814,582	270,705,311	
Terminal Value	PHP					5,443,271,671
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	131,440,576	126,722,044	122,172,902	117,787,066	2,368,431,556
Net present value (NPV)	PHP					
Rounded to:						
	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of 5132 Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.9 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.9**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **5132 BUILDING** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **5132 BUILDING** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **5132 BUILDING** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED FORTY-TWO MILLION
NINE HUNDRED TWENTY THOUSAND ONLY**
(In Words)

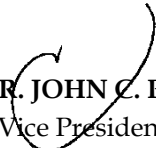
PHP1,442,920,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“5132 Building” is a Grade A, PEZA Certified, purely office, 6-storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 9,409 sq.m. The building was completed and operational in the Year 2007.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, tempered glass on aluminum frame awning type windows, and tempered glass on aluminum frame, wood panel and steel panel doors. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located on the west side of North Bridgeway Avenue across Bellevue open parking lot, and is around 70 meters north from the junction of Alabang – Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot, about 500 meters north from Festival Supermall Alabang and approximately 930 meters east from Alabang Town Center.

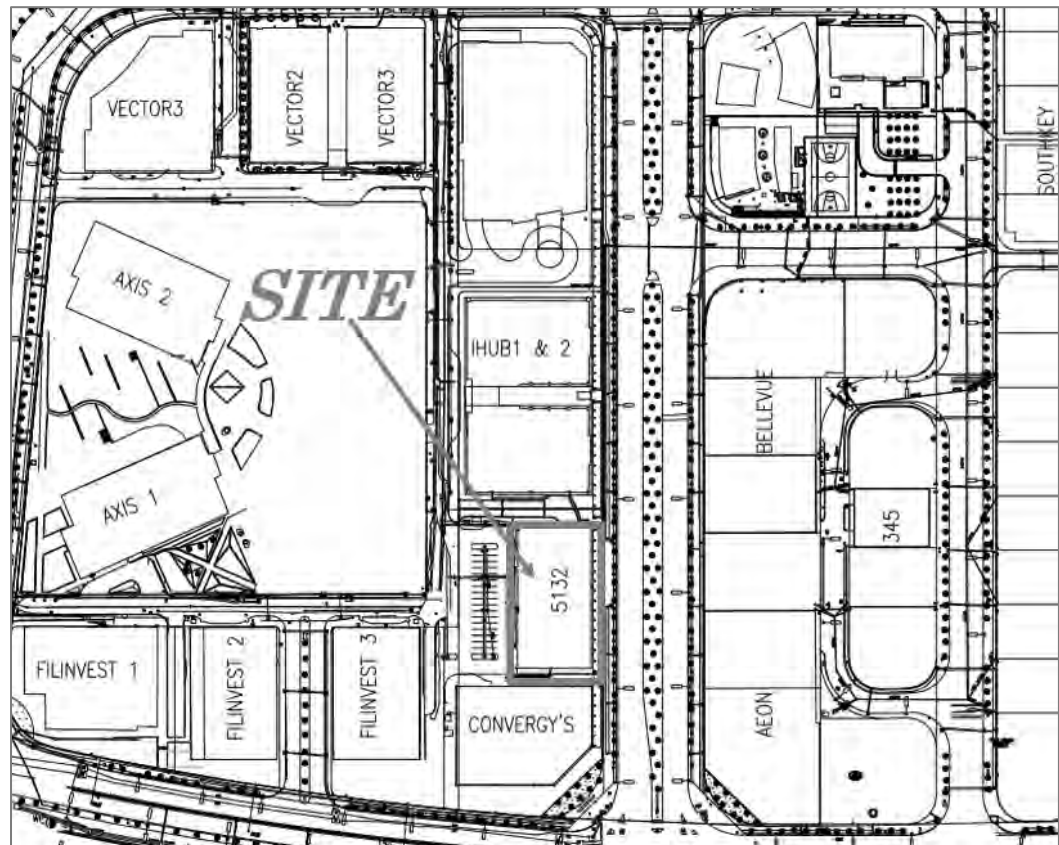


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 6 office floors with an aggregate leasable area of 9,409 sq.m. and 55 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of 5132 BUILDING, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and 5132 BUILDING for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **5132 BUILDING** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED FORTY-TWO MILLION
NINE HUNDRED TWENTY THOUSAND ONLY**
(In Words)

PHP1,442,920,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
5132 BUILDING
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	14.29%	14.29%	14.29%	14.29%	14.29%	14.29%
Depreciation and Amortization	%	10.28%	10.28%	10.28%	10.28%	10.28%	10.28%
Taxes and Licenses	%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%
Manpower Cost	%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	61,350,080	85,890,677	90,184,477	90,184,477	94,693,701	99,428,386
Parking	PHP	1,808,100	2,531,340	2,657,907	2,790,802	2,930,342	3,076,860
Rent Revenue	PHP	63,158,180	88,422,017	92,842,384	92,975,279	97,624,043	102,505,246
Less: Operating expenses	PHP						
Rental expense	PHP	9,027,738	12,638,913	13,270,754	13,289,750	13,954,237	14,651,949
Depreciation and Amortization	PHP	6,495,010	9,093,073	9,547,651	9,561,317	10,039,383	10,541,352
Taxes and Licenses	PHP	271,975	380,767	399,802	400,374	420,393	441,413
Manpower Cost	PHP	974,851	1,364,801	1,433,029	1,435,081	1,506,835	1,582,176
Other expenses	PHP	8,327	11,658	12,241	12,258	12,871	13,515
Total OPEX	PHP	16,777,901	23,489,212	24,663,477	24,698,781	25,933,720	27,230,406
NET INCOME	PHP	46,380,279	64,932,805	68,178,907	68,276,499	71,690,324	75,274,840
Add: Depreciation	PHP	6,495,010	9,093,073	9,547,651	9,561,317	10,039,383	10,541,352
NET CASH FLOWS	PHP	52,875,290	74,025,878	77,726,558	77,837,816	81,729,707	85,816,192
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	49,596,705	63,755,411	61,466,196	56,518,543	54,489,607	52,553,507
Net present value (NPV)	PHP	1,442,921,235					
Rounded to:	PHP	1,442,920,000					

ANNEX A

FILINVEST LAND, INC.
5132 BUILDING
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	14.29%	14.29%	14.29%	14.29%	
Depreciation and Amortization	%	10.28%	10.28%	10.28%	10.28%	
Taxes and Licenses	%	0.43%	0.43%	0.43%	0.43%	
Manpower Cost	%	1.54%	1.54%	1.54%	1.54%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	104,399,805	109,619,796	115,100,785	120,855,825	
Parking	PHP	3,230,703	3,392,238	3,561,850	3,739,942	
Rent Revenue	PHP	107,630,508	113,012,033	118,662,635	124,595,767	
Less: Operating expenses	PHP					
Rental expense	PHP	15,384,547	16,153,774	16,961,463	17,809,536	
Depreciation and Amortization	PHP	11,068,420	11,621,841	12,202,933	12,813,080	
Taxes and Licenses	PHP	463,483	486,658	510,990	536,540	
Manpower Cost	PHP	1,661,285	1,744,350	1,831,567	1,923,145	
Other expenses	PHP	14,191	14,900	15,645	16,427	
Total OPEX	PHP	28,591,926	30,021,522	31,522,598	33,098,728	
NET INCOME	PHP	79,038,582	82,990,511	87,140,036	91,497,038	
Add: Depreciation	PHP	11,068,420	11,621,841	12,202,933	12,813,080	
NET CASH FLOWS	PHP	90,107,002	94,612,352	99,342,970	104,310,118	
Terminal Value	PHP					2,097,440,599
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	50,647,628	48,829,450	47,076,541	45,386,560	912,621,086
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of iHub 2 Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.10 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.10**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **iHub 2** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **iHub 2** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of **market value**.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **iHub 2** as of 31 March 2021 is:

**PESOS:
TWO BILLION
THREE HUNDRED THIRTY-FIVE MILLION
FIVE HUNDRED SEVENTY THOUSAND ONLY**
(In Words)

PHP2,335,570,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“iHub 2” is a Grade A, PEZA Certified, purely office, 9-storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground and 3rd to 9th floors are utilized as BPO Offices, the basement and 2nd floor as parking levels and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 14,181 sq.m. The building was completed and operational in the Year 2009.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, tempered glass on aluminum frame awning type windows, and tempered glass on aluminum frame, wood panel and steel panel doors. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located on the west side of North Bridgeway Avenue across Bellevue open parking lot, and is around 70 meters north from the junction of Alabang – Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot, about 500 meters north from Festival Supermall Alabang and approximately 930 meters east from Alabang Town Center.

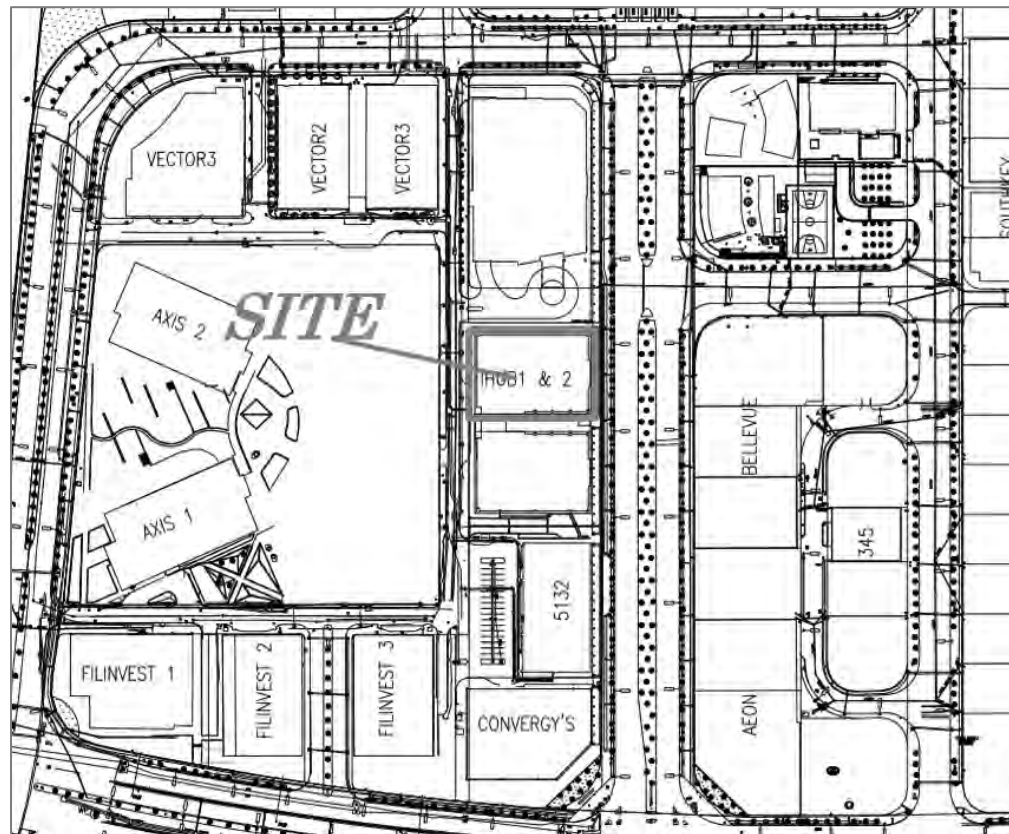


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 9 office floors with an aggregate leasable area of 14,181 sq.m. and 84 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of iHub 2, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and iHub 2 for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **iHub 2** as of 31 March 2021 is:

**PESOS:
TWO BILLION
THREE HUNDRED THIRTY-FIVE MILLION
FIVE HUNDRED SEVENTY THOUSAND ONLY**
(In Words)

PHP2,335,570,000.00
(In Figures)

9 Valuation Date

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.

iHUB2

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%
Depreciation and Amortization	%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
Taxes and Licenses	%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	90,917,758	127,284,861	133,649,104	140,331,559	144,271,428	151,485,000
Parking	PHP	2,177,100	3,047,940	3,200,337	3,360,354	3,528,372	3,704,790
Rent Revenue	PHP	93,094,858	130,332,801	136,849,441	143,691,913	147,799,800	155,189,790
Less: Operating expenses	PHP						
Rental expense	PHP	8,060,068	11,284,095	11,848,300	12,440,715	12,796,372	13,436,191
Depreciation and Amortization	PHP	8,054,384	11,276,138	11,839,944	12,431,942	12,787,348	13,426,715
Taxes and Licenses	PHP	164,098	229,737	241,224	253,285	260,526	273,553
Manpower Cost	PHP	1,340,215	1,876,301	1,970,116	2,068,621	2,127,759	2,234,147
Other expenses	PHP	5,233	7,326	7,692	8,077	8,308	8,723
Total OPEX	PHP	17,623,998	24,673,597	25,907,277	27,202,640	27,980,314	29,379,329
NET INCOME	PHP	75,470,860	105,659,204	110,942,164	116,489,273	119,819,486	125,810,460
Add: Depreciation	PHP	8,054,384	11,276,138	11,839,944	12,431,942	12,787,348	13,426,715
NET CASH FLOWS	PHP	83,525,244	116,935,342	122,782,109	128,921,214	132,606,834	139,237,176
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	78,346,178	100,711,548	97,096,145	93,610,530	88,409,644	85,235,863
Net present value (NPV)	PHP	2,335,565,759					
Rounded to:	PHP	2,335,570,000					

ANNEX A

FILINVEST LAND, INC.

iHUB2

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	8.66%	8.66%	8.66%	8.66%	
Depreciation and Amortization	%	8.65%	8.65%	8.65%	8.65%	
Taxes and Licenses	%	0.18%	0.18%	0.18%	0.18%	
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	159,059,250	167,012,212	175,362,823	184,130,964	
Parking	PHP	3,890,030	4,084,531	4,288,758	4,503,196	
Rent Revenue	PHP	162,949,279	171,096,743	179,651,580	188,634,159	
Less: Operating expenses						
Rental expense	PHP	14,108,000	14,813,400	15,554,070	16,331,774	
Depreciation and Amortization	PHP	14,098,051	14,802,954	15,543,101	16,320,256	
Taxes and Licenses	PHP	287,230	301,592	316,672	332,505	
Manpower Cost	PHP	2,345,855	2,463,148	2,586,305	2,715,620	
Other expenses	PHP	9,159	9,617	10,098	10,603	
Total OPEX	PHP	30,848,296	32,390,711	34,010,246	35,710,759	
NET INCOME	PHP	132,100,983	138,706,033	145,641,334	152,923,401	
Add: Depreciation	PHP	14,098,051	14,802,954	15,543,101	16,320,256	
NET CASH FLOWS	PHP	146,199,035	153,508,986	161,184,436	169,243,657	
Terminal Value	PHP					3,403,107,241
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	82,176,015	79,226,012	76,381,910	73,639,907	1,480,732,006
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of iHub 1 Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.11 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.11**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of **iHub 1** (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the **iHub 1** located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of **market value**.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **iHub 1** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED FORTY-NINE MILLION
TWENTY THOUSAND ONLY**
(In Words)

PHP1,449,020,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
Q3 2019 and Q3 2020
At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“IHub 1 Building” is a Grade A, PEZA Certified, purely office, 6-storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floors are utilized as BPO Offices, the basement as parking levels and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, three (3) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 9,480 sq.m. The building was completed and operational in the Year 2008.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, tempered glass on aluminum frame awning type windows, and tempered glass on aluminum frame, wood panel and steel panel doors. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located on the west side of North Bridgeway Avenue across The Bellevue Hotel and is around 130 meters north from the junction of Alabang – Zapote Road and North Bridgeway Street in the vicinity of Wilcon Depot, about 550 meters north from Festival Supermall Alabang and approximately 1.0 kilometer east from Alabang Town Center.

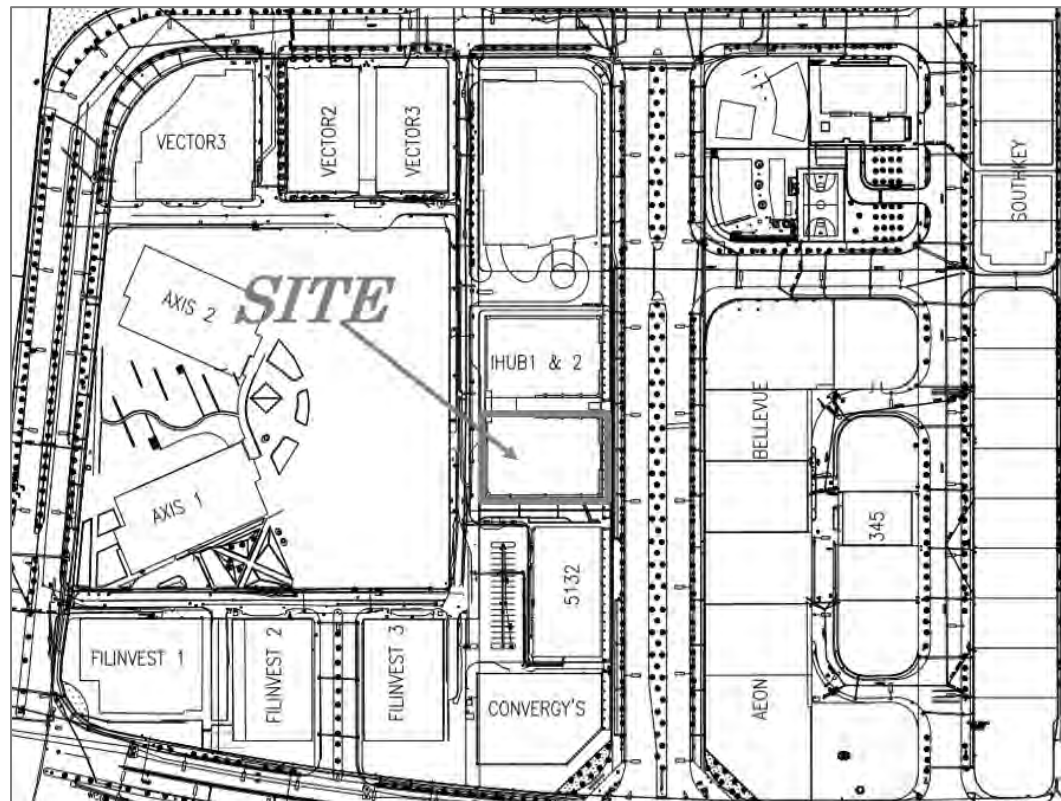


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 6 office floors with an aggregate leasable area of 9,480 sq.m. and 46 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 70.68% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of iHub 1, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and iHub 1 for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10-year or 20-year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **iHub 1** as of 31 March 2021 is:

**PESOS:
ONE BILLION
FOUR HUNDRED FORTY-NINE MILLION
TWENTY THOUSAND ONLY**
(In Words)

PHP1,449,020,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.

iHUB1

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	17.69%	17.69%	17.69%	17.69%	17.69%	17.69%
Depreciation and Amortization	%	14.68%	14.68%	14.68%	14.68%	14.68%	14.68%
Taxes and Licenses	%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%
Manpower Cost	%	1.76%	1.76%	1.76%	1.76%	1.76%	1.76%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office - occupied	PHP	45,282,461	62,957,489	65,342,695	67,110,128	70,465,634	73,988,916
Office - vacant (soon to be leased out)	PHP	12,505,905	26,262,401	27,575,521	28,954,297	30,402,011	31,922,112
Parking	PHP	2,177,100	3,047,940	3,200,337	3,360,354	3,528,372	3,704,790
Rent Revenue	PHP	59,965,466	92,267,829	96,118,553	99,424,778	104,396,017	109,615,818
Less: Operating expenses	PHP						
Rental expense	PHP	10,607,500	16,321,577	17,002,745	17,587,594	18,466,974	19,390,323
Depreciation and Amortization	PHP	8,805,082	13,548,228	14,113,652	14,599,125	15,329,081	16,095,535
Taxes and Licenses	PHP	852,797	1,312,184	1,366,947	1,413,966	1,484,664	1,558,897
Manpower Cost	PHP	1,055,967	1,624,799	1,692,608	1,750,830	1,838,371	1,930,290
Other expenses	PHP	6,798	10,460	10,896	11,271	11,834	12,426
Total OPEX	PHP	21,328,144	32,817,247	34,186,848	35,362,786	37,130,925	38,987,471
NET INCOME	PHP	38,637,323	59,450,583	61,931,704	64,061,992	67,265,092	70,628,346
Add: Depreciation	PHP	8,805,082	13,548,228	14,113,652	14,599,125	15,329,081	16,095,535
NET CASH FLOWS	PHP	47,442,405	72,998,811	76,045,357	78,661,117	82,594,173	86,723,881
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	44,500,691	62,870,840	60,136,701	57,116,348	55,065,951	53,089,161
Net present value (NPV)	PHP	1,449,024,049					
Rounded to:	PHP	1,449,020,000					

ANNEX A

FILINVEST LAND, INC.

iHUB1

DISCOUNTED CASH FLOW

as of the date indicated

ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	17.69%	17.69%	17.69%	17.69%	
Depreciation and Amortization	%	14.68%	14.68%	14.68%	14.68%	
Taxes and Licenses	%	1.42%	1.42%	1.42%	1.42%	
Manpower Cost	%	1.76%	1.76%	1.76%	1.76%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office - occupied	PHP	77,688,361	81,572,779	85,651,418	89,933,989	
Office - vacant (soon to be leased out)	PHP	33,518,218	35,194,128	36,953,835	38,801,527	
Parking	PHP	3,890,030	4,084,531	4,288,758	4,503,196	
Rent Revenue	PHP	115,096,609	120,851,439	126,894,011	133,238,711	
Less: Operating expenses	PHP					
Rental expense	PHP	20,359,839	21,377,831	22,446,723	23,569,059	
Depreciation and Amortization	PHP	16,900,312	17,745,327	18,632,594	19,564,224	
Taxes and Licenses	PHP	1,636,842	1,718,684	1,804,619	1,894,850	
Manpower Cost	PHP	2,026,804	2,128,144	2,234,552	2,346,279	
Other expenses	PHP	13,047	13,700	14,385	15,104	
Total OPEX	PHP	40,936,845	42,983,687	45,132,871	47,389,515	
NET INCOME	PHP	74,159,764	77,867,752	81,761,139	85,849,196	
Add: Depreciation	PHP	16,900,312	17,745,327	18,632,594	19,564,224	
NET CASH FLOWS	PHP	91,060,076	95,613,079	100,393,733	105,413,420	
Terminal Value	PHP					2,119,625,506
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	51,183,335	49,345,925	47,574,476	45,866,619	922,274,000
Net present value (NPV)	PHP					
Rounded to:						
	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Vector One Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.12 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.12**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Vector One* (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Vector One* located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector One** as of 31 March 2021 is:

**PESOS:
TWO BILLION
SEVEN HUNDRED SIXTY-EIGHT MILLION
EIGHT HUNDRED FORTY THOUSAND ONLY**
(In Words)


PHP2,768,840,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.



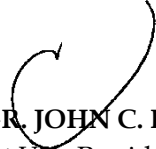
ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Vector One Building” is a Grade A, PEZA Certified, purely office, fourteen (14) storey with roof deck level, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground and 5th up to the 14th floor is utilized as BPO Offices, while the 2nd to 4th floors as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger and one (1) service elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 17,764 sq.m. The building was completed and operational in the Year 2011.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southwest corner of Northgate Avenue and an unnamed street and is about 430 meters northwest from the intersection of Alabang-Zapote Road and Bridgeway Avenue, around 850 meters north from Festival Supermall Alabang and approximately 1.0 kilometer northwest from Alabang Town Center.

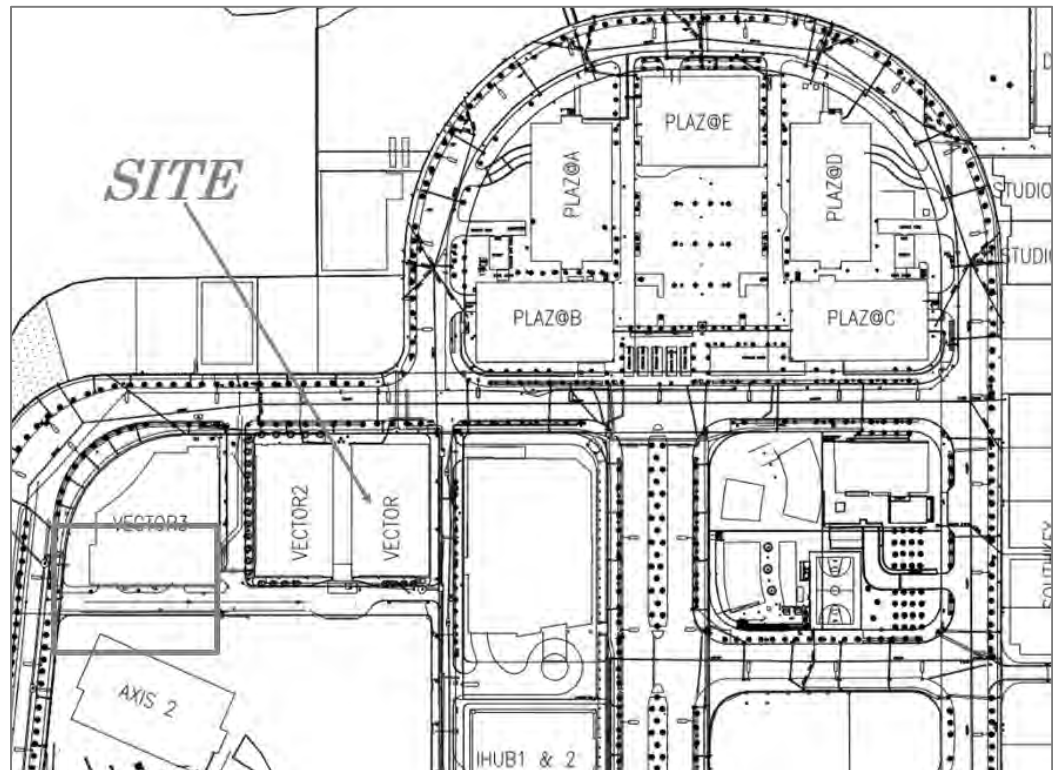


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 11 office floors with an aggregate leasable area of 17,764 sq.m. and 166 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Vector One, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Vector One for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/ Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio is at 15/85.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector One** as of 31 March 2021 is:

**PESOS:
TWO BILLION
SEVEN HUNDRED SIXTY-EIGHT MILLION
EIGHT HUNDRED FORTY THOUSAND ONLY**
(In Words)

PHP2,768,840,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 VECTOR ONE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS**

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	10.68%	10.68%	10.68%	10.68%	10.68%	10.68%
Depreciation and Amortization	%	11.90%	11.90%	11.90%	11.90%	11.90%	11.90%
Taxes and Licenses	%	1.21%	1.21%	1.21%	1.21%	1.21%	1.21%
Manpower Cost	%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Other expenses	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	108,847,050	148,535,874	155,962,668	163,760,801	171,948,841	180,546,283
Parking	PHP	6,118,956	8,566,538	8,994,865	9,444,609	9,916,839	10,412,681
Rent Revenue	PHP	114,966,006	157,102,412	164,957,533	173,205,410	181,865,680	190,958,964
Less: Operating expenses	PHP						
Rental expense	PHP	12,282,972	16,784,827	17,624,068	18,505,271	19,430,535	20,402,062
Depreciation and Amortization	PHP	13,677,769	18,690,834	19,625,375	20,606,644	21,636,976	22,718,825
Taxes and Licenses	PHP	1,392,171	1,902,418	1,997,539	2,097,416	2,202,287	2,312,401
Manpower Cost	PHP	1,665,265	2,275,604	2,389,384	2,508,853	2,634,296	2,766,011
Other expenses	PHP	6,021	8,227	8,639	9,070	9,524	10,000
Total OPEX	PHP	29,024,197	39,661,910	41,645,005	43,727,255	45,913,618	48,209,299
NET INCOME	PHP	85,941,809	117,440,503	123,312,528	129,478,154	135,952,062	142,749,665
Add: Depreciation	PHP	13,677,769	18,690,834	19,625,375	20,606,644	21,636,976	22,718,825
NET CASH FLOWS	PHP	99,619,578	136,131,337	142,937,903	150,084,799	157,589,039	165,468,491
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	93,442,568	117,244,260	113,035,356	108,977,546	105,065,406	101,293,706
Net present value (NPV)	PHP	2,768,844,380					
Rounded to:	PHP	2,768,840,000					

ANNEX A

FILINVEST LAND, INC.
 VECTOR ONE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	10.68%	10.68%	10.68%	10.68%	
Depreciation and Amortization	%	11.90%	11.90%	11.90%	11.90%	
Taxes and Licenses	%	1.21%	1.21%	1.21%	1.21%	
Manpower Cost	%	1.45%	1.45%	1.45%	1.45%	
Other expenses	%	0.01%	0.01%	0.01%	0.01%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	189,573,597	199,052,277	209,004,891	219,455,136	
Parking	PHP	10,933,315	11,479,981	12,053,980	12,656,679	
Rent Revenue	PHP	200,506,912	210,532,258	221,058,871	232,111,814	
Less: Operating expenses						
Rental expense	PHP	21,422,165	22,493,273	23,617,937	24,798,833	
Depreciation and Amortization	PHP	23,854,767	25,047,505	26,299,880	27,614,874	
Taxes and Licenses	PHP	2,428,021	2,549,422	2,676,893	2,810,738	
Manpower Cost	PHP	2,904,311	3,049,527	3,202,003	3,362,104	
Other expenses	PHP	10,500	11,025	11,576	12,155	
Total OPEX	PHP	50,619,764	53,150,752	55,808,290	58,598,704	
NET INCOME	PHP	149,887,149	157,381,506	165,250,581	173,513,110	
Add: Depreciation	PHP	23,854,767	25,047,505	26,299,880	27,614,874	
NET CASH FLOWS	PHP	173,741,915	182,429,011	191,550,461	201,127,984	
Terminal Value	PHP					4,044,228,959
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	97,657,405	94,151,641	90,771,730	87,513,153	1,759,691,609
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Vector Two Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.13 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.13**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Vector Two* (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Vector Two* located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector Two** as of 31 March 2021 is:

**PESOS:
THREE BILLION
ONE HUNDRED THIRTY-FOUR MILLION
ONE HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP3,134,130,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

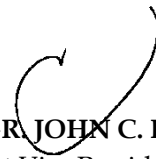

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Vector Two Building” is a Grade A, PEZA Certified, purely office, fourteen (14) storey with roof deck level, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground and 5th up to the 14th floor is utilized as BPO Offices, while the 2nd to 4th floors as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, two (2) passenger and one (1) service elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 17,889 sq.m. The building was completed and operational in the Year 2014.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located on the south side of Northgate Avenue and is about 460 meters northwest from the intersection of Alabang-Zapote Road and Bridgeway Avenue, around 880 meters north from Festival Supermall Alabang and approximately 1.03 kilometers northwest from Alabang Town Center.

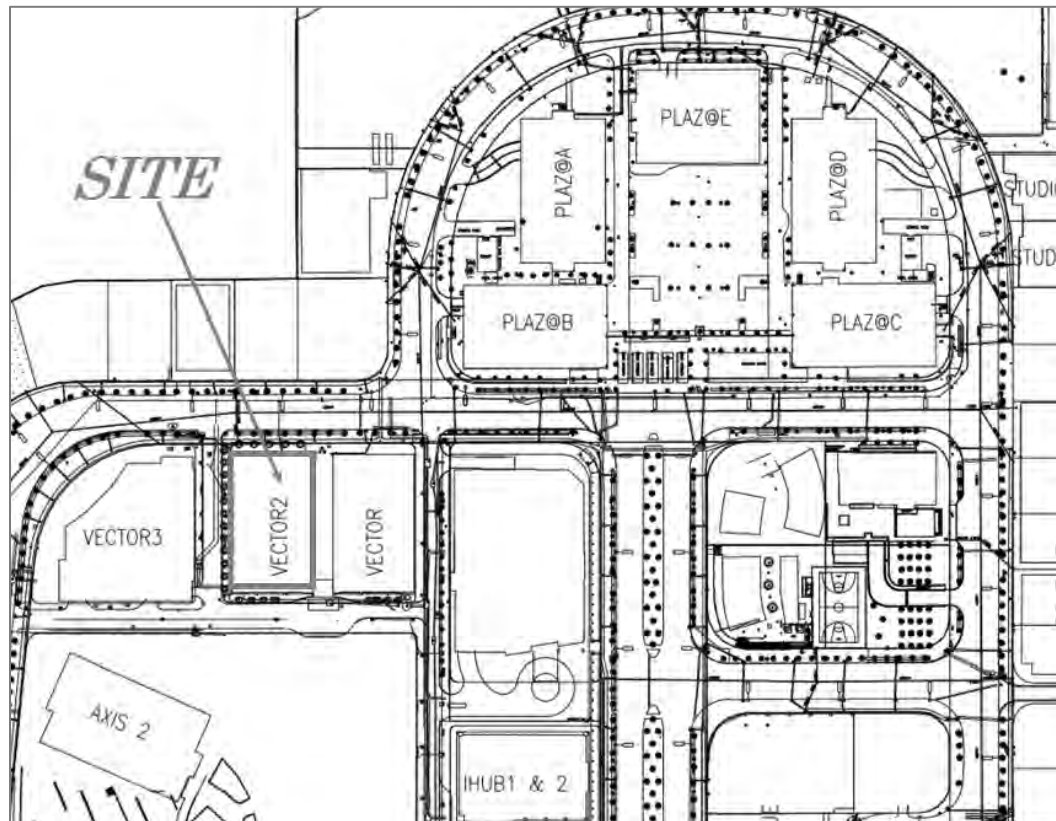


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 14 office floors with an aggregate leasable area of 17,889 sq.m. and 153 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Vector Two, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Vector Two for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector Two** as of 31 March 2021 is:

**PESOS:
THREE BILLION
ONE HUNDRED THIRTY-FOUR MILLION
ONE HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP3,134,130,000.00
(In Figures)

9 Valuation Date

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 VECTOR TWO
 DISCOUNTED CASH FLOW**
 as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	9.81%	9.81%	9.81%	9.81%	9.81%	9.81%
Depreciation and Amortization	%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%
Taxes and Licenses	%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
Other expenses	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	122,646,778	167,303,979	174,893,128	182,814,463	191,955,186	201,552,945
Parking	PHP	6,085,328	8,519,459	8,945,431	9,392,703	9,862,338	10,355,455
Rent Revenue	PHP	128,732,106	175,823,437	183,838,559	192,207,166	201,817,524	211,908,400
Less: Operating expenses							
Rental expense	PHP	12,629,105	17,248,942	18,035,256	18,856,247	19,799,060	20,789,013
Depreciation and Amortization	PHP	16,523,266	22,567,621	23,596,393	24,670,536	25,904,063	27,199,266
Taxes and Licenses	PHP	555,844	759,177	793,785	829,919	871,415	914,986
Manpower Cost	PHP	1,855,543	2,534,317	2,649,847	2,770,472	2,908,995	3,054,445
Other expenses	PHP	5,632	7,693	8,043	8,409	8,830	9,271
Total OPEX	PHP	31,569,390	43,117,750	45,083,324	47,135,584	49,492,364	51,966,982
NET INCOME	PHP	97,162,715	132,705,688	138,755,235	145,071,581	152,325,160	159,941,418
Add: Depreciation	PHP	16,523,266	22,567,621	23,596,393	24,670,536	25,904,063	27,199,266
NET CASH FLOWS	PHP	113,685,981	155,273,309	162,351,628	169,742,118	178,229,224	187,140,685
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	106,636,769	133,730,445	128,387,739	123,250,853	118,826,321	114,560,624
Net present value (NPV)	PHP	3,134,126,418					
Rounded to:	PHP	3,134,130,000					

ANNEX A

**FILINVEST LAND, INC.
 VECTOR TWO
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS**

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	9.81%	9.81%	9.81%	9.81%	
Depreciation and Amortization	%	12.84%	12.84%	12.84%	12.84%	
Taxes and Licenses	%	0.43%	0.43%	0.43%	0.43%	
Manpower Cost	%	1.44%	1.44%	1.44%	1.44%	
Other expenses	%	0.00%	0.00%	0.00%	0.00%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	211,630,592	222,212,122	233,322,728	244,988,864	
Parking	PHP	10,873,228	11,416,889	11,987,734	12,587,120	
Rent Revenue	PHP	222,503,820	233,629,011	245,310,462	257,575,985	
Less: Operating expenses						
Rental expense	PHP	21,828,463	22,919,887	24,065,881	25,269,175	
Depreciation and Amortization	PHP	28,559,230	29,987,191	31,486,551	33,060,878	
Taxes and Licenses	PHP	960,736	1,008,772	1,059,211	1,112,171	
Manpower Cost	PHP	3,207,167	3,367,526	3,535,902	3,712,697	
Other expenses	PHP	9,735	10,222	10,733	11,270	
Total OPEX	PHP	54,565,331	57,293,597	60,158,277	63,166,191	
NET INCOME	PHP	167,938,489	176,335,414	185,152,185	194,409,794	
Add: Depreciation	PHP	28,559,230	29,987,191	31,486,551	33,060,878	
NET CASH FLOWS	PHP	196,497,719	206,322,605	216,638,735	227,470,672	
Terminal Value	PHP					4,573,920,837
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	110,448,059	106,483,129	102,660,535	98,975,166	1,990,166,778
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Vector Three Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.14 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.14**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Vector Three* (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Vector Three* located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector Three** as of 31 March 2021 is:

**PESOS:
SIX BILLION
FIFTY-THREE MILLION
ONE HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP6,053,130,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Vector Three Building” is a Grade A, PEZA and LEED Gold Certified, purely office, twenty-two (22) storey with roof deck level, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground and 8th to 22nd Floor is utilized as BPO Offices, while the 2nd to 7th floors as parking areas and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, eight (8) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 36,345 sq.m. The building was completed and operational in the Year 2017.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southeast corner of Northgate and Filinvest Avenues, and is about 230 meters northwest from the intersection of Alabang-Zapote Road and Filinvest Avenue, around 810 meters northeast from Alabang Town Center, and approximately 915 meters northwest from Festival Supermall Alabang.

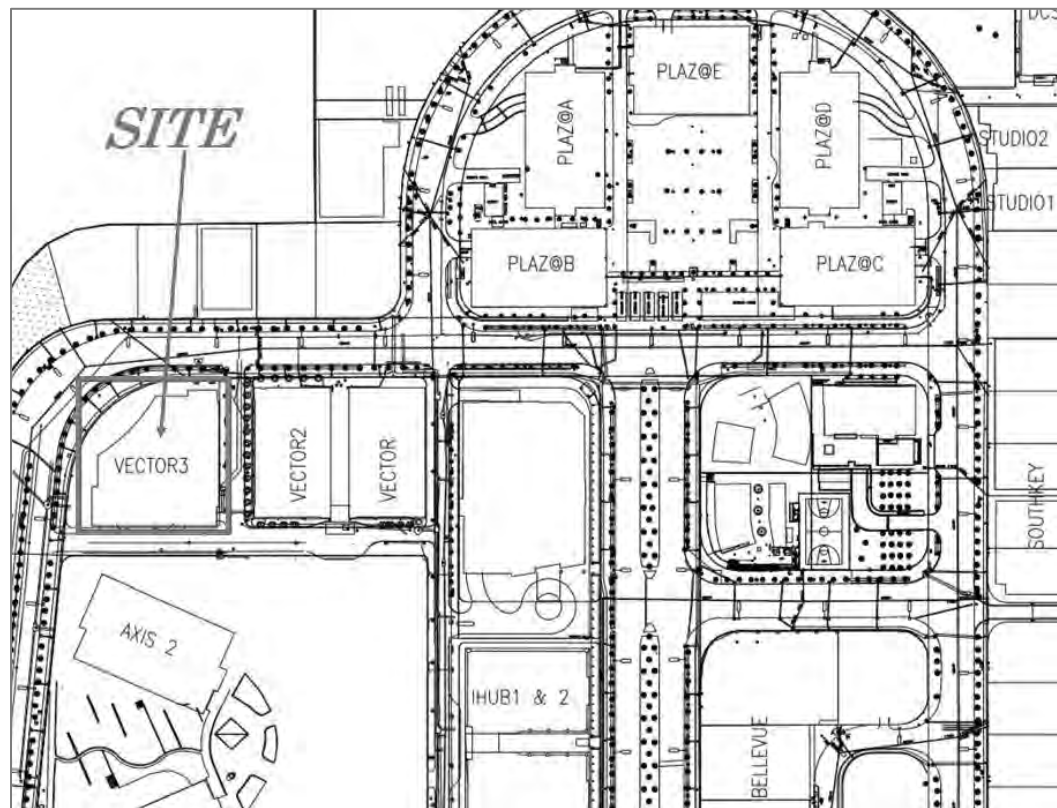


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 16 office floors with an aggregate leasable area of 36,345 sq.m. and 365 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 68.27% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Vector Three, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Vector Three for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/ Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10-year or 20-year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Vector Three** as of 31 March 2021 is:

**PESOS:
SIX BILLION
FIFTY-THREE MILLION
ONE HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP6,053,130,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 VECTOR THREE
 DISCOUNTED CASH FLOW**
 as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	12.52%	12.52%	12.52%	12.52%	12.52%	12.52%
Depreciation and Amortization	%	20.97%	20.97%	20.97%	20.97%	20.97%	20.97%
Taxes and Licenses	%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%
Manpower Cost	%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Other expenses	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FREE CASH FLOWS							
Rental Income:							
Office - occupied	PHP	171,206,051	237,605,914	247,103,282	259,458,446	272,431,369	286,052,937
Office - vacant (soon to be leased out)	PHP	51,894,000	108,977,400	114,426,270	120,147,584	126,154,963	132,462,711
Parking	PHP	14,337,230	20,072,121	21,075,727	22,129,514	23,235,989	24,397,789
Rent Revenue	PHP	237,437,281	366,655,435	382,605,279	401,735,543	421,822,321	442,913,437
Less: Operating expenses							
Rental expense	PHP	29,729,291	45,908,571	47,905,635	50,300,917	52,815,963	55,456,761
Depreciation and Amortization	PHP	49,792,985	76,891,330	80,236,173	84,247,982	88,460,381	92,883,400
Taxes and Licenses	PHP	9,000,878	13,899,338	14,503,972	15,229,170	15,990,629	16,790,160
Manpower Cost	PHP	4,111,224	6,348,635	6,624,806	6,956,047	7,303,849	7,669,042
Other expenses	PHP	5,631	8,696	9,074	9,528	10,005	10,505
Total OPEX	PHP	92,640,010	143,056,570	149,279,661	156,743,644	164,580,827	172,809,868
NET INCOME	PHP	144,797,271	223,598,864	233,325,618	244,991,899	257,241,494	270,103,569
Add: Depreciation	PHP	49,792,985	76,891,330	80,236,173	84,247,982	88,460,381	92,883,400
NET CASH FLOWS	PHP	194,590,255	300,490,195	313,561,791	329,239,881	345,701,875	362,986,969
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	182,524,494	258,799,711	247,964,802	239,063,214	230,481,182	222,207,232
Net present value (NPV)	PHP	6,053,134,967					
Rounded to:	PHP	6,053,130,000					

ANNEX A

FILINVEST LAND, INC.
 VECTOR THREE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	12.52%	12.52%	12.52%	12.52%	
Depreciation and Amortization	%	20.97%	20.97%	20.97%	20.97%	
Taxes and Licenses	%	3.79%	3.79%	3.79%	3.79%	
Manpower Cost	%	1.73%	1.73%	1.73%	1.73%	
Other expenses	%	0.00%	0.00%	0.00%	0.00%	
FREE CASH FLOWS						
Rental Income:						
Office - occupied	PHP	300,355,584	315,373,363	331,142,031	347,699,133	
Office - vacant (soon to be leased out)	PHP	139,085,846	146,040,139	153,342,146	161,009,253	
Parking	PHP	25,617,678	26,898,562	28,243,490	29,655,665	
Rent Revenue	PHP	465,059,108	488,312,064	512,727,667	538,364,050	
Less: Operating expenses						
Rental expense	PHP	58,229,599	61,141,079	64,198,133	67,408,040	
Depreciation and Amortization	PHP	97,527,570	102,403,949	107,524,146	112,900,353	
Taxes and Licenses	PHP	17,629,668	18,511,152	19,436,709	20,408,545	
Manpower Cost	PHP	8,052,494	8,455,118	8,877,874	9,321,768	
Other expenses	PHP	11,030	11,582	12,161	12,769	
Total OPEX	PHP	181,450,361	190,522,879	200,049,023	210,051,474	
NET INCOME	PHP	283,608,747	297,789,185	312,678,644	328,312,576	
Add: Depreciation	PHP	97,527,570	102,403,949	107,524,146	112,900,353	
NET CASH FLOWS	PHP	381,136,317	400,193,133	420,202,790	441,212,929	
Terminal Value	PHP					8,871,794,301
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	214,230,305	206,539,739	199,125,253	191,976,937	3,860,222,097
Net present value (NPV)	PHP					
Rounded to:						
	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Filinvest Axis Tower One

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.15 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.15**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Filinvest Axis Tower One* (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Filinvest Axis Tower One* located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Filinvest Axis Tower One** as of 31 March 2021 is:

**PESOS:
SIX BILLION
FOUR HUNDRED FORTY-TWO MILLION
TEN THOUSAND ONLY**
(In Words)

PHP6,442,010,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

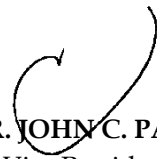

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Filinvest Axis Tower One” is a Grade A, PEZA and LEED Gold Certified, mainly office, twenty-five (25) storey with three basement and roof deck levels, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground is utilized as 8 retail units, the 3 basement levels and 2nd to 6th floors are parking levels and the 7th to 25th floors as BPO Offices, and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, eight (8) passenger and one (1) service elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 40,869.49 sq.m. of which 1,529.04 sq.m. is for retail space. The building was completed and operational in the Year 2018.



Figure 1: Building Façade

6.2 Description of Leasable Units

Retail Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tiles on concrete slab, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame and wood panel doors. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southeast corner of Northgate and Filinvest Avenues, and is about 230 meters northwest from the intersection of Alabang-Zapote Road and Filinvest Avenue, around 810 meters northeast from Alabang Town Center, and approximately 915 meters northwest from Festival Supermall Alabang

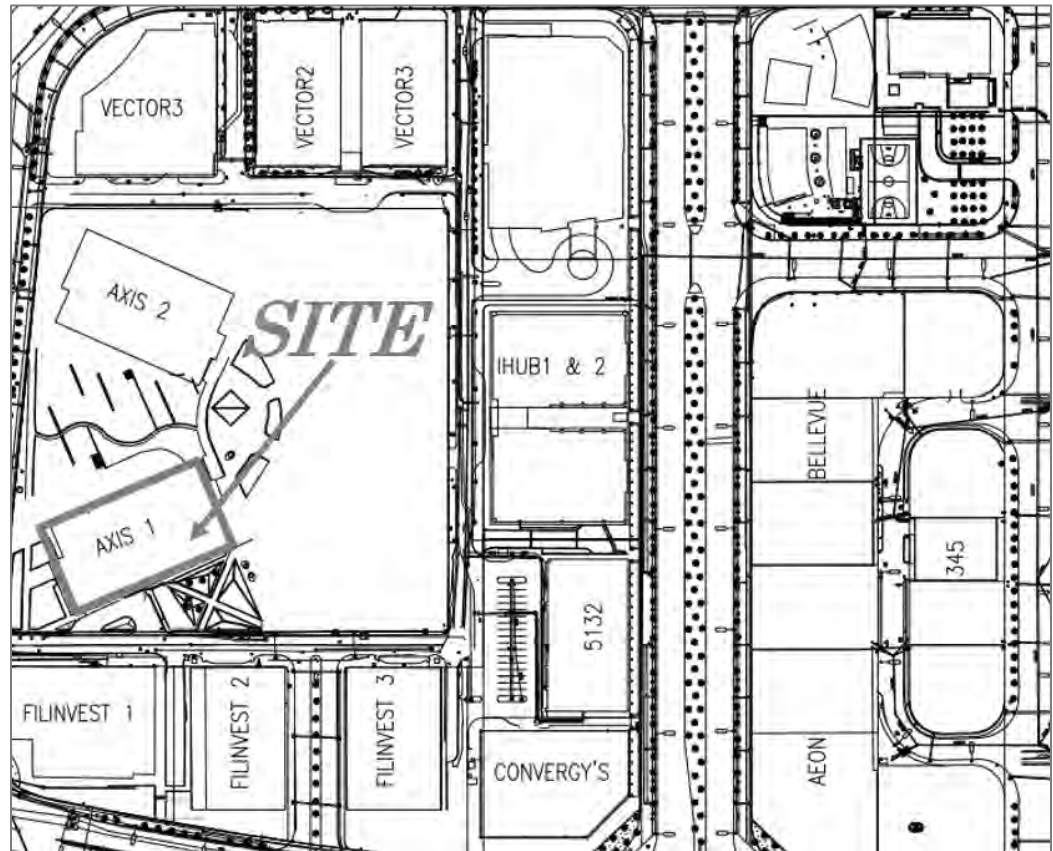


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 18 office floors with an aggregate leasable area of 39,340.45 sq.m., retail area of approximately 1,529.04 sq.m. and 460 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 89.57% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Filinvest Axis Tower One, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Filinvest Axis Tower One for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/ Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Filinvest Axis Tower One** as of 31 March 2021 is:

**PESOS:
SIX BILLION
FOUR HUNDRED FORTY-TWO MILLION
TEN THOUSAND ONLY**
(In Words)

PHP6,442,010,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 FILINVEST AXIS TOWER ONE
 DISCOUNTED CASH FLOW**

as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026	2027
Rental expense	%	15.82%	15.82%	15.82%	15.82%	15.82%	15.82%	15.82%
Depreciation and Amortization	%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%
Taxes and Licenses	%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Manpower Cost	%	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%
Service and Management Fees	%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%
Pension expenses	%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Other expenses	%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%	1.46%
FREE CASH FLOWS								
Rental Income:								
Office-occupied	PHP	236,010,361	325,910,964	334,417,657	345,626,768	362,908,107	381,053,512	400,106,188
Office-vacant (soon to be leased out)	PHP	18,632,925	39,129,142	41,085,600	43,139,880	45,296,874	47,561,717	49,939,803
Retail	PHP	14,954,123	20,611,850	22,015,829	23,231,348	24,902,308	26,835,723	28,929,013
Parking	PHP	14,145,000	23,763,600	24,951,780	26,199,369	27,509,337	28,884,804	30,329,045
Rent Revenue	PHP	283,742,409	409,415,557	422,470,866	438,197,365	460,616,626	484,335,757	509,304,049
Less: Operating expenses	PHP							
Rental expense	PHP	44,891,524	64,774,555	66,840,065	69,328,190	72,875,191	76,627,848	80,578,138
Depreciation and Amortization	PHP	81,587,595	117,723,785	121,477,723	125,999,737	132,446,195	139,266,419	146,445,829
Taxes and Licenses	PHP	4,904,638	7,076,964	7,302,632	7,574,473	7,962,002	8,372,000	8,803,590
Manpower Cost	PHP	4,057,653	5,854,839	6,041,536	6,266,433	6,587,039	6,926,234	7,283,293
Service and Management Fees	PHP	836,198	1,206,561	1,245,035	1,291,382	1,357,452	1,427,353	1,500,935
Pension expenses	PHP	505,680	729,653	752,920	780,947	820,902	863,174	907,672
Other expenses	PHP	4,131,328	5,961,146	6,151,233	6,380,213	6,706,640	7,051,994	7,415,536
Total OPEX	PHP	140,914,615	203,327,503	209,811,144	217,621,375	228,755,422	240,535,023	252,934,992
NET INCOME	PHP	142,827,794	206,088,053	212,659,722	220,575,991	231,861,204	243,800,734	256,369,056
Add: Depreciation	PHP	81,587,595	117,723,785	121,477,723	125,999,737	132,446,195	139,266,419	146,445,829
NET CASH FLOWS	PHP	224,415,389	323,811,839	334,137,445	346,575,728	364,307,399	383,067,154	402,814,885
Terminal Value	PHP							
NET PRESENT VALUE								
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500	6.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122	0.5621
Present value	PHP	210,500,290	278,885,673	264,236,037	251,650,885	242,885,578	234,499,581	226,415,463
Net present value (NPV)	PHP	6,442,008,392						
Rounded to:	PHP	6,442,010,000						

ANNEX A

**FILINVEST LAND, INC.
 FILINVEST AXIS TOWER ONE
 DISCOUNTED CASH FLOW**

as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2028	2029	2030	Terminal Value
Rental expense	%	15.82%	15.82%	15.82%	
Depreciation and Amortization	%	28.75%	28.75%	28.75%	
Taxes and Licenses	%	1.73%	1.73%	1.73%	
Manpower Cost	%	1.43%	1.43%	1.43%	
Service and Management Fees	%	0.29%	0.29%	0.29%	
Pension expenses	%	0.18%	0.18%	0.18%	
Other expenses	%	1.46%	1.46%	1.46%	
FREE CASH FLOWS					
Rental Income:					
Office-occupied	PHP	420,111,497	441,117,072	463,172,926	
Office-vacant (soon to be leased out)	PHP	52,436,793	55,058,633	57,811,565	
Retail	PHP	31,196,098	33,652,158	36,313,755	
Parking	PHP	31,845,497	33,437,772	35,109,660	
Rent Revenue	PHP	535,589,885	563,265,635	592,407,906	
Less: Operating expenses					
Rental expense	PHP	84,736,879	89,115,522	93,726,186	
Depreciation and Amortization	PHP	154,004,086	161,962,001	170,341,600	
Taxes and Licenses	PHP	9,257,954	9,736,344	10,240,084	
Manpower Cost	PHP	7,659,193	8,054,969	8,471,718	
Service and Management Fees	PHP	1,578,400	1,659,962	1,745,845	
Pension expenses	PHP	954,518	1,003,841	1,055,778	
Other expenses	PHP	7,798,261	8,201,224	8,625,539	
Total OPEX	PHP	265,989,292	279,733,863	294,206,750	
NET INCOME	PHP	269,600,593	283,531,772	298,201,156	
Add: Depreciation	PHP	154,004,086	161,962,001	170,341,600	
NET CASH FLOWS	PHP	423,604,679	445,493,773	468,542,756	9,421,335,315
Terminal Value	PHP				
NET PRESENT VALUE					
Period lapsed	years	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5161	0.4739	0.4351	0.4351
Present value	PHP	218,622,442	211,110,118	203,868,467	4,099,333,859
Net present value (NPV)	PHP				
Rounded to:					
	PHP				

VALUATION REPORT

presented to

FILINVEST LAND, INC.

Valuation of Capital One Building

Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City,
Metropolitan Manila

BCG21-C10702-001.16 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.16**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Capital One* (the "PROPERTY") located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Capital One* located at Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, Metropolitan Manila.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Capital One** as of 31 March 2021 is:

**PESOS:
TWO BILLION
NINE HUNDRED NINETY-SEVEN MILLION
EIGHT HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP2,997,830,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of **the PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Capital One Building” is a Grade A, PEZA Certified, purely office, five (5) storey with basement and roof deck levels reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground to 6th floor is utilized as BPO Offices, the basement as parking level and some utilities such as pump room and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, four (4) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 18,000 sq.m. The building was completed and operational in the Year 2005.



Figure 1: Building Façade

6.2 Description of Leasable Units

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the southeast corner of North Bridgeway and Northgate Avenues and is about 250 meters north from the intersection of Alabang – Zapote Road and Northgate Avenue, around 650 meters north from the Festival Supermall Alabang and 1.05 kilometers northeast from Alabang Town Center.

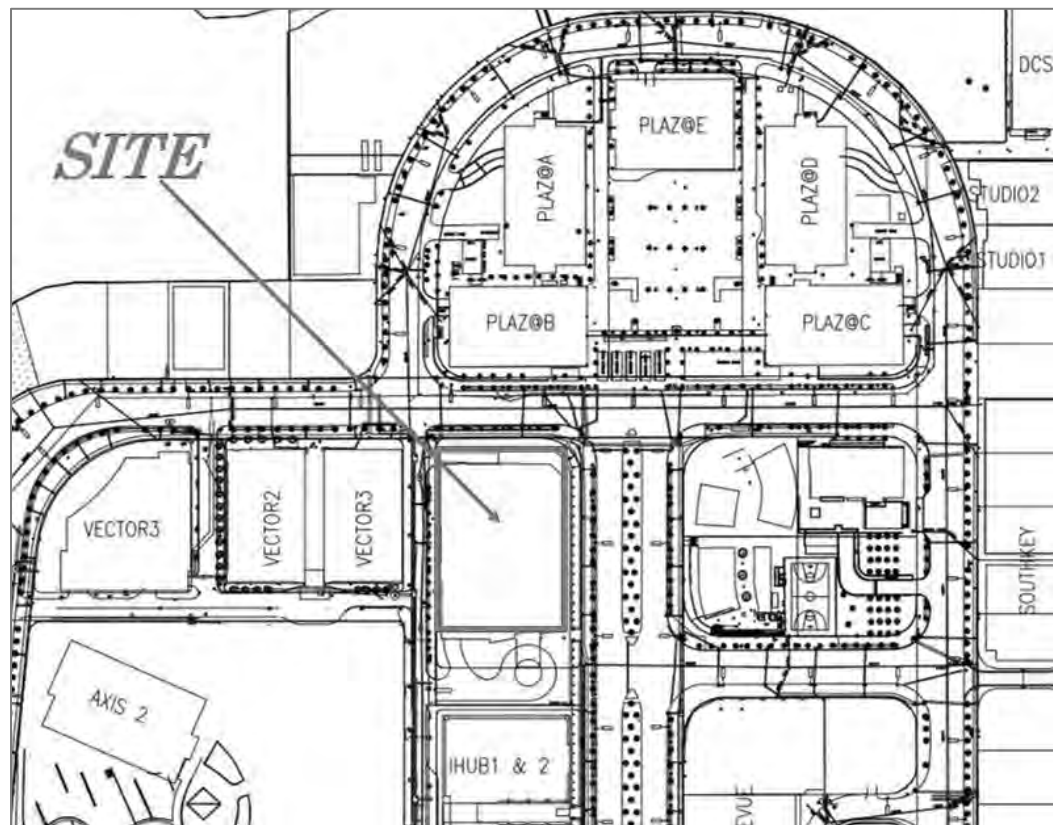


Figure 2: Location Plan

6.3 Property Ownership

The CLIENT owned the land and leased to Cyberzone Properties, Inc. for 50 years starting February 11, 2021 to February 10, 2071. Term of lease is renewable for another 25 years. The building was owned by Cyberzone Properties, Inc.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of 5 office floors with an aggregate leasable area of 18,000 sq.m. and 93 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

- a. It is the absolute and legal owner of Capital One, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
- b. The Leased Land has been zoned for commercial use and the use of the land and Capital One for commercial purposes is expressly allowed under the applicable zoning regulations; and
- c. Unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

- a. Each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
- b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
- c. The execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any

law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

- d. There is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSOR shall maintain and repair the Building's exterior and interior public portions, common areas only, structure, foundation, exterior glazing, roof, plumbing, electrical, ventilating, air conditioning and other mechanical systems in the common areas in accordance with all government requirements and in the condition of a first class office building. In no event shall capital repairs or replacements be included in the Management/Association Dues paid by LESSEE.

6.7.2 Assignment of Tenant Contract

Upon thirty (30) days' prior written notice to the LESSOR, and without need of the LESSOR's prior consent, the LESSEE shall have the right to assign the Contract, or sublet all or any portion of the premises to (1) any entity resulting from a merger or consolidation with LESSEE; (2) any entity succeeding to the business and assets of LESSEE; and (3) any entity controlled by, controlling or under common control with LESSEE.

The LESSEE is required to submit to the LESSOR the Securities and Exchange Commission (SEC) documents of the SUB-LESSEE and company profile and proof of association of the SUB-LESSEE or assignee to the LESSEE.

LESSEE shall also have the right to assign or sublet all or any portion of the premises to unrelated third parties, subject to LESSOR's written approval, such consent shall not be unreasonably withheld, conditioned, or delayed. The LESSEE shall submit to the LESSOR the SEC documents of the 3rd party SUB-LESSEE or assignee.

The LESSEE shall always be directly and principally liable to the LESSOR notwithstanding the LESSEE's exercise of its right to assign or sublet the leased premises as aforementioned. The LESSEE shall submit to the LESSOR the SEC documents of the SUB-LESSEE or ASSIGNEE and proof of association of the SUB-LESSEE or ASSIGNEE to the LESSEE.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10-year or 20-year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 **Valuation Conclusion**

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Capital One** as of 31 March 2021 is:

**PESOS:
TWO BILLION
NINE HUNDRED NINETY-SEVEN MILLION
EIGHT HUNDRED THIRTY THOUSAND ONLY**
(In Words)

PHP2,997,830,000.00
(In Figures)

9 **Valuation Date**

This valuation is dated **31 March 2021**.

ANNEX A

FILINVEST LAND, INC.
 CAPITAL ONE
 DISCOUNTED CASH FLOW
 as of the date indicated
 ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Rental expense	%	13.45%	13.45%	13.45%	13.45%	13.45%	13.45%
Depreciation and Amortization	%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Taxes and Licenses	%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%
Manpower Cost	%	1.27%	1.27%	1.27%	1.27%	1.27%	1.27%
Other expenses	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	124,173,000	173,842,200	182,534,310	191,661,026	201,244,077	211,306,281
Parking	PHP	2,177,100	3,047,940	3,200,337	3,360,354	3,528,372	3,704,790
Rent Revenue	PHP	126,350,100	176,890,140	185,734,647	195,021,379	204,772,448	215,011,071
Less: Operating expenses	PHP						
Rental expense	PHP	16,998,687	23,798,162	24,988,070	26,237,474	27,549,348	28,926,815
Depreciation and Amortization	PHP	6,312,385	8,837,340	9,279,207	9,743,167	10,230,325	10,741,842
Taxes and Licenses	PHP	2,381,927	3,334,697	3,501,432	3,676,504	3,860,329	4,053,345
Manpower Cost	PHP	1,601,038	2,241,453	2,353,525	2,471,201	2,594,762	2,724,500
Other expenses	PHP	5,276	7,386	7,755	8,143	8,550	8,977
Total OPEX	PHP	27,299,312	38,219,037	40,129,989	42,136,489	44,243,313	46,455,479
NET INCOME	PHP	99,050,788	138,671,103	145,604,658	152,884,891	160,529,135	168,555,592
Add: Depreciation	PHP	6,312,385	8,837,340	9,279,207	9,743,167	10,230,325	10,741,842
NET CASH FLOWS	PHP	105,363,173	147,508,442	154,883,864	162,628,057	170,759,460	179,297,433
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	98,830,025	127,042,888	122,482,227	118,085,288	113,846,193	109,759,275
Net present value (NPV)	PHP	2,997,827,149					
Rounded to:	PHP	2,997,830,000					

ANNEX A

**FILINVEST LAND, INC.
 CAPITAL ONE
 DISCOUNTED CASH FLOW**
 as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Rental expense	%	13.45%	13.45%	13.45%	13.45%	
Depreciation and Amortization	%	5.00%	5.00%	5.00%	5.00%	
Taxes and Licenses	%	1.89%	1.89%	1.89%	1.89%	
Manpower Cost	%	1.27%	1.27%	1.27%	1.27%	
Other expenses	%	0.00%	0.00%	0.00%	0.00%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	221,871,595	232,965,174	244,613,433	256,844,105	
Parking	PHP	3,890,030	4,084,531	4,288,758	4,503,196	
Rent Revenue	PHP	225,761,624	237,049,705	248,902,191	261,347,300	
Less: Operating expenses	PHP					
Rental expense	PHP	30,373,156	31,891,814	33,486,404	35,160,725	
Depreciation and Amortization	PHP	11,278,934	11,842,880	12,435,024	13,056,776	
Taxes and Licenses	PHP	4,256,013	4,468,813	4,692,254	4,926,867	
Manpower Cost	PHP	2,860,725	3,003,761	3,153,949	3,311,646	
Other expenses	PHP	9,426	9,898	10,392	10,912	
Total OPEX	PHP	48,778,253	51,217,166	53,778,024	56,466,925	
NET INCOME	PHP	176,983,371	185,832,540	195,124,167	204,880,375	
Add: Depreciation	PHP	11,278,934	11,842,880	12,435,024	13,056,776	
NET CASH FLOWS	PHP	188,262,305	197,675,420	207,559,191	217,937,151	
Terminal Value	PHP					4,382,223,286
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	105,819,071	102,020,316	98,357,930	94,827,019	1,906,756,918
Net present value (NPV)	PHP					
Rounded to:	PHP					

VALUATION REPORT

presented to

FILINVEST LAND, INC.

**Valuation of Filinvest Cyberzone
Cebu Tower One**

W. Geonzon Avenue, Cebu I.T. Park,

Barangay Lahug, Cebu City

BCG21-C10702-001.17 | As of 31 March 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

18 May 2021

FILINVEST LAND, INC.

No. 79 Epifanio Delos Santos Avenue
Barangay Highway Hills
Mandaluyong City, Metropolitan Manila
(The "CLIENT/COMPANY")

Attention: **MS. VENUS MEJIA**
Chief Financial Officer

Re: **AACI File No. BCG21-C10702-001.17**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 March 2021, of *Filinvest Cyberzone Cebu Tower One* (the "PROPERTY") located at W. Geonzon Avenue, Cebu I.T. Park, Barangay Lahug, Cebu City.

Purpose of the valuation: For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

Subject of the valuation: The subject of the valuation is the *Filinvest Cyberzone Cebu Tower One* located at W. Geonzon Avenue, Cebu I.T. Park, Barangay Lahug, Cebu City.

Basis of value: The valuation was made on the basis of *market value*.

Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date: The valuation date is as of **31 March 2021**.

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Filinvest Cyberzone Cebu Tower One** as of 31 March 2021 is:

**PESOS:
THREE BILLION
ONE HUNDRED SEVENTEEN MILLION
SEVEN HUNDRED FORTY THOUSAND ONLY**
(In Words)


PHP3,117,740,000.00
(In Figures)

We have made no investigation of and assume no responsibility for titles to and liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.


ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI)**, were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a *Market Value* of the **PROPERTY** as of 31 March 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

- a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.
- b) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.
- c) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.
- d) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.
- e) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.
- f) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.
- g) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.
- h) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.
- i) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.
- j) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous

materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

- k) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.
- l) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.
- m) Erasures on appraisal date and values invalidate this valuation report.
- n) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 Filinvest Land, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE). This is in connection with the initial public offering of the CLIENT and will form part of their REIT Plan that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) recorded a growth rate of -11.5% in the third quarter, compared to the previous quarter's growth rate of -16.9%.

The industries that contributed the least to the GDP were Construction, -39.8% growth; Real estate and ownership of dwellings, -22.5% growth; and Manufacturing, -9.7% growth.

On the other hand, the top three industries that posted positive growth were: Financial and insurance activities, 6.2; Public administration and defense, compulsory social activities, 4.5%; and Agriculture, forestry, and fishing, 1.2%.

On the expenditure side, the Government Final Consumption Expenditure posted positive growth of 5.8% while Household Final Consumption Expenditure declined by -9.3%, along with the Gross Capital Formation at -41.6%; Exports, -14.7%; and Imports, -21.7%.

Please see Table 1.

**Table 1. Gross Domestic Product by Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting, Forestry, and Fishing	400,102	404,981	4,879	-0.91%	1.2%	0.1%
Industry	1,342,440	1,110,995	(231,446)	43.03%	-17.2%	-4.9%
Services	2,933,381	2,622,036	(311,344)	57.88%	-10.6%	-6.7%
GROSS DOMESTIC PRODUCT	4,675,923	4,138,012	(537,911)		-11.5%	

Source: PSA and AACI estimates

Industry declined by 17.2% in the third quarter of 2020. However, this was an improvement from the steepest decline of 21.8% recorded in the second quarter

Manufacturing, which comprised 61.9% to total Industry in the quarter, declined by 9.7%. Contributing the most to the decline were the contraction in the manufacture of the following: Coke and refined petroleum products, 47.2%; Food products, 4.7%; Beverages, 22.4%; Chemical and chemical products, 6.5%; and Transport equipment, 18.9%. On the other hand, only two of the 22 sub-industries grew during the period, namely: Manufacture of basic pharmaceutical products and pharmaceutical preparations, by 5.0% and Manufacture of paper and paper products, by 2.2%.

Construction, with a share of 20.8% to total Industry, pulled down the growth the most as it declined by 39.8% during the period. Mining and Quarrying likewise contracted by 15.6%. On the other hand, Electricity, Steam, Water and Waste management managed to grow in the third quarter of 2020 by 0.2%.

Industry accounted for 26.8% of the GDP in the third quarter of 2020, down from its 28.7% share in the previous year.

Please see Table 2.

**Table 2. Gross Value Added in Industry
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	28,909	24,399	(4,511)	1.9%	-15.6%	-0.3%
b. Manufacturing	762,006	687,801	(74,205)	32.1%	-9.7%	-5.5%
c. Electricity, steam, water and waste management	167,020	167,355	335	-0.1%	0.2%	0.0%
d. Construction	384,505	231,440	(153,065)	66.1%	-39.8%	-11.4%
INDUSTRY SECTOR	1,342,440	1,110,995	(231,446)		-17.2%	

Source: PSA and AACI estimates

Services declined by 10.6% in the third quarter of 2020. However, this was slower than the 17.0% contraction in the second quarter 2020 – the steepest decline ever registered.

The contraction of the following industries contributed to the decline in Services: Real estate and ownership of dwellings, 22.5%; Accommodation and Food Service Activities, 52.7%; Wholesale and retail trade; repair of motor vehicles and motorcycles, 5.4%; Transportation and storage, 28.1%; Other Services, 53.4%; Education, 21.4%; Professional and business services, 9.4%, and Human health and social work activities, 4.0%.

On the positive side, three industries grew during the period, tempered the contraction of total Services. Financial and Insurance Activities grew by 6.2%. Public administration and defense as well as compulsory social activities expanded by 4.5%. Information and communication also managed to grow during the third quarter of 2020 by 0.8%. Services continued to have the highest share to GDP with 63.4% in the third quarter of 2020.

Please see Table 3.

**Table 3. Gross Value Added in Services
 Q3 2019 and Q3 2020
 At Constant 2000 Prices, in million pesos**

INDUSTRY/INDUSTRY GROUP	Q3 2019	Q3 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	934,753	884,558	(50,195)	16.12%	-5.4%	-1.7%
b. Transportation and storage	168,745	121,294	(47,451)	15.24%	-28.1%	-1.6%
c. Accommodation and food service activities	106,646	50,484	(56,162)	18.04%	-52.7%	-1.9%
d. Information and communication	120,809	121,784	975	-0.31%	0.8%	0.0%
e. Financial and insurance activities	411,062	436,450	25,388	-8.15%	6.2%	0.9%
f. Real Estate and ownership dwellings	331,884	257,225	(74,659)	23.98%	-22.5%	-2.5%
g. Professional and business services	306,888	278,037	(28,851)	9.27%	-9.4%	-1.0%
h. Public administration and defense; compulsory social services	203,439	212,539	9,101	-2.92%	4.5%	0.3%
i. Education	185,332	145,646	(39,686)	12.75%	-21.4%	-1.4%
j. Human health and social work activities	76,327	73,265	(3,061)	0.98%	-4.0%	-0.1%
f. Other Services	87,496	40,753	(46,742)	15.01%	-53.4%	-1.6%
SERVICES SECTOR	2,933,381	2,622,036	(311,344)		-10.6%	

Source: PSA and AACI estimate

5 Extent of investigation and nature and source of the information relied upon

- a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;
- b. For the term of lease, we have used documents provided by the COMPANY; and
- c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

“Filinvest Cyberzone Cebu Tower One Building” is a Grade A, PEZA Certified, mainly office, fourteen (14) storey with basement and roof deck levels, reinforced concrete framed building, built entirely of pre-fabricated concrete panels, concrete hollow blocks and reflective tempered glass on aluminum frame walls, granite and ceramic tile flooring on concrete floor, reinforced concrete slab soffit, gypsum board ceiling, tempered glass panel on aluminum frame awning type windows, and glass on aluminum frame entrance door. The ground is utilized as retail units, the 3 basement levels and basement and 2nd to 3rd floors are parking levels and the 4th to 14th floors as BPO Offices, and the roof deck level as cooling tower and machine room area. It is also equipped with chilled water centralized air conditioning system, twelve (12) passenger elevators, telephone, Integrated Building Management with CCTV, security intercom, standby generator set, fire escape locations at all levels, automatic sprinklers and fire alarm system and 100% back-up power. Gross Leasable Floor area is 19,937 sq.m. for offices and 675 sq.m. for retail space and 274 parking slots. The building was completed and operational in the Year 2015.



Figure 1: Building Façade

6.2 Description of Leasable Units

Retail Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tiles on concrete slab, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame and wood panel doors. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Office Units – Unit hand over is in bare condition. Fit-outs and interior finishes of the units such as ceramic tile, carpet on concrete floors, concrete hollow blocks and glass on aluminum frame partitions, gypsum board and acoustic board on aluminum T-runner ceiling, glass pane windows, and tempered glass on aluminum frame wood panel doors are introduced by their respective tenants. It is painted and provided with electrical lighting, plumbing, and telecommunication facilities.

Parking Slots – generally these are 12.5 sq.m. rectangular shaped parking spaces with epoxy paint finish floors and bare soffit ceiling and provided with concrete wheel stops / curb stops and paint markings such as unit identification, boundary and traffic signs.

6.2 Location

The building is located at the northwest side of W. Geonzon Street and is about 145 meters northeast from the corner of Salinas Drive, around 550 meters northwest from the intersection of Gov. M. Cuenco Avenue and Salinas Drive and approximately 5.10 kilometers northwest from Cebu City Hall.

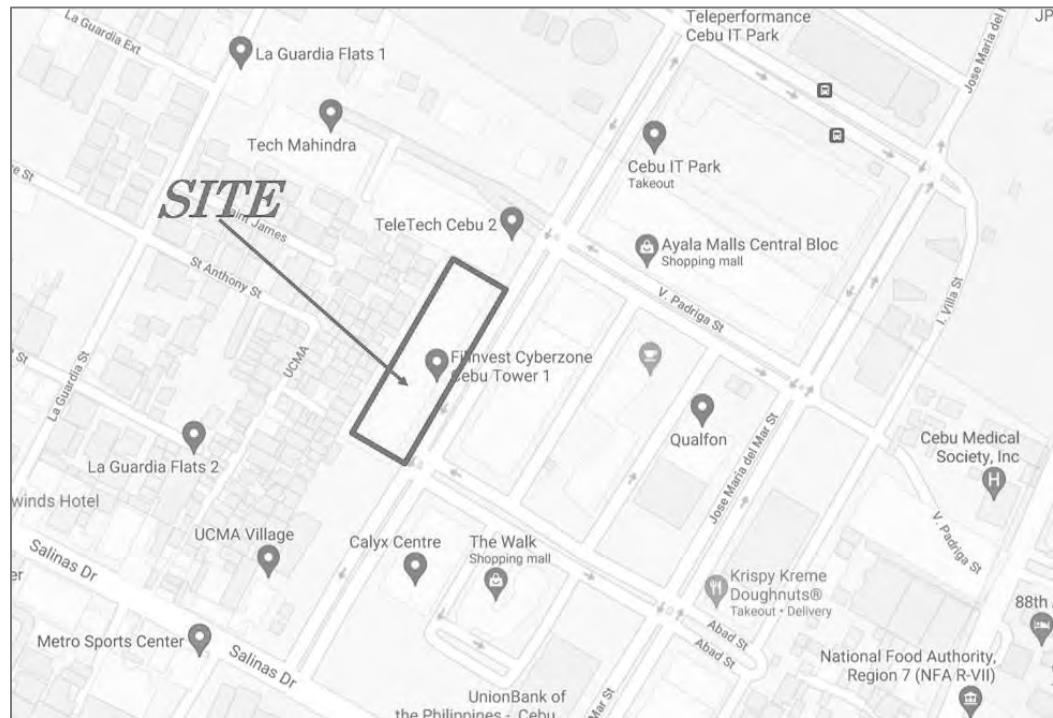


Figure 2: Location Map

6.3 Property Ownership

The PROPERTY is under the Build, Transfer and Operational Agreement between the CLIENT and the Provincial Government of Cebu (CEBU PROVINCE). The term of lease is for a period of 25 years and renewable for another 25 years which commenced in 2015 and shall expire on 2065 assuming the renewal will be exercised.

6.4 Existing Use of the PROPERTY

The subject PROPERTY consists of retail with leasable area of 675 sq.m., 9 office floors with an aggregate leasable area of 19,937sq.m. and 274 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 99.12% occupied as of the time of valuation.

6.6 Build, Transfer and Operate Agreement

6.6.1 Operation of the PROPERTY

The CLIENT shall, at its own cost, be responsible for the management operation, maintenance and repair of the PROPERTY during the term of the agreement and shall use its best efforts to ensure that the PROPERTY will remain in good operating condition.

The CLIENT shall have full right to:

- Enter into contracts for the supply of materials and services, lease and sublease;
- Appoint and remove consultants, professional advisers, officers and employees;
- Purchase replacement equipment;
- Appoint, organize and direct staff tasked to manage and supervise the PROPERTY;
- Establish and maintain regular inspection and maintenance procedures; and
- Do all other things necessary or desirable for the effective and efficient commercial operation of the PROPERTY.

6.6.2 Terms and Rate of Lease

The CLIENT shall have a period of twenty-five (25) years from the start of operations to operate, and manage the PROPERTY. After the lapse of 25 years period, the CLIENT has the option to extend for another twenty-five (25) years upon the parties mutual agreement. The negotiations for the renewal of the agreement shall be done in utmost good faith, and CEBU PROVINCE shall not unreasonably withhold its consent to a renewal. In the event the parties are unable to reach an agreement to renew, and CEBU PROVINCE proposes to lease the PROPERTY, or any part thereof, to a third-party, the CLIENT shall have the right to match the terms of such lease with the third party.

In consideration for making the PROPERTY available to the CLIENT for the construction and development of the PROPERTY and the subsequent commercial operations thereof, the CLIENT shall pay CEBU PROVINCE, the following:

- RENT – at the rate of FIFTY PESOS (PHP50.00) per square meter per month, payable on the 7th day of every month, with an escalation rate of 5% per year, applicable on the 6th year of the lease and every year thereafter.

- **SALES PERCENTAGE SHARE** - The CLIENT shall pay CEBU PROVINCE a percentage share of TWO PERCENT (2%) every month of Gross Revenue or equivalent to FIVE HUNDRED THOUSAND PESOS (PHP500,000.00) whichever is higher.

Payment of the Sales Percentage Share shall commence starting on the 15th day of the month immediately succeeding the start of full operation of the PROPERTY and every 15th of the month succeeding thereafter in the amount of PHP500,000.00 which shall be applied to the minimum rate provided that with fifteen (15) days of the end of each calendar month during the term of the agreement, the CLIENT shall advise CEBU PROVINCE of its Gross Sales for such month, and remit to CEBU PROVINCE such additional amount, if any, as required herein.

It is agreed, further, that if the actual annual Gross Sales of the CLIENT is below NINETY (90%) percent of the amount of Projected Revenue for the said period as submitted by the CLIENT, or its predecessor-in-interest, in its Bid, the percentage share of TWO (2%) percent shall be based on the NINETY (90%) percent of the amount of Projected Revenue. Hence, if the total amount of 2% of actual annual Gross Sales exceed PHP6,000,000.00 (PHP500,000.00 x 12 months), the CLIENT shall be liable for the difference which shall be paid to CEBU PROVINCE within NINETY (90) days of the end of the year.

6.6.3 Representation and Warranties of the Parties

CEBU PROVINCE represents and warrants the CLIENT that:

- a. It is the lawful registered owner of the Properties, free and clear of any liens, encumbrances, charges, equities and claims of any kind, nature and description.
- b. The Properties constitute alienable and disposable patrimonial property of CEBU PROVINCE, and it has full power, right and authority to transfer and convey the Properties, or any portion thereof, for development and disposition in accordance with the terms of the agreement.
- c. TCT No. 113132 and TCT No. 104314 are the genuine, valid and subsisting certificate of title covering the Properties.
- d. There are no existing leases or options to purchase, lease or develop the Properties or portions thereof that have been granted be CEBU PROVINCE to third persons.
- e. The execution, delivery and performance of the agreement by CEBU PROVINCE have been duly authorized by all necessary administrative and other government action, and do not contravene any provisions of law, regulation, decree, judgement, award, injunction or similar restriction, or any

contractual restriction binding or affecting or purporting to bind or affect CEBU PROVINCE.

- f. The agreement constitutes the legal, valid and binding obligation of CEBU PROVINCE, enforceable against it in accordance with terms hereof.
- g. The execution, delivery and performance by CEBU PROVINCE of the agreement constitute private and commercial act rather than public or governmental acts. CEBU PROVINCE has waived every immunity and given its consent to be sued in respect of its obligations under the agreement.
- h. There are no pending or threatened judicial or administrative proceedings involving or in respect of the Properties or any portion thereof.

The CLIENT represents and warrants to CEBU PROVINCE that:

- a. It is a corporation duly organized and existing in accordance with the Philippine laws and has the legal authority to enter into the agreement.
- b. It has obtained all the legal and corporate authorizations required or necessary for the execution and delivery of the agreement, and all such authorizations remain valid and effective.
- c. The agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms thereof.
- d. Its execution, delivery and performance of the agreement do not violate, with or without the giving of notice or the passage of time, any provision of law or regulation applicable to it, and do not result in a breach of, or constitute a default under, any agreement or instrument to which it is a party.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** “provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.”

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved.” The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** “provides an indication of value by converting future cash flow to a single current value.” Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income to the COMPANY, we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$FV = PV (1 + i)^t$$

such that:

FV = the future value of the investment PV after t years

PV = the principal amount of an investment or its present value

i = the applicable compound interest or discount rate

t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$PV = FV / (1 + i)^t$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

As per section 50.31 of International Valuation Standards of 2020, valuer may use any reasonable method for developing an appropriate discount rate. While there are many methods for developing a discount rate or determining the reasonableness of a discount rate, a non-exhaustive list of common methods includes; Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), Observed or Inferred Rates/Yields and a Build-Up Method.

In our valuation, the discount rate was set using the Weighted Average Cost of Capital as of the valuation date.

Cost of Equity			
Risk free rate (10Y)	4.4085%		
Market rate of return	10.96850%		
FLI 5-year beta	0.7900		
Cost of equity	9.5909%		
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.05%	15.00%	0.76%
Equity	9.59%	85.00%	8.15%
Weighted average cost of capital			8.91%

- It is a common market practice to use a 10year or 20year government bond yield on the discount rate when valuing an asset. For this valuation, we used 10-year Risk free Rate based on BVAL as of the valuation date.
- Market rate of return was based on the 6.56 country risk premium published by Damodaran for the Philippines and the 10-year Risk Free Rate as of the valuation date.
- We used the .79 beta based on the FLI's 5-year historical as of the valuation date
- Client's debt to equity ratio of 15/85 is based on its projected net asset value.

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FV_t / (1 + i)^t] - I_0$$

The last equation states that the Net Present Value, $\sum PV$, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used the lease data provided by the company in an Excel Format showing the name of the tenants, unit numbers, floor area, commencement date and expiry date. Rental projection was based on the current lease contract rate based on the last rental rate with 5% escalation rate and assumed a renewal based on historical renewal rates of the COMPANY.

We have verified the accuracy of these rental data by examining and comparing the scanned copies of several lease contracts executed by and between the tenants and the landlord with those stated in the excel file and concluded that the data contained on the excel file is more or less accurate.

Furthermore, we have made a study of the current leasing rates of comparable properties within Alabang, the area of study, and came up to a conclusion that the rates as stipulated in the lease contracts is more or less representative of the current market rates.;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT. It was based on 2020 operating expenses for each building and used the percentage based on gross revenue;

7.9.4 To determine the terminal value/reversion value, we have used the Gordon growth model. We calculated the capitalization rate using the discount rate and the 3.75% rental growth rate based on rental escalation of comparable properties of PSE-listed REIT companies. Net Cash Flow at the end of the projections over the capitalization rate is the Terminal/Reversion Value;

7.9.5 If applicable, escalation rates for Retail are driven by other factors such as tenant sales; and

7.9.6 Due to rounding, numbers presented throughout this document may not a precisely reflect the absolute figures.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Filinvest Cyberzone Cebu Tower One** as of 31 March 2021 is:

PESOS:
THREE BILLION
ONE HUNDRED SEVENTEEN MILLION
SEVEN HUNDRED FORTY THOUSAND ONLY
(In Words)

PHP3,117,740,000.00
(In Figures)

9 Valuation Date

This valuation is dated **31 March 2021**.

ANNEX A

**FILINVEST LAND, INC.
 FILINVEST CYBERZONE CEBU TOWER ONE
 DISCOUNTED CASH FLOW**

as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2021	2022	2023	2024	2025	2026
Depreciation and Amortization	%	37.49%	37.49%	37.49%	37.49%	37.49%	37.49%
Taxes and Licenses	%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%
Manpower Cost	%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Other expenses	%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	109,096,358	151,897,539	159,492,416	167,467,037	171,187,501	179,746,876
Retail	PHP	4,046,343	5,802,656	6,244,342	6,723,268	7,242,811	7,806,669
Parking	PHP	2,177,100	3,047,940	3,200,337	3,360,354	3,528,372	3,704,790
Rent Revenue	PHP	115,319,801	160,748,135	168,937,095	177,550,659	181,958,684	191,258,336
Less: Operating expenses	PHP						
Depreciation and Amortization	PHP	43,232,573	60,263,332	63,333,315	66,562,479	68,215,016	71,701,389
Taxes and Licenses	PHP	1,315,641	1,833,916	1,927,341	2,025,610	2,075,900	2,181,996
Manpower Cost	PHP	1,991,153	2,775,535	2,916,929	3,065,653	3,141,764	3,302,335
Other expenses	PHP	360,038	501,870	527,436	554,328	568,091	597,125
Total OPEX	PHP	46,899,406	65,374,653	68,705,021	72,208,071	74,000,770	77,782,845
NET INCOME	PHP	68,420,396	95,373,482	100,232,074	105,342,588	107,957,914	113,475,490
Add: Depreciation	PHP	43,232,573	60,263,332	63,333,315	66,562,479	68,215,016	71,701,389
NET CASH FLOWS	PHP	111,652,968	155,636,814	163,565,389	171,905,067	176,172,929	185,176,879
Terminal Value	PHP						
NET PRESENT VALUE							
Period lapsed	years	0.7500	1.7500	2.7500	3.7500	4.7500	5.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.9380	0.8613	0.7908	0.7261	0.6667	0.6122
Present value	PHP	104,729,815	134,043,517	129,347,581	124,821,385	117,455,380	113,358,455
Net present value (NPV)	PHP	3,117,735,255					
Rounded to:	PHP	3,117,740,000					

ANNEX A

**FILINVEST LAND, INC.
 FILINVEST CYBERZONE CEBU TOWER ONE
 DISCOUNTED CASH FLOW**

as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2027	2028	2029	2030	Terminal Value
Depreciation and Amortization	%	37.49%	37.49%	37.49%	37.49%	
Taxes and Licenses	%	1.14%	1.14%	1.14%	1.14%	
Manpower Cost	%	1.73%	1.73%	1.73%	1.73%	
Other expenses	%	0.31%	0.31%	0.31%	0.31%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	188,734,220	198,170,931	208,079,477	218,483,451	
Retail	PHP	8,418,892	9,083,915	9,806,598	10,592,262	
Parking	PHP	3,890,030	4,084,531	4,288,758	4,503,196	
Rent Revenue	PHP	201,043,142	211,339,378	222,174,833	233,578,909	
Less: Operating expenses	PHP					
Depreciation and Amortization	PHP	75,369,643	79,229,629	83,291,764	87,567,071	
Taxes and Licenses	PHP	2,293,627	2,411,093	2,534,711	2,664,816	
Manpower Cost	PHP	3,471,283	3,649,062	3,836,150	4,033,057	
Other expenses	PHP	627,674	659,820	693,649	729,254	
Total OPEX	PHP	81,762,228	85,949,603	90,356,274	94,994,198	
NET INCOME	PHP	119,280,914	125,389,774	131,818,558	138,584,711	
Add: Depreciation	PHP	75,369,643	79,229,629	83,291,764	87,567,071	
NET CASH FLOWS	PHP	194,650,557	204,619,403	215,110,322	226,151,782	
Terminal Value	PHP					4,547,400,948
NET PRESENT VALUE						
Period lapsed	years	6.7500	7.7500	8.7500	9.7500	9.7500
Discount rate	%	8.91%	8.91%	8.91%	8.91%	8.91%
Present value factor	#	0.5621	0.5161	0.4739	0.4351	0.4351
Present value	PHP	109,409,800	105,604,106	101,936,252	98,401,302	1,978,627,663
Net present value (NPV)	PHP					
Rounded to:	PHP					

ANNEX 3: JLL'S RESEARCH REPORT



*Achieve
Ambitions*

Final Report

Filinvest Land, Inc.

February 2021

Office Market Study of Metro Manila and Metro Cebu, Philippines

JLL LTD 2021

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Glossary

Abbreviation	Definition
GDP	Gross Domestic Product
FDI	Foreign Direct Investments
OF	Overseas Filipinos
BOI	Board of Investments
PEZA	Philippine Economic Zone Authority
PAGCOR	Philippine Amusement and Gaming Corporation
GLA	Gross Leasable Area
PSA	Philippine Statistics Authority
DBCC	Development Budget Coordination Committee
IT-BPM	Information Technology and Business Process Management

1.0 INTRODUCTION

Jones Lang LaSalle ('JLL') has been asked by Filinvest Land, Inc. (hereinafter referred to as 'Client', 'You') to conduct an office property market study in Metro Manila and Metro Cebu, Philippines, to be added in the prospectus for the initial public offering of its Real Estate Investment Trust subsidiary.

Specific requirements of the Study as follows:

To provide a macro and socio-economic overview of the entire Philippines, with discussion on related regulations on the office property market.

To provide overview on the IT-BPM industry.

To provide an overview of the local office property market in the Study Area. The analysis will focus on the existing and future market trends, specifically involving the general supply, demand, and pricing scenarios.

This submission serves as the final report, outlining the overall supply and demand condition in the local office property market in the Study Area. For your reference, the structure of this F Report is as follows:

Section 2 provides an overview on the macroeconomic indicators of the Philippines covering the gross domestic product, inflation rate, foreign direct investments, policy rate, overseas Filipino cash remittances, Philippines 10-Year Government Bond Yield, population, and labor statistics.

Section 3 provides an overview of the relevant regulations on the office market with the discussion on the roles of government agencies namely, BOI, PEZA, and PAGCOR.

Section 4 provides an overview of historical and current status of the IT-BPM sector

Section 5 provides an overview of the office property market on the study area, with a detailed discussion on overall supply, demand, and rents.

Section 6 presents the general and office property market outlook in the study area; and

Section 7 outlines the limiting conditions of this Final Report and the Study, in general.

2.0 PHILIPPINE MACROECONOMY UPDATE

2.1 Gross Domestic Product (GDP)

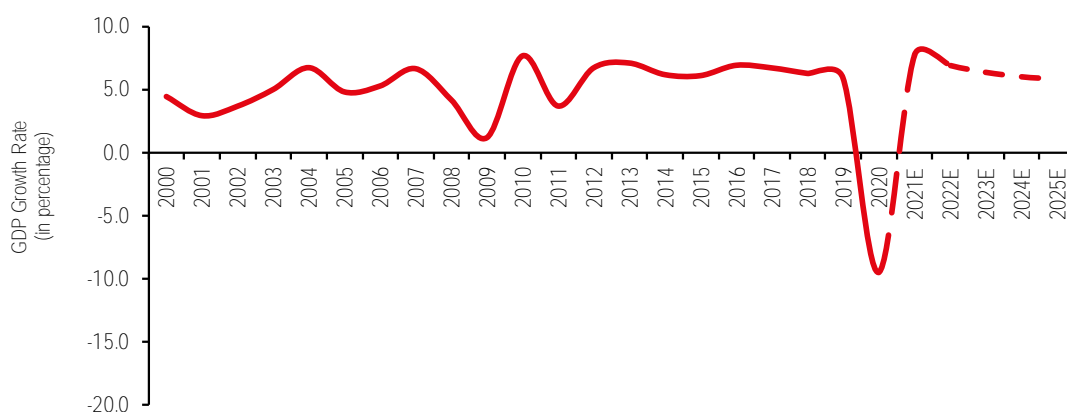
Since mid-2000s, the Philippines has been recording stable economic growth, where the government introduced a broad range of economic reforms and initiatives to spur business activities and foreign investments. Over the past 10 years, the Philippines’ GDP registered a steady growth rate averaging between 5.9% and 7.6%, making it one of Asia’s fastest growing economies. The growth was driven by robust and steady uptrend in household consumption (70% of the GDP) as well as the growth of the service sector which is considered the fastest growing sector in the Philippines with 7.1% growth y-o-y in 2019.

However, in 2020, the spread of COVID-19 changed the economic standing of the Philippines, wherein the public health emergency brought by the virus placed economy in a standstill. In the first quarter of 2020, the government implemented a regional lockdown to control the spread of the virus. With the implementation of the lockdown, economic activity was muted — mobility was limited, and several industries were ordered to suspend operations. This caused financial stress to businesses, particularly Micro, Small, and Medium Enterprises (MSME) where some of them shut down their business permanently and contributed to unemployment rate reaching 17% in July 2020. With this, the country entered recession immediately in 1Q20, with most of the contraction occurring in the second quarter of the year. In June 2020, the Philippine government started to ease restrictions and slowly reopen the economy. In 4Q20, GDP contracted by -8.3% y-o-y, softer than the -11.4% in the third quarter and the -16.9% in the second quarter. The 4Q20 GDP brought full year contraction to -9.5%, the steepest decline since 1947.

All major economic sectors shrank in the fourth quarter of 2020, led by industry (-9.9%), services (-8.4%) and agriculture, forestry, and fishing (-2.5%), due to extended quarantine measures and devastating typhoons in the fourth quarter of 2020.

The prolonged community quarantine measures came at a huge cost to the economy. Private consumption, which accounts 70% of the GDP, remained weak and dropped by 7.2% q-o-q in 4Q20, as consumer staples and cash preservation were prioritized amid high unemployment rate. Likewise, Gross Capital Formation declined by 29.0% q-o-q, while international trade — imports and exports posted declines of -18.8% and -10.5% q-o-q in 4Q20, respectively. Government expenditure, on the other hand, grew by 4.4% q-o-q for 4Q20, as the government continues to fight the pandemic and support economy with stimulus spending.

Figure 2. 1– Gross Domestic Product Growth Rate (2000 – 2025E)

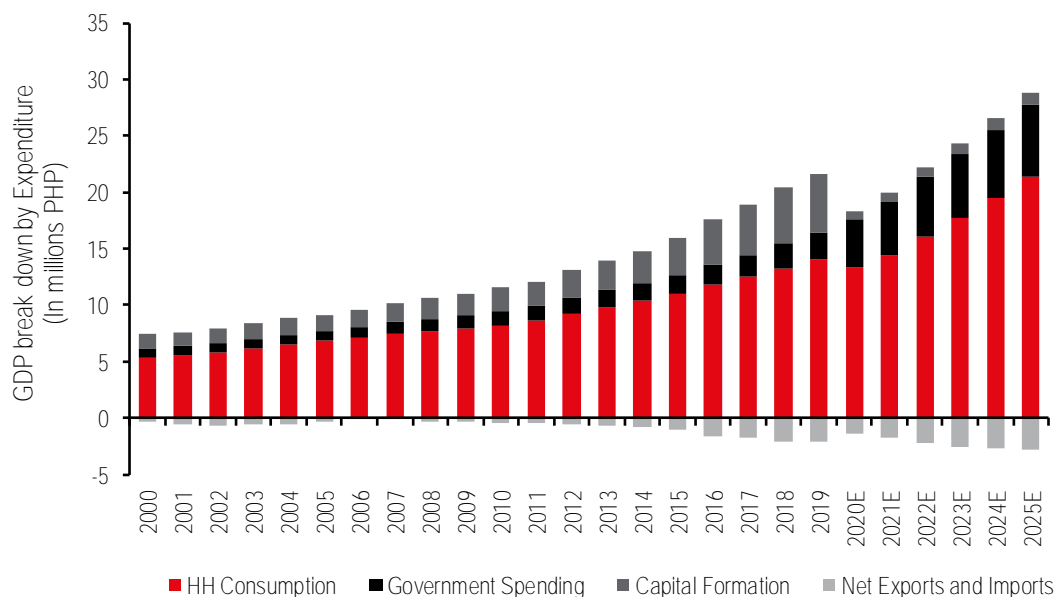


Source: Philippine Statistics Authority (PSA), Development Budget Coordination Committee (DBCC), Oxford Economics; JLL Research and Consultancy

According to Oxford Economics, the Philippine economy is forecasted to grow at 7.7% in 2021, as the economy emerges from pandemic-induced movement restrictions. Moreover, ADB maintained its positive outlook for Philippines’ GDP as they estimate 6.5% economic growth in 2021. At the same time, the Development Budget

Coordination Committee (DBCC) expects the country’s GDP to bounce back at 6.5% to 7.5% in 2021 and 8.0% to 10.0% in 2022 as further easing of restrictions and normalization of economic activities.

Figure 2. 2– GDP break down by Expenditure (2000 – 2025E)



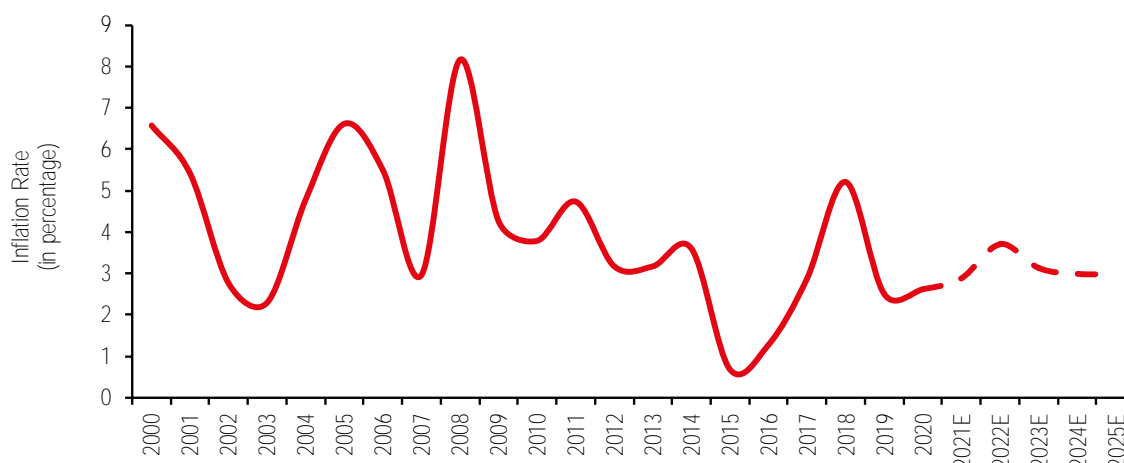
Note: figures bases on 2018 prices
 Source: Oxford Economics; JLL Research and Consultancy

2.2 Inflation

Philippine inflation has been historically stable and benign— thanks to the well managed monetary policies of the BSP. However, in 2018, inflation peaked beyond 6% due to the first-year implementation of first package of the Tax Reform for Acceleration and Inclusion (TRAIN), which includes the excise tax on oil prices. This breached the central bank’s inflation target of 2%-4%, prompting a series of policy rate hike in 2018. Inflation tempered in 2019 mainly due to high-base effects from the previous year.

Inflation averaged 2.6% in 2020, well within the BSP’s medium-term inflation target of 2% to 4%. However, in the last two months of 2020, inflation accelerated to 3.3% in November and 3.5% in December. Faster inflation during the latter part of 2020 was primarily due to higher increments from food and non-alcoholic beverage indices. According to the Philippines Statistic Authority (PSA), the increase in inflation rate was due to several factors — seasonal demand as holiday approaches, African Swine Fever (ASF) and weather-related disturbances. Moreover, the commodity groups such as health (2.6%) and restaurant and miscellaneous goods and services (2.5%) also posted higher indices at end of December 2020. On the other hand, marginal increments in other commodity groups were observed such as alcoholic beverages and tobacco (+12.2%), electricity, gas, and other fuels (+3.3%) housing water, electricity, gas, and other fuels (+0.5%) and communication (+0.2%).

Figure 2.3 – Inflation Rate (2000 – 2025E)



Source: Philippine Statistics Authority (PSA), BSP, Oxford Economics, JLL Research and Consultancy

In general, the Philippines' inflation forecast for 2021 is set at 3.2% and 2.9% in 2022, which is still within the 2.0% to 4.0% bandwidth of BSP. According to BSP, the inflation forecast is considered as appropriate quantitative representation of the medium-term goal of price stability that is optimal for the Philippines given current structure of the economy. The BSP also continues to expect inflation to settle within the target range in spite of the risk and uncertainty caused by the pandemic.

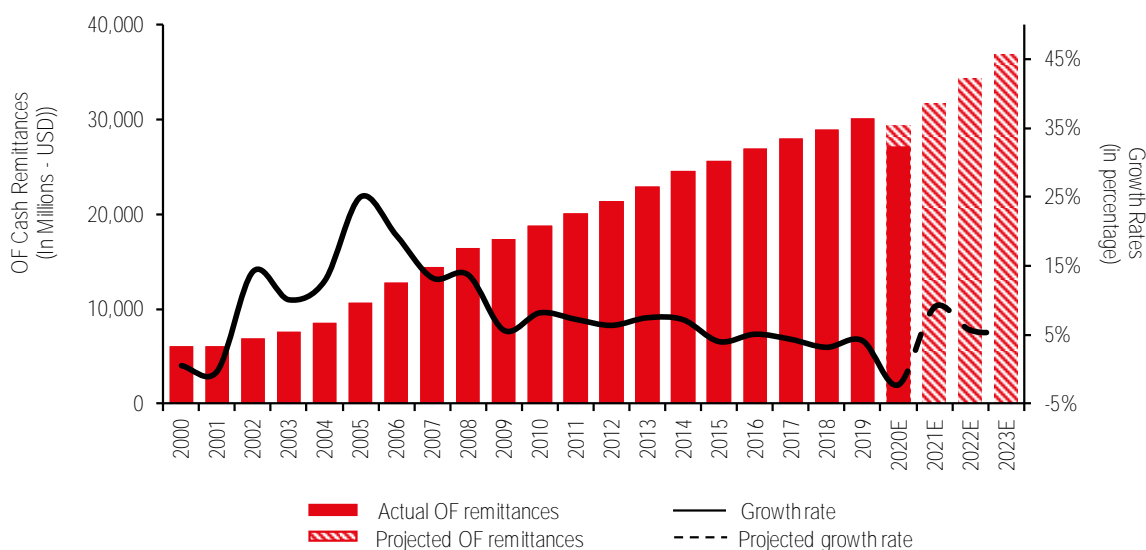
2.3 Overseas Filipino (OF) Remittances

In the last decade, OF remittances showed a significant contribution towards the growth of the Philippine economy as it is one of the foundations of a resilient and stable household consumption growth in the country. In 2019, OF remittances accounted for 9.3% of the total GDP, reaching a record high of USD 33.5 billion which was 3.9% higher than 2018. However, due to the COVID-19 global economic slowdown, significant number of OFs faced job losses, which led to a slump in remittances in 2020. Almost 300,000 OFs returned home in 2020 which would have a drastic impact on the remittances recorded for the year.

For the first 11 months of 2020, cash remittances reached USD 27.01 billion, down by 0.8% y-o-y, from USD 27.23 billion same time in 2019. In November 2020 alone, remittances reached USD 2.37 billion, up by 0.3% y-o-y, which marked the third consecutive month of growth. The growth in November remittances was mainly driven by land-based workers with 0.5% y-o-y increase, to USD 1.85 billion, while remittances from sea-based workers also inched up by 0.2% y-o-y to USD 527.3 million.

In terms of country of origin, most OF remittances came from the United States followed by Japan, Singapore, Qatar, and Taiwan. Meanwhile, declines were observed from countries in the Middle East such as Saudi Arabia, United Arab Emirates, Kuwait, and in the United Kingdom.

Figure 2.4 – OF Remittances (2000 – 2025E)



Source: BSP, Oxford Economics, JLL Research and Consultancy

Nonetheless, DBCC noted that remittance is likely to decline by 5.0% y-o-y in 2020 and bounce back to a normalized annual growth rate of 4% y-o-y in 2021 and 2022, deployment of overseas Filipinos to resume as other countries reopen gradually.

2.4 Foreign Direct Investment (FDI)

The Philippines actively seek foreign investments — through Board of Investment (BOI) and Philippine Economic Zone Authority — to promote job creation and economic development. In 2017, the Foreign Direct Investments (FDI) netted USD 10 billion, with steady inflows coming from Japan, China, and Europe. Reform policies such as Custom Modernisation and Tariff Act, and Tax Reform for Acceleration and Inclusion (TRAIN) program also reinforced the growth in investment. Yet, FDI slowed down in 2020 as investors hold off investment plans due to heightened uncertainties brought by the virus outbreak.

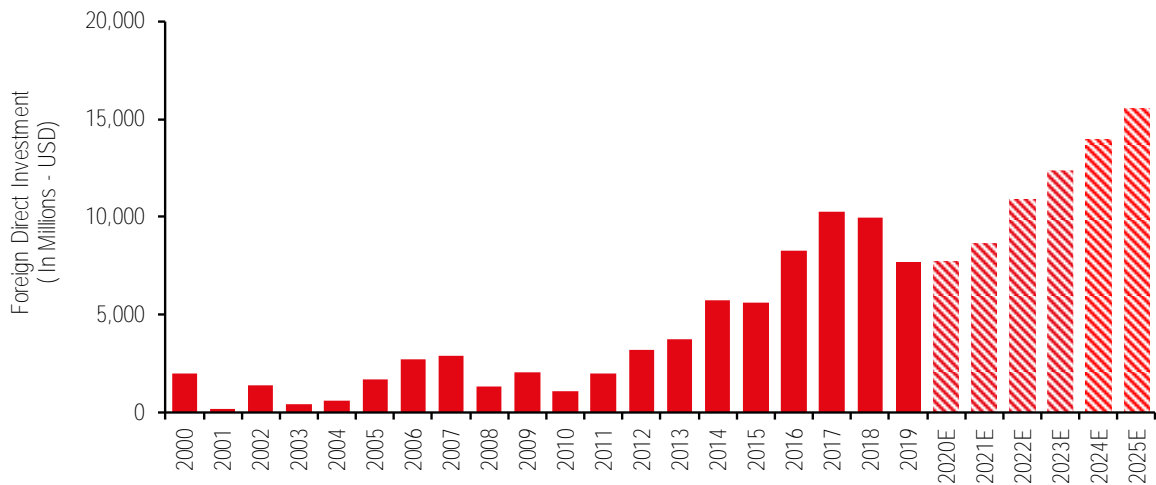
According to the BSP, recorded net inflow for January to September 2020 amounted to USD 4.83 billion, lower by 8.6% y-o-y. The decline in FDI reflected a cautious global investment climate as COVID-19 continues to affect global economic outlook. For September alone, inflow decreased by 12.3% y-o-y to USD 523 million as investor confidence took a step backward with Metro Manila returning to a much stricter lockdown in August 2020.

Latest forecasts from Oxford Economics indicate FDI to slow down in 2020, with an inflow of USD 7.7 billion. However, a rebound is anticipated in 2021 and is seen to be sustained until 2023 as most of the economies will reopen and roll out vaccinations that could normalize business activities.

In the Philippines, the government, spearheaded by the Department of Finance and legislators, are preparing stimulus packages that will promote economic recovery from recession brought by the pandemic, namely — The Corporate Recovery and Tax Incentives for Enterprises (CREATE) and Financial Institutions' Strategic Transfer (FIST) bill. These two reforms aim to support local businesses as well as attract foreign investment in the Philippines, which could fast track the country's economic recovery. Also, reforms such as Passive Income and Financial Intermediary Taxation Act (PIFITA) as well as amendment of Commonwealth-era Public Service Act and the Retail Trade Liberalization Act (RTLTA) could boost and attract investment inflows in the Philippines.

Foreign interest in the Philippines is seen to resume post-lockdown era as most investors may likely diversify portfolio outside China, with the Philippines seen as one of the top alternative markets that investors are keen to invest in due to competitive operating costs compared to other countries. Also, the first Real Estate Investment Trust (REIT) was listed in 2020, providing a new asset class following the enactment of the law in 2009.

Figure 2. 5 – Foreign Direct Investment (2000 – 2025E)

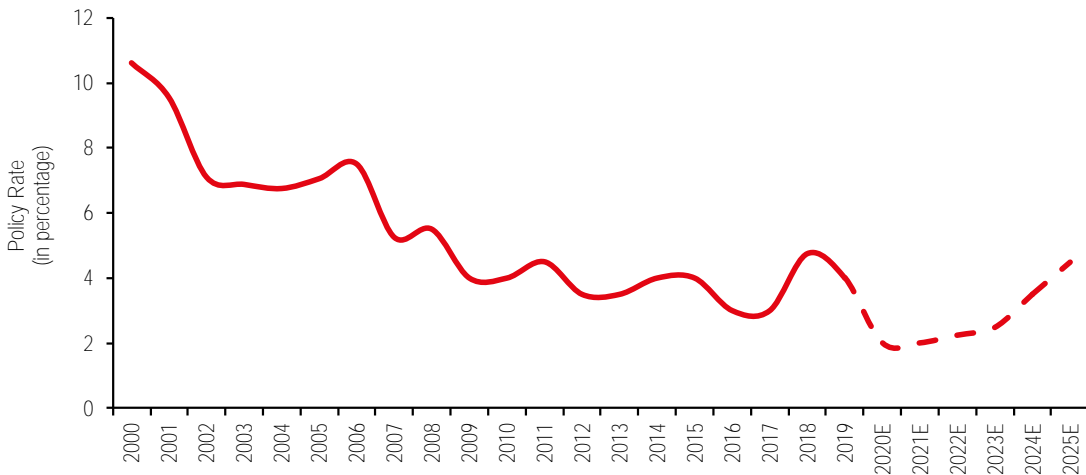


Source: BSP, Oxford Economics, JLL Research and Consultancy

2.5 Policy Rate

The BSP has cut policy rates yet again by 25bps in its Monetary Board meeting last November 2020. This brought policy rate to a record low of 2%, pushing real interest rate further down to negative territory. BSP pulled the trigger for another cut as inflation remained manageable and there is a need for additional support in the economy following the recent typhoons. Prior to the November-rate cut, the BSP had already cut policy rates by 175 bps from February to June 2020, to support the economy amid the pandemic.

Figure 2. 6 – Policy Rate (2000 – 2025E)



Source: BSP, Oxford Economics, JLL Research and Consultancy

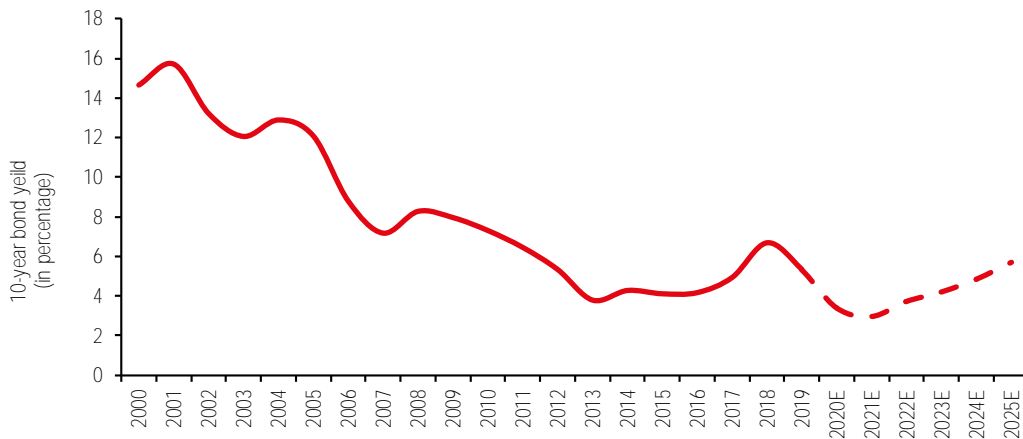
With amiable inflation environment with stable inflation expectation, we may expect the Central Bank to keep policy rates at current levels in the near-term. BSP considers the current policy stance to be appropriate and is keen to retain this in the near term as inflation is expected to remain manageable within the government band of 2 to 4 percent.

2.6 Philippine 10-year Bond yield

The Philippine 10- year Treasury bond (T-bond) rate has declined given the current situation, slipping to 2.7% in August 2020 from 2.9% in July 2020. According to the Bureau of Treasury (Better), the dive of the duration interest is based on very deep liquidity and search for high yields.

Yet, according to BSP officials, the Central Bank may maintain low rates in the next two years to support the economy amidst the uncertainty caused by the COVID-19 pandemic.

Figure 2. 7 – PH 10-year Bond Yield (2015 – 2025E)

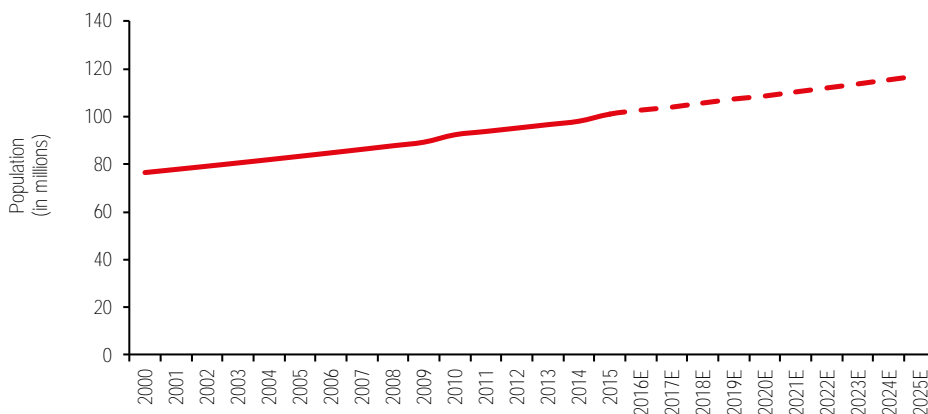


Source: BSP, Oxford Economics, JLL Research and Consultancy

2.7 Population

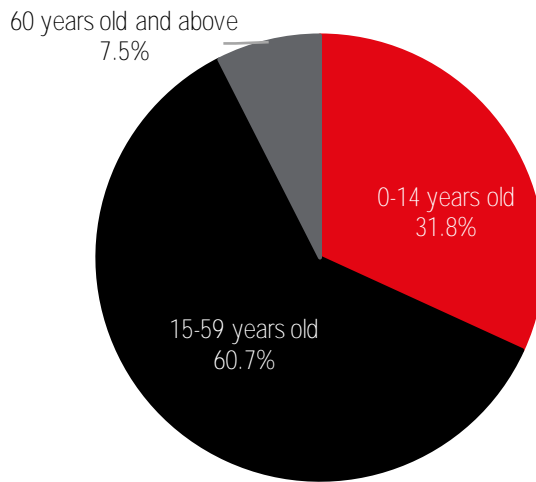
The Philippine population hit 100.9 million in 2015 which translated to an annual growth rate of 1.7% from 2010 to 2015 and is projected to grow in the next years. The population is dominated by younger demographics with its median age at 24.3 years old. The overall younger demographics of the country also translated to a large working population, making up 60.7% of the total population during 2015.

Figure 2. 8 – Philippine Population (2000 – 2025E)



Source: Philippine Statistics Authority (PSA), JLL Research and Consultancy

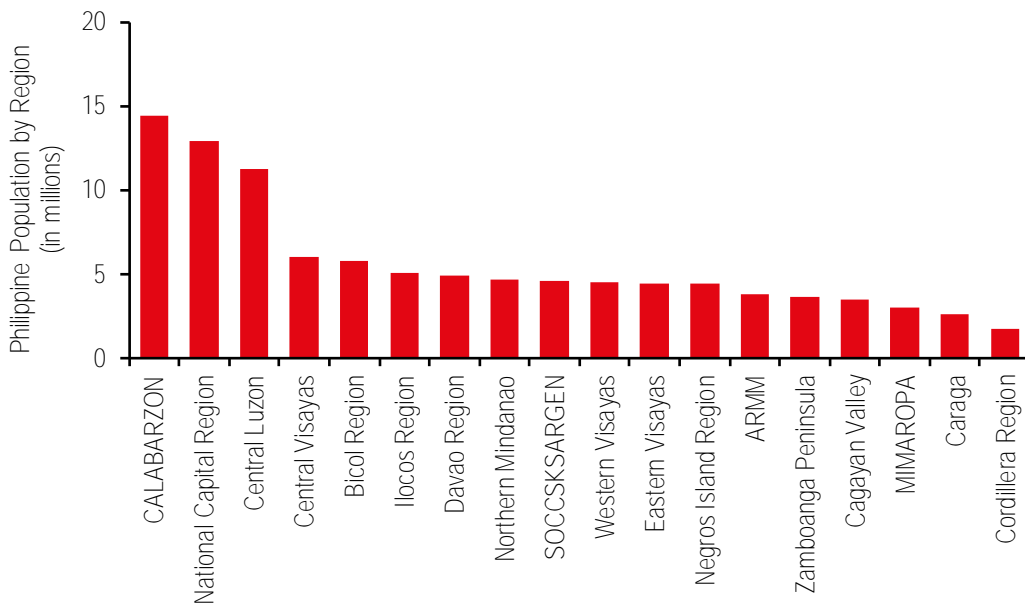
Figure 2. 9– Philippine Population by Age Group (2015)



Source: Philippine Statistics Authority (PSA), JLL Research and Consultancy

Among the regions in Luzon Island, National Capital Region (NCR) or also known as Metro Manila (12.8 million) is considered as one of the populous regions in the Philippines along with Region 4A or CALABARZON (14.4 million) and Region III or Central Luzon (11.2 million). While in Visayas and Mindanao, Region VII or Central Visayas and Region XI or Davao Region were the most populous regions with 6.0 million and 4.8 million residents, respectively.

Figure 2. 10 – Philippine Population by Region (2015)



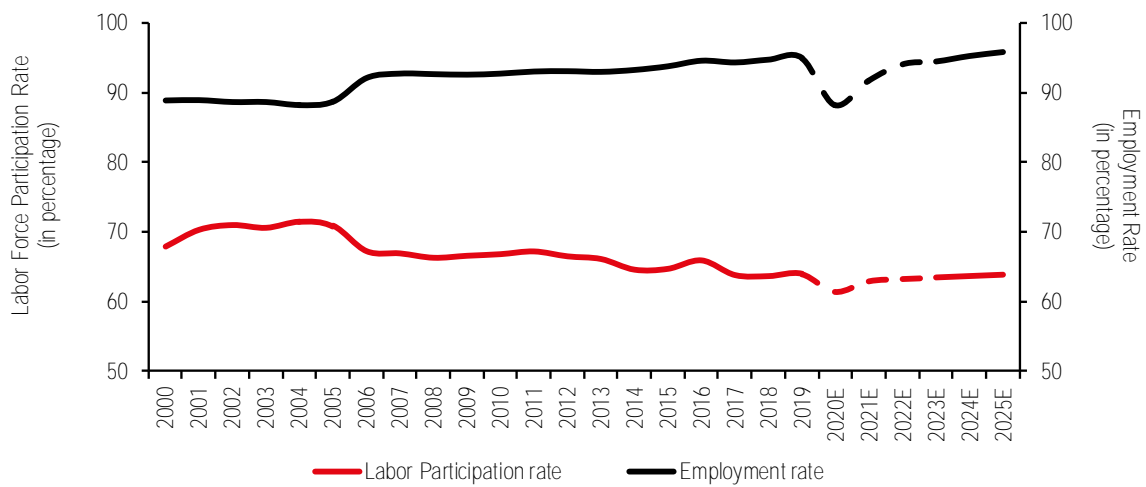
Source: Philippine Statistics Authority (PSA), JLL Research and Consultancy

2.8 Labor Statistics

The 2019 annual employment rate hit 94.9%, translating to approximately 42.4 million employed individuals, higher by 3.3% y-o-y. However, employment rate dipped to 82.3% in April 2020 due to the pandemic as the government implemented strict quarantine measures that led to a temporary halt of business operations. This pushed some firms to cut down on their operations, or even shut down operations as a move to preserve cash, resulting in employees being laid off and thus, having an overall lower employment rate for the country.

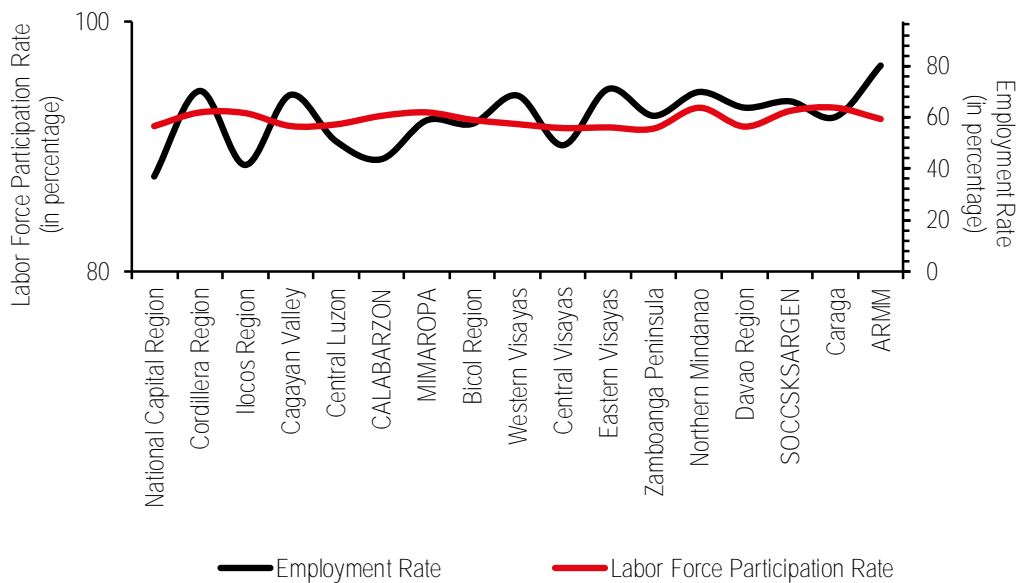
As the government relaxed quarantine measures, business activities and public transportation started to resume and open some economies, which helped generate employment. Thus, employment rate in October 2020 recorded at 91.3% or equivalent to 39.8 million employed Filipinos.

Figure 2. 11 – Philippine Labor Statistics (2000 – 2025E)



Source: Philippine Statistics Authority (PSA), Oxford Economics, JLL Research and Consultancy

Figure 2. 12 – Philippine Labor by Region (as of October 2020)

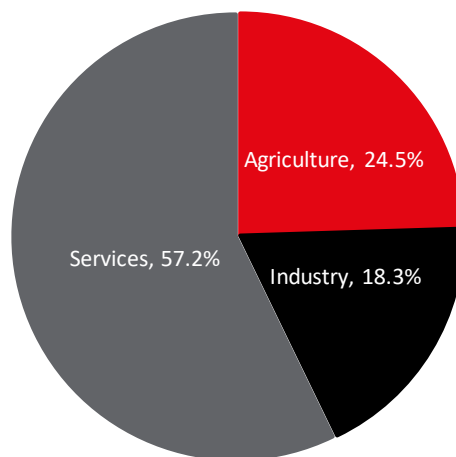


Source: Philippine Statistics Authority (PSA), Oxford Economics

While most parts of the country eased the restriction, three regions reported double-digit unemployment rates as of October 2020, namely — National Capital Region (12.4%), Region 1 (11.5%) and Region IV-A (11.0%). Moreover, due to the pandemic, several companies cut down on operational costs which resulted in some layoffs or business shutdown in the Philippines. Arts, entertainment and recreation, and accommodation and food service sectors recorded the steepest drops in employment rate, 72.9% and 35.9% y-o-y, respectively, due to the heavy impact experienced by the tourism and service sectors as borders for the entire country were closed in an effort to contain the virus. Despite the increase in the unemployment rate for the mentioned sectors, majority of the employed workers are still in the service sector (54.8%), followed by agriculture (26.3%) and industry (18.8%).

The Oxford Economics projected 2020 annual employment rate at 88.2%, a drop by 7.1% y-o-y. Given this, it is still projected to bounce back to 91.8% in 2021 and 94.0% in 2022 as economies normalize. Moreover, the government anticipates an increase in employment rate as the community quarantine measures ease and enable more regions to revitalize economic activity. The Department of Labor and Employment (DOLE) is also optimistic about the employment situation in the Philippines as they are rolling out a three-year national recovery plan to generate more jobs for millions of workers displaced by COVID-19 pandemic.

Figure 2. 13– Philippine Labor Statistics by Sector (as of October 2020)



Source: Philippine Statistics Authority (PSA), JLL Research and Consultancy

3.0 RELEVANT PH REGULATIONS ON THE OFFICE MARKET

The following sections will discuss the profile of government agencies that manage business, tax, incentives regulations on the Philippines.

3.1 Revised Implementing Rules and Regulations (IRR) of the Real Estate Investment Trust Act of 2009

The REIT Act of the Philippines was passed into law all the way back to 2009. However, the REIT market did not take off as corporates and property developers found several provisions in the first version of the REIT IRR were undesirable. These items under the REIT IRR in 2010 were the minimum public float of 40% (with a requirement to increase to 67% on the third year) and the 12% value added tax (VAT) on transferring property ownership.

The first hurdle was addressed in 2018, when VAT exemption on transfer of property was included in the Republic Act no.10936 or the Tax Reform Acceleration and Inclusion (TRAIN). Finally, after two years, the SEC have lowered

the required minimum public float to 33%. The SEC likewise included a provision stating that any funds raised from REIT must be reinvested in the Philippines within one year of receipt of the proceeds.

Table 3.1 – Key Revisions in the REIT Act

Key provisions in the revised IRR	Old IRR	Revised IRR (Jan2020)
Minimum Public Ownership (MPO)	40% (Year 1) 67% (Year 3)	33%
VAT on transfer of properties of REITs	12%	Exempted
Reinvestment in the Philippines	No provision	Yes
Other REIT provisions from the IRR/Philippine Stock Exchange		
Foreign Assets	REITs are allowed to invest in foreign assets, but ownership must not exceed 40% of the fund's deposited property. Subject to SEC approval.	
Non-Resident Investment	REIT investments by a non-local must be registered to the BSP through an authorized agent bank	

Source: Securities and Exchange Commission, Philippine Stock Exchange

Last August 2020, Ayala Land Inc. has successfully listed its REIT subsidiary, AREIT Inc., on the Philippine Stock Exchange. At the time of listing, the property portfolio of AREIT Inc. consists of three commercial building positioned in Makati City. Solaris One and Ayala North Exchange are wholly owned by the company, while the other, McKinley Exchange is under a lease contract with ALI. With this, AREIT Inc. has an attributable gross leasable area (GLA) of 142,322.3 sqm. A month after the public offering, AREIT Inc. has successfully acquired Teleperformance Cebu located in Cebu IT Park in Cebu city. Moreover, AREIT Inc. announced on January 5, 2021, that the company has purchased a 9.8-hectre of land in Laguna Technopark, amounting to PHP 1.1 billion. The property consists of four parcels, which is currently being leased by Integrated Micro-Electronics, Inc. (IMI).

Meanwhile, DoubleDragon Properties Inc. has already filed its REIT listing application to the regulators last November 2020. DoubleDragon Properties Inc. aims to do the listing in six tranches of around 200,000 to 250,000 sqm annually. In a disclosure posted to the stock exchange, the first tranche of DoubleDragon's REIT, DD Meridian Park REIT, Inc. (DDMP REIT), will have six buildings under its management located in its 4.75-ha DD Meridian Park.

Likewise, Robinsons Land Corp announced its plans for a REIT listing as early as 1H21. The developer plans to list its 15 office buildings with more than 400,000 sqm of GLA.

3.2 Corporate Income Tax

The Bureau of Internal Revenue (BIR) is a government agency under the supervision of the Department of Finance (DOF). The primary function of BIR is to collect revenue taxes of both individuals and businesses operating and residing in the Philippines.

Just like a local business or corporation, IT-BPM companies are also required to register to the BIR for tax purposes and will be subjected to the 30% regular corporate income tax (RCIT). Tax computation will depend on the type of business operations of the foreign corporation — Subsidiary or Branch operations. For a foreign corporation establishing a subsidiary in the Philippines, taxable income will be the gross profit generated in the Philippines and its foreign operations. Meanwhile, taxable income of branch operation will only cover the gross profit generated within the Philippines.

In period when gross taxable income is relatively low, ranging from zero to negative, minimum corporate income tax of 2% shall be implemented. For newly registered businesses, MCIT liability shall be booked starting at the fourth year of operations from the year of registration with the BIR.

Other taxes to consider in operating the Philippines are the Branch Remittance Tax and the Value-Added Tax (VAT). Profits remitted by a branch operation to its foreign based-parent corporations, will be subject to the 15% branch remittance tax. VAT is considered as a business tax, imposed to all sales of goods and services in the Philippines. Currently, VAT in the Philippines remained at 12%.

3.3 Tax Incentives

The Board of Investments (BOI) is a government agency operating under the Department of Trade and Industry (DTI). The main goal of BOI is to promote inbound investments in the Philippines to both local and foreign investors. The agency's primary tool to attract inbound investments is to grant fiscal and non-fiscal incentives to investors.

Similar to enterprises registered with Philippine Economic Zone Authority (PEZA), businesses registered with Board of Investments (BOI) are entitled for the enjoyment of incentives according to Executive Order (EO) 226 – The Omnibus Investment Code of 1987. The two common fiscal incentives between PEZA and BOI, at least for service-type firms, is the Income Tax Holiday (ITH) and duty-free importation of capital equipment and parts. Other fiscal incentives may be enjoyed such as additional deduction from taxable income for labour expenses, although this cannot be achieved simultaneously with the ITH incentive.

The Philippines Economic Zone Authority (PEZA) is also a government agency under the DTI. Just like the BOI, PEZA has the authority to grant incentives and provide assistances to export-oriented manufacturing and service facilities within PEZA's economic zones.

Supporting the investments on local Information Technology (IT) Enterprises, IT Park developers and operators, and IT Park Facilities, PEZA provides guidelines on registering the IT-BPM firms for the availment of incentives. Under Republic Act (RA) No. 7916 and the amended RA No. 8748, registered IT Enterprises, and IT Parks and Building may enjoy Income Tax Holidays (ITH), a special 5% tax rate on Gross Income Earned (GIE), duty and tax free importation of capital equipment and parts, zero-rated VAT on local purchases of goods and services, exemption in the payment of all local government imposts, fees, licenses, or taxes, and exemption from the expanded withholding tax. Other non-fiscal incentives can be enjoyed such as the employment of foreign nationals and can include a family member under certain requirements.

3.4 Philippine Amusement and Gaming Corporation (PAGCOR)

The Philippine Amusement and Gaming Corporation (PAGCOR) regulates two entities in the online gaming industry; POGO operators (which hold offshore gaming licenses) and POGO Service Providers (customer relations, information technology support, gaming software, and live studio and streaming). POGO Service Providers which may be classified as BPOs are ineligible of tax incentives because it is not registered with PEZA entities. As such, POGOs are subject to franchise tax, VAT tax, corporate income tax, and withholding tax according to Bureau of Internal Revenue (BIR) regulations

Table 3.2 - Summary of Incentives (PEZA, BOI, PAGCOR)

FISCAL INCENTIVES	BOI	PEZA	PAGCOR
Income Tax Holiday (ITH)	Applicable	Applicable	N/A to POGO service providers and POGO operators
	Non-pioneer Project: 4 Years of ITH (Entitled to 6 years if located in a less developed area)	Non-pioneer Project: 4 Years of ITH	N/A
	Pioneer Project: 6 Years of ITH	Pioneer Project: 6 Years of ITH	N/A
	Expansion or Modernization Project: 3 Years of ITH	Expansion or Modernization Project: 3 Years of ITH	N/A
ITH Bonus	Additional 3 Years of ITH if certain quotas are achieved (Only a maximum of 8 years for an ITH entitlement)	Additional 3 Years of ITH if certain quotas are achieved (Only a maximum of 8 years for ITH entitlement)	N/A
Special Tax Rate on Gross Income Earned (GIE)	N/A	5% upon expiry of ITH (In lieu of local and national tax)	N/A
Importation of Equipment and Parts	Duty free for export-oriented enterprises and 1% duty for domestic-oriented enterprises	Tax and duty free	N/A
VAT of Local Purchases of Goods and Services	Not exempted	Zero-rated	Not exempted
Payment of all Local Government Imposts, Fees, Licenses or Taxes.	Not exempted	Exempted except for real estate tax not in the economic zone	Not exempted
Expanded Withholding Tax	Not exempted	Exempted	Not exempted

NON-FISCAL INCENTIVES	BOI	PEZA	PAGCOR
Employment of Foreign Nationals	Supervisory, technical, or advisory positions for 5 years upon registration of project (extendible for limited periods)	Supervisory, technical, or advisory positions for 5 years upon registration of project (extendible for limited periods)	N/A
Enjoinment of foreign family members	Spouse and unmarried children under 21-years of age	Spouse and unmarried children under 21-years of age	N/A

Source: Philippine Economic Zone Authority (PEZA), Board of Investment (BOI), Philippine Amusement Gaming Corporation (PAGCOR)

3.5 The CREATE Bill

The economic managers of the Duterte administration are now preparing to finalise the 2nd package of the government's tax reform program, called the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, previously known as the Corporate Income Tax and Incentives Reform Act (CITIRA). This bill focuses on improving tax program and rationalizing incentives for businesses and corporations. The Department of Finance (DOF) has amended the first version of the bill to support distressed companies during the pandemic.

Under the CREATE bill, there will be a direct 5% cut in Corporate Income Tax (CIT) to 25% starting July 2020 up to 2022 and will have an annual decrease of 1% from 2023 until 2027. For tax incentives, sunset period is extended by two years to 4 to 9 years from the initial proposal of 2 to 7 years for those businesses currently enjoying the 5% tax gross income earned (GIE) incentive. The DOF noted that the two-year extension is a generous compromise for businesses that were initially granted the incentive in perpetuity.

Table 3.3 - Tax benefit for business enterprises¹

CIT rate reduction	CITIRA	CREATE
2020	29%	25%
2021	28%	25%
2022	27%	25%
2023	26%	24%
2024	25%	23%
2025	24%	22%
2026	23%	21%
2027	22%	20%
2028	21%	20%
2029	20%	20%

Source: Department of Finance

The CREATE bill may alter the office market as it opens more opportunities for local businesses, particularly MSMEs, to grow since imposed taxes are becoming more levelled and competitive. The same way CREATE will help MSMEs to survive the challenges brought by the pandemic. Also, rationalizing tax incentives and eliminating perpetuity option would improve the quality of foreign investments in the country.

The CREATE bill was passed at the third and final reading by the Senate Committee last November 2020. However, the House of Representatives are looking for Bicameral Conference Committee to reconcile the differing provisions of the Senate version and the House version. This would prolong the enactment of the bill that could potentially stall potential expansion or investments plans in the country.

4.0 IT-BPM: SECTOR UPDATE AND SITE SELECTION CRITERIA

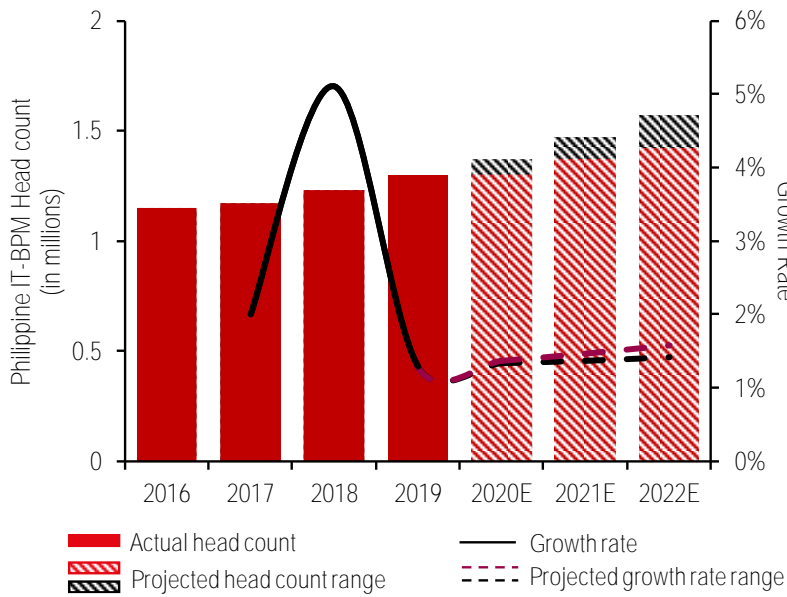
4.1 IT-BPM Industry

For over a decade, the IT-BPM industry has been one of the major economic growth drivers of the Philippines. The industry has been in the country since the 1980s and started with basic encoding, IT programming and in-house development. The industry has since grown to over 1,000 companies, generated jobs for more than 1.3 million Filipinos, and contributed 7.1% of the Philippine GDP in 2019. The industry grew by 9.0% CAGR from USD 12.1 in 2011 to USD 26.3 billion revenues for 2019, as foreign MNCs and international firms continue to outsource part of their operations.

¹ Department of Finance, Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

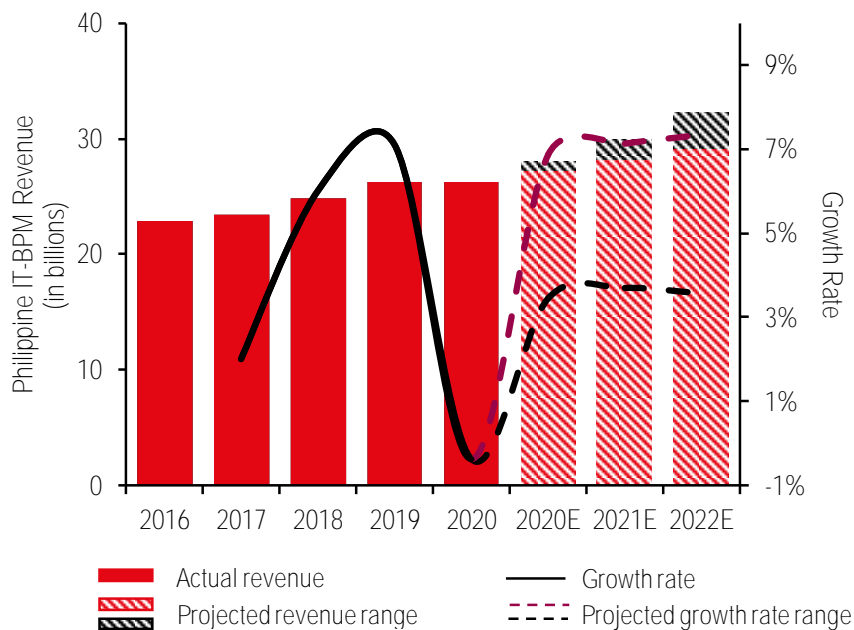
To date, the industry has 5 subsectors namely: (1) Call Center and BPO, largest subsector, that offers from basic calls to diversified omnichannel solutions like chat, email and social media; (2) Information Technology, that deals with IT-enabled services like programming, software development and database administration; (3) Health Information Management Service, the fastest growing sector which includes clinical research, drug utilization review, and claims processing; (4) Animation and Game Development, a relatively small sector compared to others but one of the Philippines IT-BPM’s high growth areas; and (5) Global In-House Centers, managed internally by a parent organization and has a processes like finance and accounting, data analytics, human resources and procurement.²

Figure 4. 1– Philippine IT-BPM head count and growth rate



Source: IBPAP; IBPAP Roadmap 2022

Figure 4. 2 – Philippine IT-BPM Revenue and growth rate



Source: IBPAP; IBPAP Roadmap 2022

² <https://itstarthere.ph/it-bpm>

In Tholos Top 50 Digital Nations in 2020 Services Globalization Index, the Philippine ranked 6th among the 50 countries and was acknowledged as one of the leading outsourcing countries due to its competitive cost, super cities, and robust and diverse talent³. The Philippines' IT-BPM industry had the potential to achieve growth in terms of revenue, as IBPAP noted a considerable number of new investors and locators in the country which were mostly global-in house centres (GICs), healthcare, finance and accounting, human resources, information and technology and software, and content moderation.

However, in 2020, COVID-19 caused a global economic fallout which affected the Philippine IT-BPM industry and losses of PHP 120 billion due to missed business opportunities and unplanned cost.⁴ Based on IBPAP findings, travel and tourism accounts continue to face challenges, while sectors like healthcare, telecommunications, financial services and e-commerce are in uptick demand. As an essential provider, the industry continued its operations and improved the industry's work productivity to 95.0% from 73.0% in May 2020, with 63.0% of employees working from home and another 37.0% delivering work as part of the skeleton staff housed on-site. Despite the increase in productivity amid remote work set up, the industry still faced challenges with regards to business operations — power outage, poor internet connection, and lingering risk of a potential data security breach — making a strong case for companies to still pursue office space expansion.

Aligned with this, IBPAP released a conservative outlook for 2020, recalibrating the revenue at USD 26.2 billion, 0.5% lower from USD 26.3 billion in 2019, while employment will remain at 1.3 million. Also, the industry is expected to perform better than the Philippine economy by having a lower contraction, as the industry continues to provide services with close to 100% productivity rate. Moreover, the association anticipates recovery in 2021 to 2022, projecting growth in revenue at 3.2% to 5.5% and employment at 2.7% to 5.0%. Nonetheless, additional investments in the Philippines are still evident as the projects registered in PEZA increased in 43.0% y-o-y, to PHP 14 billion in the first nine months of 2020 from PHP 9.9 billion in the same period in 2019.

4.2 IT-BPM Site Selection

The selection of an ideal destination for IT-BPM operations is a huge decision for providers who are planning to enter a new country or expand their operations within an area, which makes a study on location viability vital. Several parameters such as regulation (business environment), cost (financial attractiveness), and labor (talent pool and salaries) are taken into consideration and examined further by these companies given its importance to their operations.

Over the past years, Southeast Asia has grown as one of the IT-BPM destinations, with an improving economic environment and strong government support. Led by the Philippines, countries in Southeast Asia placed to be a promising destination for IT-BPM services. To justify the outsourcing, a strong IT-BPM center would require access to a well-educated talent pool, communication proficiency and competitive wages, which are inherently the competitive advantage of the Philippines.

4.2.1 Talent Pool

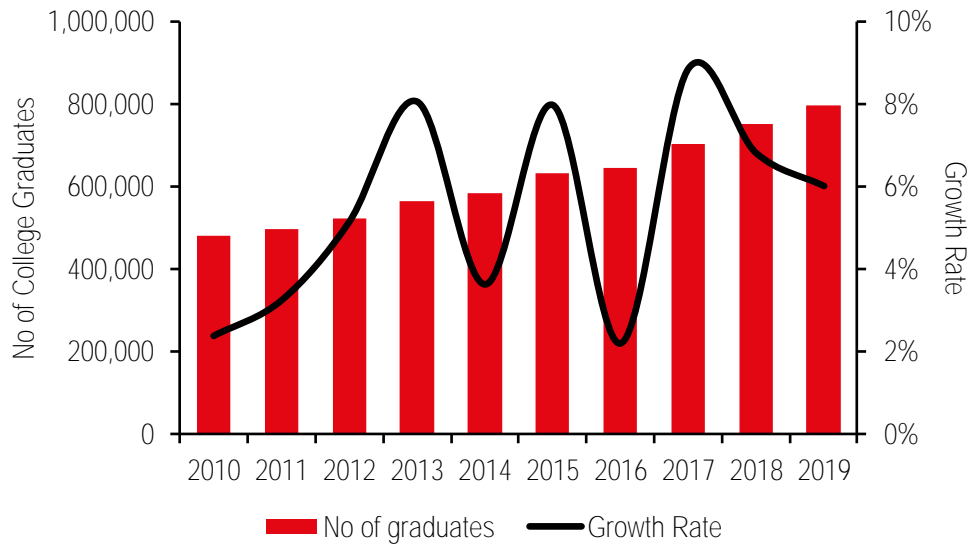
The Philippines has an attractive investment landscape primarily because of its workforce. It is considered as one of the hotbeds of IT-BPM companies due to its robust and diverse talent pool.

Oxford Economic forecasted Philippine population to reach 109.8 million in 2020 and would have around 64.5% working population aging 15 – 64 years old, which would be a significant number of talents available. Also, the Philippines have high literacy rate at 98.0% with 796,576 college graduates, 6.0% increase y-o-y in 2019, which gives multinational companies a scalable and highly skilled talent pool in different field and expertise. Moreover, as of 2019, the Philippines is currently the fifth-largest English-speaking country in the world with over 60% of the population able to converse in English, which makes the Philippines an ideal place for IT-BPM companies, especially for voice operations.

³ <https://www.bworldonline.com/phl-slips-in-global-outsourcing-ranking-davao-out-of-top-100-list/>

⁴ https://malaya-com-ph.cdn.ampproject.org/c/s/malaya.com.ph/index.php/news_business/bpos-lost-p120b-due-to-covid/?amp

Figure 4. 3 – Philippine Higher Education Total Graduates (2010-2019)



Source: Commission on Higher Education (CHED)

With high rate of literacy and increasing number of tertiary graduates, the Philippines has a wage advantage compared to emerging IT-BPM centers in Southeast Asia, as it offers low cost services with educated workforce. Based on PSA’s Business and Industry Survey in 2017, the average annual compensation in the IT-BPM industry is at PHP 406.0 thousand per employee.

4.2.2 Support Facilities

Majority of the IT-BPM offices are in major CBDs, business parks or economic zones. In Metro Manila, offices are usually in CBDs like Makati, Bonifacio Global City (BGC), and Ortigas, which are very accessible to public transportation such as buses and MRTs. The Metro Manila transport system such as the MRT Lines enables the mobility of the talents around the region, having three lines operating and traversing through Manila, Quezon City, Pasig, Mandaluyong, Makati and Pasay, making the cities connected and accessible for the commuting public. Moreover, the government has various projects ongoing such as bridges, subways and additional commuter railways to connect the different CBDs and areas in the region.

In terms of telecommunications and connectivity, the government also has programs to improve the country’s connectivity by constructing additional towers across the Philippines. And as to private providers, the Philippines now has three telecommunication companies which continue to improve their services by expanding 5G technology in the country. Moreover, the Department of Information Communication and Technology (DICT) has the “Next Wave Cities” project which caters the IT-BPM industry. Under this project, the government aimed to established hubs and centers of excellence in Metro Manila, Metro Cebu, Metro Clark and Bacolod City to support the IT-BPM industry growth.

4.2.3 General Environment

The Philippine government under IBPAP, an enabling association for IT-BPM industry, advocates investment-friendly business environment to locators. The association implements laws, polices and regulation such as the Special Economic Zone Act of 1995, Foreign Investment Act of 1991, Data Privacy Act of 2012, Investment Priorities Plan and other regulations and policies, to support the growth of IT-BPM industry and promote job generation nationwide. Aside from policy shaping, IBPAP also do talent development to enable the industry with high-value services.

In terms of physical environment, most of the IT-BPM operations in the Philippines are found in high-grade buildings located in well urbanized areas across the country. Moreover, high-grade buildings were usually built kilometres away from the danger zone – landslide zone, fault lines and other hazard zones. Nonetheless, setting up operations in the country has been safe for the industry amid absence of geopolitical risks.

4.2.4 Real Estate Criteria

The Philippines offers relatively competitive options as it has lower real estate costs and salaries compared to other countries. Currently, the average rent in Metro Manila is at PHP 1, 066 per sqm per month and the common use service area (CUSA) is at PHP 162 per sqm per month. Major CBD areas like Makati and Taguig City command rents up to PHP 1, 400 per sqm per month due to the premium tied to these areas on the back of being business centres in the Metro. Provincial business centres such as Metro Cebu and Davao City command average rents at PHP 643 per sqm per month and PHP 556 per sqm per month, respectively, relatively cheaper than Metro Manila making these ideal for expansion sites.

In addition, most of the locations of IT-BPM offices are close to or within converted spaces of some retail store or malls such as Glorietta and Greenbelt in Makati, SM Megamall in Ortigas, SM Aura Premier, Market!Market! and Bonifacio High Street in Taguig, and Festival mall in Filinvest City, which can cater to the needs of their employees. Also, housing options such as dormitels and condominiums are also within the proximity of the different CBDs, business parks and economic zones. Some companies in the industry usually lease out bed spaces or units to aid employees and serve as corporate housing.

5.0 OFFICE PROPERTY MARKET OVERVIEW

5.1 Metro Manila

The Philippine office property market is heavily concentrated in Metro Manila, being the most urbanised region in the country and the epicentre of economic growth. The capital houses a wide array of developments – commercial, residential, hotels, and industrial properties.

There are several main business districts in Metro Manila, namely, Makati CBD in Makati City, Bonifacio Global City (BGC) in Taguig City, Ortigas Center – which is straddled by Pasig City, Mandaluyong City, and Quezon City; and Filinvest City and Madrigal Business Park in Alabang, Muntinlupa City.

Table 3. 4– Profile of Select Key Business Districts in Metro Manila

Sub-district	District	District Profile
Existing Business Districts		
Makati CBD	Makati City	The Makati CBD remains the premiere business hub of the country. Makati CBD is comprised of various grades of office buildings, low- to high-end quality residential developments, major shopping malls, (majority of) deluxe hotels and key institutional developments.
Bonifacio Global City	Taguig City	The BGC district has emerged as one of the top preferred sites for property developments in recent years. The district has a considerable number of build-to-suit developments, owing to the agglomeration of O&O firms in the district. Mid- to high-end residential developments, retail developments as well as several institutional offices are also present.
Ortigas CBD	Pasig City Mandaluyong City Quezon City	The Ortigas CBD touches three cities in Metro Manila, with robust offerings of shopping malls, hotels, and mid- to high-grade office buildings catering to IT-BPM firms and traditional offices.

Filinvest City	Muntinlupa City	Filinvest City is the main business hub in Alabang, Muntinlupa City. The district host different developments ranging from high-grade office buildings, retail, hotels, and residential developments. Muntinlupa City also boasts several good governance awards, winning the Most Business Friendly Local Government Unit (LGU) from 2017 to 2019, and Seal of Good Local Governance and Seal of Child Friendly Local Governance in 2019.
SM Central Business Park	Pasay City	The SM Central Business Park is anchored on the SM Mall of Asia shopping mall. Several offices, residential and hotel developments are also present within the district.
Aseana City	Parañaque City	Aseana City forms part of the Bay City district and is comprised mostly of commercial developments. The Entertainment City, where several hotel developments are expected to rise, is situated within the district, as well.
Vertis North	Quezon City	Vertis North includes the existing Trinoma Mall and other planned mixed-use developments. The initial phase of the development will include construction of a total gross floor area of approximately 220,000 square metres of office, retail and hotel.

Upcoming Business Districts in Metro Manila

Arca South (FTI Complex)	Taguig City	The Arca South, formerly FTI Complex, will be transformed into a new mixed-use district. At present, only commercial lots has been released in the market. A key feature of the district is the intermodal transport hub for public vehicles.
Circuit Makati (Sta. Ana Racetrack)	Makati City	The Circuit Makati will be developed on the former site of the old Sta. Ana Racetrack. The district is centred on a lifestyle and entertainment theme.

As the country recorded strong economic growth over the past years coupled with investment grade status, both local and foreign investments blossomed and drove the need for more office spaces in the capital. Office developments emerged in fringe areas outside the key cities, such as Arca South in Taguig City, Circuit Makati in Makati City, Eastwood, Vertis North, and Eton Centris in Quezon City.

The office property market in the Philippines is a mix of Grade ‘A’, ‘B’, and ‘C’ office buildings, as well as commercial and industrial spaces within and at the fringe of identified business hubs. We, at JLL Philippines Research & Consultancy, use our proprietary scorecard model in identifying building grade status for office developments in the country.

Table 3.5 – Building Grade Classification: Scorecard Parameters

Scorecard Parameters
Environment certification - WELL/LEED/BERDE
Size – Gross Leasable Area
Location
Accessibility
Amenities
Tenant Mix
PEZA Accreditation
Property Management

In this market study, we will focus on Prime/Grade A developments in Metro Manila.

Table 3. 6 - Office Building Classification in the Philippines

Classification	Definition
Prime/Grade A	Modern specification buildings with high quality finishes, which could incorporate suspended ceilings, typically located in prime locations
Grade B	Medium quality buildings in prime locations or Grade “A” standard buildings but in secondary locations (areas outside CBDs).
Grade C	Basic specification or older buildings with poor quality finishes usually located in secondary locations

Prime and Grade A office buildings are usually newer developments or highly maintained developments located in established business districts, characterised by high quality materials used and superior architecture. These buildings typically offer large floor plates, normally ranging from 1,000 sqm to 3,500 sqm, which is ideal for several types of industries particularly the IT-BPM industry, one of the major drivers of demand for office space in the Philippines for several years until present. Other factors to consider for Grade A office buildings are the certifications awarded to the development, such as PEZA accreditation and the Leadership in Energy and Environmental Development (LEED) and/or Building for Ecologically Responsive Design Excellence (BERDE) certifications.

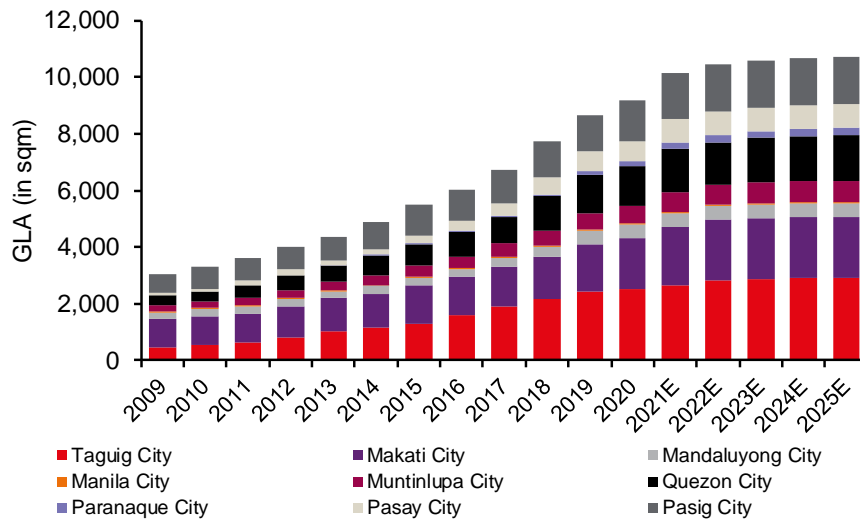
The LEED and BERDE certifications emphasize on the sustainability and efficiency of the developments. These certifications cover the quality of materials used, and how these all come together to improve efficiency of the building, ultimately resulting to lower costs for the tenants, as well as to boost employee productivity and retention. The idea of LEED and/or BERDE buildings is relatively new to the Philippines and tenants planning to locate in the country are not very much particular yet on the certification. As of writing, there are 122 LEED/BERDE certified office buildings in Metro Manila.

5.1.1 Existing Supply

Office supply expansion in Metro Manila has been stable over the past 10 years, averaging 12% annually. The fastest supply growth was recorded in 2018, where office stock grew by 15% y-o-y. This was brought by strong investment appetite amid robust economic growth, credit rating upgrades, and low interest rate environment during the 2010-2016 period. These encouraged developers to ramp up project pipelines to cater to the increasing demand for office space, particularly from the IT-BPM industry. However, this growth momentum was halted in 2020, with supply growth hitting 6% y-o-y due to supply slippages brought by the lockdown.

Total grade A office supply in Metro Manila reached 9.2 million sqm at the end of 2020. Around 546,000 sqm of new office stock was introduced in the year, roughly half of the previously projected 1.1 million sqm of new office space scheduled for completion. The 2.5-month long Enhanced Community Quarantine (ECQ) prohibited any form of construction activities, causing project delays, where approximately 35% of the new supply in 2020 was completed in 4Q20, as well as supply slippages to 2021 and 2022.

Figure 5.1 - Cumulative Supply – Metro Manila



Source: JLL Research and Consultancy

The bulk of the 2020 completions were from Pasig City, Makati City, and Taguig City with new office stock amounting to 179,200 sqm, 139,200 sqm, and 86,500 sqm, respectively. Notable building completions from these cities are Exquadra Tower in Pasig City, Ayala Triangle Gardens Tower 2 in Makati City, and One Le Grand Tower in Taguig City. New office stock in Quezon City reached a total of 31,300 sqm, coming from the two office towers in SM City North Edsa compound. Meanwhile, Paranaque City saw new office supply of 48,000 sqm from the completion of Anchor Land Corporate Center, while Muntinlupa City recorded 45,000 sqm of new office buildings from the completions of Filinvest Axis Tower 2 and Paz Madrigal Plaza.

5.1.2 Market Share of Existing Developments

As of end-2020, Taguig City holds the largest share of total grade A office developments in Metro Manila with 2.5 million sqm, accounting for 27.3% of the total. Taguig is comprised of 103 grade A office buildings, 77 of which are in BGC, while the remaining developments can be found in McKinley Hill. Top developments in BGC are The Globe Tower, Net Park, and W City Center. Most recent completions in Taguig City were One Le Grand (4Q20) and BGC Corporate Center 2 (3Q20).

On the other hand, Makati City holds a market share of 19.7%, hosting 60 grade A developments totalling to 1.7 million sqm. The lower number of Grade A buildings in Makati City compared to Taguig city may be explained by the lack of available space for newer developments in Makati CBD. Legacy buildings from the 1970s along the premiere Ayala Avenue are being refurbished to maintain their grade A status. Significant contributor in Makati City is the two towers of RCBC Plaza and PBCom Tower. Other notable developments in Makati City’s premier address are PBCom Tower, Zuellig Building, and NEX Tower. High grade office buildings outside Makati CBD can be found in Circuit Makati and Rockwell Center. Circuit Makati houses the newly built The Stiles Enterprise - West Tower, and the Circuit BPO I and II.

Pasig City accounts for 15.8% of the total grade A office space in Metro Manila at the end of 2020. The city houses 43 grade A office buildings totalling to 1.4 million sqm, concentrated within the Ortigas CBD. Notable developments in Ortigas CBD are the Philippine Stock Exchange Towers, The BDO Tower – Keppel, and One Corporate Center. Latest project completion in the area was the Cyber Omega by Robinsons Land Corporation, which was completed in 4Q20.

Meanwhile, market share of Quezon City is just right below Pasig City, with 15.1% share. The number of grade A developments in Quezon City reached 64 as of end-2020, with a total leasable space of 1.4 million sqm. Office developments in Quezon City are spread out in different townships — Eastwood City, Araneta Center, Eton Centris, and Vertis North. Eastwood City is home to the most office developments in Quezon City, some of which are MDC

100, Global One Center, and Citibank Square. Moreover, Araneta Center holds the 2nd most contribution of office space in the city, hosting notable developments such as ACS Araneta Center and Telus Building Phase 1 and 2. Total office stock in Eton Centris reached 136,000 sqm, comprising of five (5) Cyberpod buildings — One, Two, Three -North Tower, Three – South Tower, and Five. Meanwhile, Vertis North hosts three BPO Towers totalling to 122,400 sqm.

Pasay City holds 7.5% of the total grade A office stock in the Metro, with 692,000 sqm as of end-2020. Grade A office supply in Pasay City is concentrated in the Bay Area. Notable developments are SM One E-com Center, SM Two E-com Center, and SM Five E-com Center. Also, DoubleDragon Properties Inc.'s office buildings are significant contributors in the office stock in the Bay Area. These are DoubleDragon Plaza's four towers and the two buildings of DoubleDragon Center (East and West).

Office supply in Muntinlupa City has more than doubled, from 265k sqm in 2010 to 624k sqm in 2020 — representing 6.8% market share — across 44 Grade 'A' developments, with 21 PEZA-accredited buildings, which includes four (4) LEED certified buildings, namely Vector Three and the first two towers of Filinvest Axis Towers by Filinvest Land and One Griffinstone Building by Griffinstone, Inc. The primary business districts in the city are Filinvest City and Madrigal Business Park. Roughly 80% of grade A office stock is in Filinvest City, where most IT-BPM companies operate. The Filinvest City hosts mixed-use developments ranging from residential condominiums, hotels, green parks, and high-rise office buildings. The CBD has three primary sub-districts namely, Spectrum District, Civic Plaza, and Northgate Cyberzone — where most grade A buildings are located. The Spectrum District hosts office spaces for both multinational and local companies and residential developments, as well as prime hotels. Civic Plaza houses several commercial lots that is home to government offices.

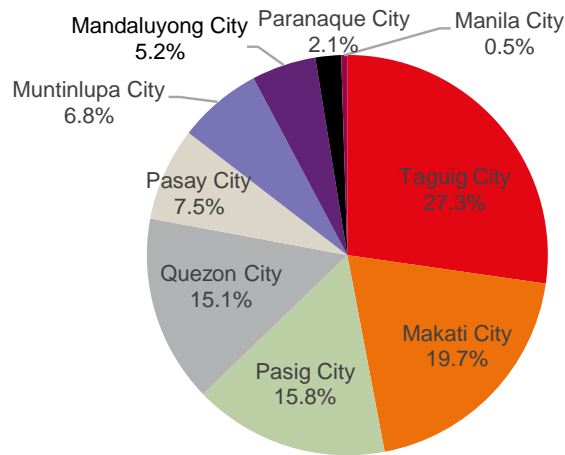
Lastly, Northgate Cyberzone is an 18.7-ha information technology (IT) park catering to IT-BPM firms and other IT support business. Notable developments in the city are the Filinvest Axis Towers, comprising of four LEED-certified towers with a total GLA of roughly 160,000 sqm.

Grade A office supply in Mandaluyong city reached 477,500 sqm in 2020, representing 5.2% market share. Some of the notable developments in the city is The Podium – West Tower with a total leasable space of 102,700 sqm and has LEED Gold certification. The Podium-West Tower was completed in 3Q19. Other significant contributors to the office space market are Worldwide Corporate Center and Quantum-Greenfield Tower.

Parañaque City holds 189,700 sqm of Grade A office buildings as of end-2020. This represents a market share of only 2.1%. The low market share can be attributed to the lack of established business centres in the area. Also, the city is well known for housing big players in the hotel and casinos industry. The largest office developments include Aseana One and Three, and the four towers of Parañaque Integrated Terminal Exchange (PITx).

Grade A office supply in Manila City totalled to 45,300 sqm across four developments, accounting for 0.5% market share. These buildings are scattered across the City of Manila. Notable high-grade office buildings in Manila are Vertex One and RLC Otis.

Figure 5. 2 - Market Share of Existing Grade A Office Stock in Metro Manila by district (2020)



Source: JLL Research and Consultancy

5.1.3 Developer Share of Existing Developments

As of end-2020, Ayala Land, Inc. (Ayala Land) still holds the majority of office supply in Metro Manila, accounting for 13.4% of the total. Placing second is Megaworld Corporation (Megaworld) with 11.6% market share, while SM Prime Holdings Inc. (SM Prime) is the 3rd largest office space developer with 9.7% share.

Table 3. 7 - Top Developers of Existing Office Developments in Metro Manila

Rank	Developer	% Share
1	Ayala Land, Inc.	13.4%
2	Megaworld Corporation	11.6%
3	SM Prime Holdings	9.7%
4	Robinsons Land Corporation	6.0%
5	Filinvest Land, Inc.	5.3%
6	Araneta Properties	3.7%
7	DoubleDragon Properties Corp.	2.6%
8	Daiichi Properties	2.2%
9	Rizal Commercial Banking Corporation	1.9%
10	Eton Properties	1.9%

Ayala Land has significant footprint in Makati City, being the master planner and developer of the Makati CBD. Moreover, Ayala Land has a significant share in Quezon City due to its mixed-use developments such as UP-Ayala Technohub and Vertis North. Megaworld has significant exposure in Quezon City due to its Eastwood City development. Megaworld also dominates Taguig City coming from its Uptown Bonifacio, McKinley Hill, and McKinley West projects. Meanwhile, SM Prime dominates Pasay City due to its SM Mall of Asia Complex, while Robinsons Land Corporation leads Mandaluyong and Pasig City.

In Muntinlupa City, Filinvest Land, Inc. (Filinvest Land) dominates the market on the back of its Filinvest City development, comprising of Spectrum District, Civic Plaza, and Northgate Cyberzone. Overall, Filinvest Land holds the lion’s share of office supply in Muntinlupa City, with 49.5% market share. At the 2nd spot, Ayala Land, Inc. accounts for 11.9% of the total office supply.

Moreover, there are several boutique office developers that hold significant presence in a district, such as the W Group who holds 7% share of the Taguig City’s total office supply. W Group has 3 buildings in its BGC portfolio, namely The W Fifth Avenue, Citibank Plaza – W North, and W City Center. In Makati City, notable boutique

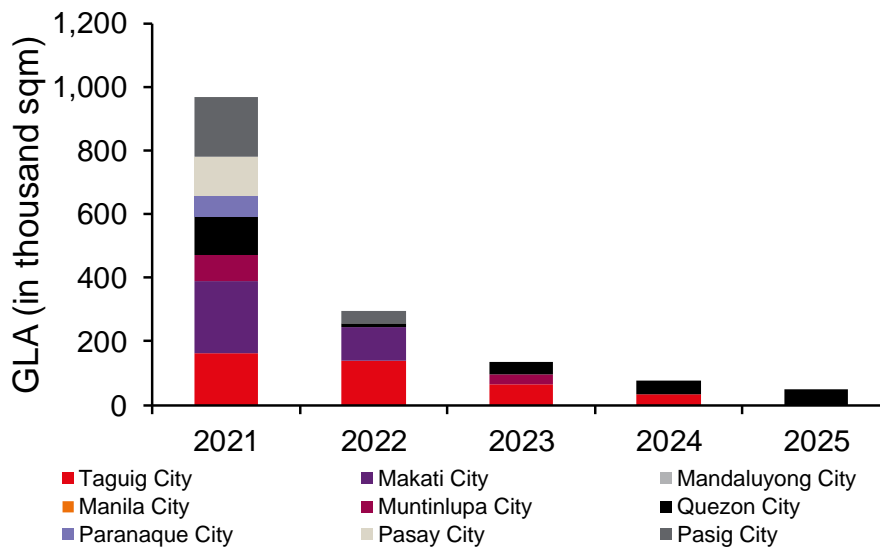
developer is KSA Realty Corporation, who developed The Enterprise Tower, representing 5% of the total supply in Makati City.

5.1.4 Future Supply

Approximately 1.5 million sqm of new office stock is projected to enter the market from 2021 to 2025. Makati and Taguig cities are expected to house the chunk of upcoming office developments in the region, keeping the market share of 47%. For the upcoming office supply in Taguig City, it is worth mentioning that more than 43% of the pipeline projects will be located outside the Bonifacio Global City, specifically in Arca South. On the other hand, upcoming office stock in Makati City will still be located within the city’s main business district.

Upcoming office supply in Metro Manila is expected to reach 967,000 sqm by end-2021. This will bring total office stock to 10.2 million sqm. Notable projects in 2021 are Corporate Finance Plaza of Amberland Corporation, Alveo Financial Tower of Alveo Land, and Activa office buildings by Filinvest Land.

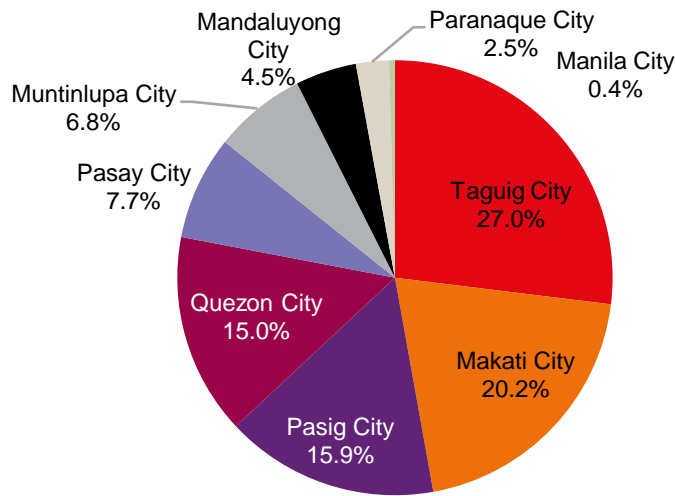
Figure 5.3 - Upcoming office supply – Metro Manila (2021-2025E)



Source: JLL Research and Consultancy

In terms of market share, majority of the upcoming office stock in 2021 will be located in Makati City, with over 228,000 sqm of new office space. Pasig city, on the other hand, is expecting 187,000 sqm of fresh office supply next year. Next is Taguig City with 104,000 sqm of new grade A office space supply. Muntinlupa City is expecting around 78,600 sqm of new office spaces in 2021, all of which will be located in Filinvest City and will be developed by Filinvest Land.

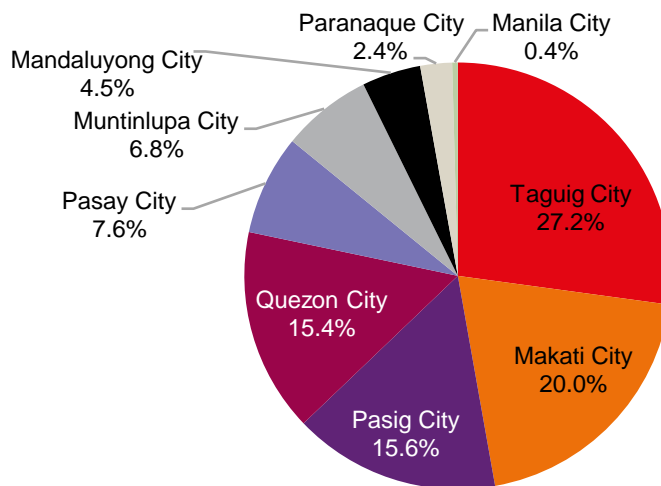
Figure 5. 4 - Market Share of Upcoming Grade A Office Stock in Metro Manila by district



Source: JLL Research and Consultancy

For Makati City, there are 104,000 sqm high grade office space slated for 2022 coming from three developments – One Ayala Tower 2, The Stiles Enterprise Tower – East Tower, and Gentry Corporate Plaza. In Taguig City, new office spaces in 2022 will come from International Finance Center developed by Megaworld Corp. Furthermore, The Glaston Tower is expected to add new leasable office spaces by 2022 in Pasig City, while SM Prime’s SM City Fairview Tower 3 is seen contributing new office stock in Quezon City. Meanwhile, as of writing, only Quezon City is expecting new office development in 2023, from the completion of SM North Edsa’s 4th tower. Thin inventory in the next three years, coupled with the resumption of demand could provide upside in rental rates. Meanwhile, there are few project completions expected from 2024 to 2025, with only 123,000 sqm of new office stock. These new stocks will come from the fifth tower of SM North Edsa and One Vertis Plaza in Quezon City, and Building 5 and 6 of the Arca South Corporate Center in Taguig City.

Figure 5. 5 - Market Share of Grade A Office Stock in Metro Manila by district by 2025



Source: JLL Research and Consultancy

5.1.5 Developer Share of Future Developments

Ayala Land holds 26.0% of the total future projects that are scheduled to complete between 2021 and 2025, followed by SM Prime with 19.9% share. Filinvest Land takes the 3rd spot, accounting for 10.7% of the upcoming office projects in Metro Manila.

Most of the future projects of Ayala Land will be in Makati CBD and Arca South. Upcoming project of SM Prime will be spread across the Bay Area in Pasay City and within its existing Shopping Mall compounds in Quezon City. On the other hand, Filinvest Land will continue its expansion in Muntinlupa City with 69,000 sqm of new developments within Filinvest City. Filinvest Land is also expecting 52,300 sqm of new office space from its Activa project in Quezon City.

Table 3. 8 - Top developers of upcoming office supply (2021-2025E)

Rank	Developer	% Share
1	Ayala Land, Inc.	26.0%
2	SM Prime Holdings	19.9%
3	Filinvest Land, Inc.	10.7%
4	Megaworld Corporation	9.6%
5	Amberland Corporation	4.8%
6	Aseana Holdings	3.5%
7	Greenasia Development Resources	3.5%
8	Innoland Development Corporation	3.0%
9	Eton Properties	2.9%
10	Robinsons Land Corporation	2.4%

Source: JLL Research and Consultancy

Table 3. 9 - Cumulative share by end-2025

Rank	Developer	% Share
1	Ayala Land, Inc.	15.7%
2	SM Prime Holdings	11.5%
3	Megaworld Corporation	11.3%
4	Filinvest Land, Inc.	6.3%
5	Robinsons Land Corporation	5.4%
6	Araneta Properties	3.0%
7	DoubleDragon Properties Corp.	2.2%
8	Amberland Corporation	2.2%
9	Eton Properties	2.0%
10	Daiichi Properties	1.8%

Source: JLL Research and Consultancy

5.1.6 Office Demand – Metro Manila

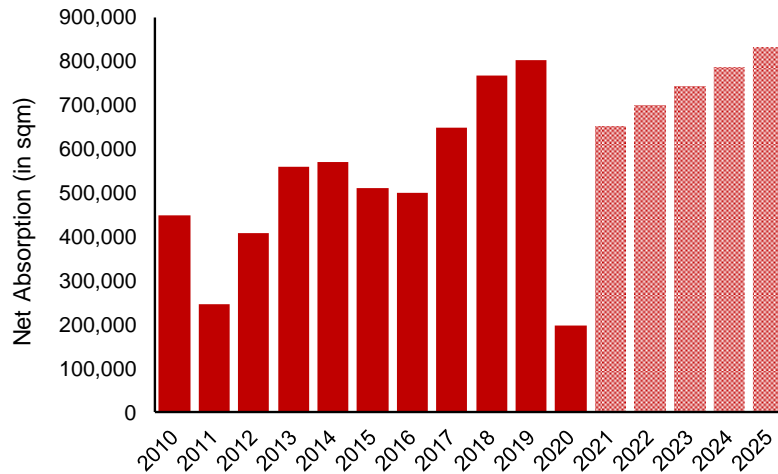
Net Absorption – Grade A developments

Office leasing activity in Metro Manila is mainly driven by IT-BPM and online gaming firms. Over the last 10 years, the highest net absorption was recorded in 2019 with 803,800 sqm, while the lowest absorption recorded was around -8,500 sqm in 2009 during the peak of the global financial crisis. In 2010, the recovery was mainly driven by strong demand in the IT-BPM industry as the country achieved the status of the world's BPO capital. That year, the IT-BPM industry generated revenues amounting to USD 8.9 billion. The office net absorption shifted to another gear starting 2016 as this is the year where POGO players started entering the Philippine market and continued its uptrend until 2019. The strong office space demand in 2019 was primarily driven by the POGO industry, where occupancy rate significantly increased in Makati City and Parañaque City.

In Makati CBD, demand was primarily driven by the traditional corporate occupiers from different industries. Until now, Makati CBD is still home to regional and corporate headquarters of major multinational corporations (MNCs) from numerous industries – consumer goods, O&O, stock brokerages, and construction firms, among others. On

the other hand, BGC in Taguig City became an ideal destination of commercial activities in the 2000s, serving the needed demand for office space when the IT-BPM industry gained growth momentum. The rapid developments and commercial activities in the area resulted in BGC becoming home to the IT-BPM firms.

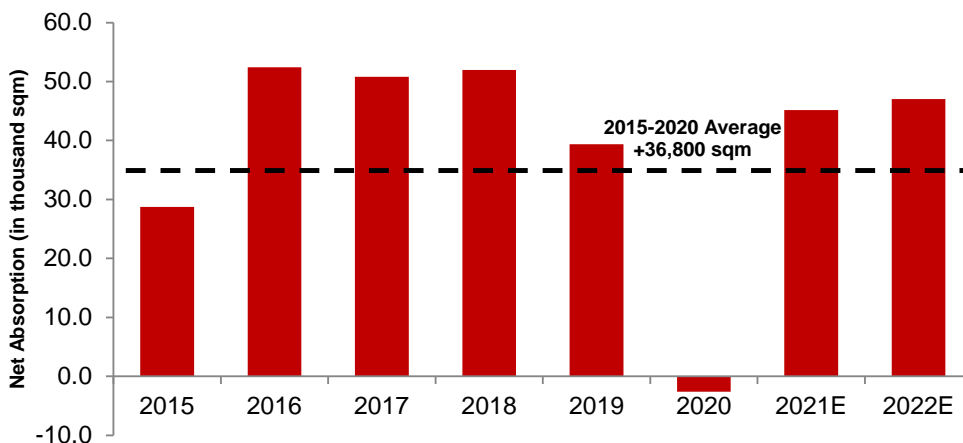
Figure 5. 6 - Annual Net Absorption – Metro Manila



Source: JLL Research and Consultancy

As overall office demand showing weakness in 2020 due to the pandemic, total net absorption in Metro Manila reached 198,251 sqm, down by 75.3% y-o-y, with all districts registering lower absorption during the period. This translated to 10.9% vacancy rate for 2020, up by 333 bps y-o-y. The pandemic caused uncertainties which led to move outs and pre-terminations from both traditional office and the POGO sector.

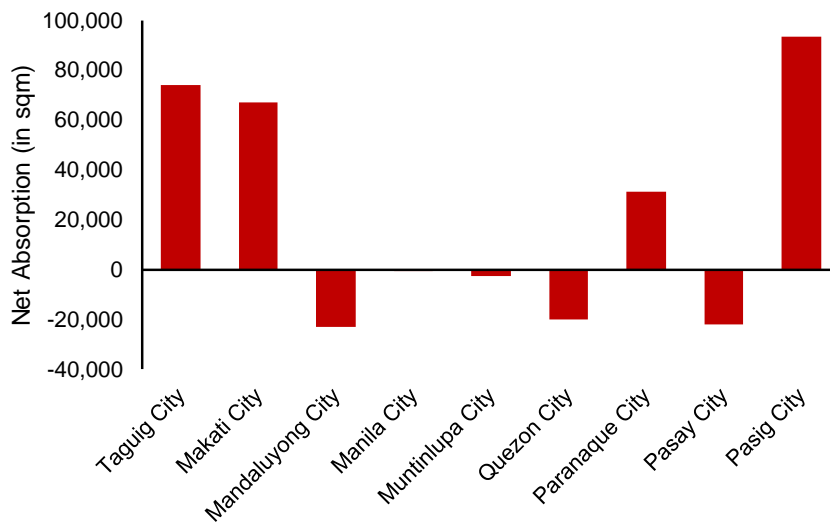
Figure 5. 7- Historical Net Absorption – Muntinlupa City



Source: JLL Research and Consultancy

On a per district level, declines in absorption are evident in the areas where most tenants are from the POGO sector. Negative net absorptions were recorded in Pasay City (-22,100 sqm), Quezon City (-20,200 sqm), and Muntinlupa City (-2,600 sqm) following several pre-terminations from the POGO firms. On the other hand, Pasig City recorded 93,700 sqm, up by almost two-folds, as newly completed developments (i.e. Jollibee Tower, Exquadra Tower, Cyber Omega) with high occupancy contributed significantly to the overall take-up.

Figure 5. 8 - FY2020 Net Absorption – Metro Manila

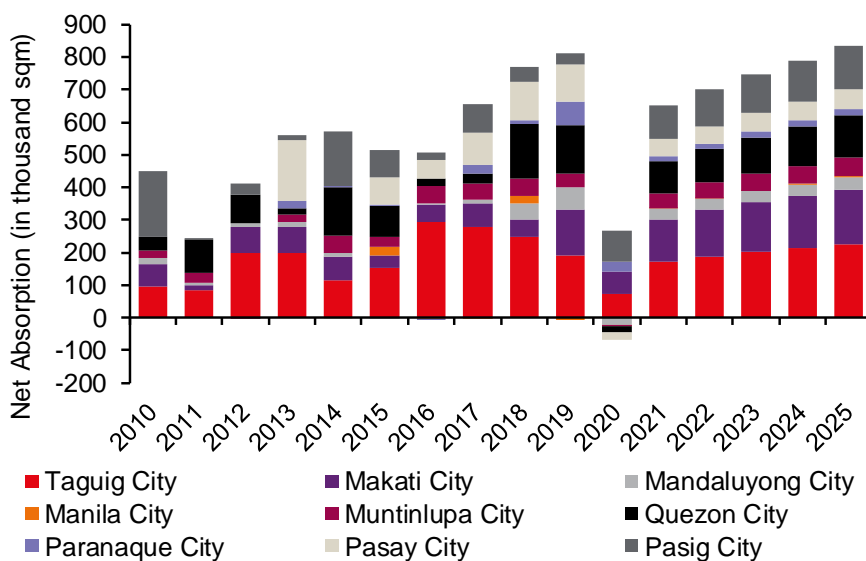


Source: JLL Research and Consultancy

Meanwhile, Taguig City and Makati City have sustained positive absorption at the end of 2020, with total net absorption of 74,300 sqm (-61.0% y-o-y) and 67,100 sqm (-52.7% y-o-y), respectively. Net absorption in these key business hubs in the metro were kept positive during the period, lifted by the IT-BPM industry where new leases and renewals took place. We believe these are the transactions that were initially postponed due to the lockdown in March 2020. Also, occupancies in newly completed developments contributed positively to the overall net absorption.

We may see demand to gradually improve starting 2021 as the economy transitions to post-lockdown environment, providing a much clearer view on the business landscape. Diversification outside traditional CBDs will be a key theme this year and we may see interests in small office spaces and flexible workspaces as companies continue to adapt remote work arrangement. With this, we are projecting a substantial improvement in net absorption in 2021 to 652,823 sqm, however still lower than pre-pandemic levels.

Figure 5. 9 - Annual Net Absorption per district



Source: JLL Research and Consultancy

We expect improved leasing activity among companies in Metro Manila this year; However, we could see businesses downsize office space requirements as flexible work arrangement may be adapted even in the post-

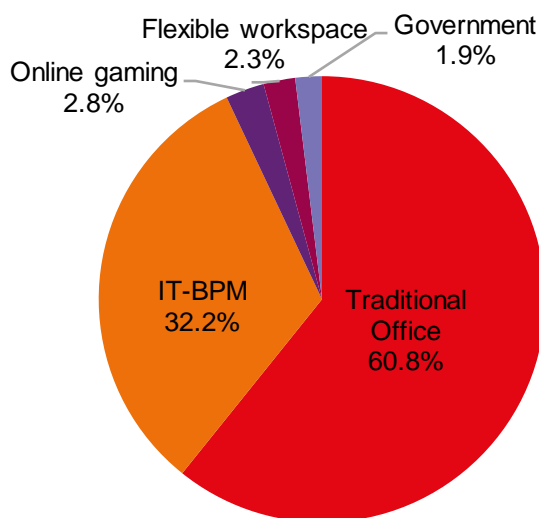
pandemic environment. Given this changes, we could potentially see increased interest for office spaces outside Makati CBD and BGC, particularly in Quezon City and Muntinlupa City. Companies may opt to set up pocket offices in Quezon City and Muntinlupa City to bring office spaces close to employees’ home. We do note that several business hubs that are accessible to employees, namely Eastwood City, Vertis North, and Eton Centris in Quezon City, while Madrigal Business Park and Filinvest City could also capture this potential increase in office space demand outside Makati City and Taguig City. Note that Quezon City is the most populated city in the Northern part of Metro Manila, while Muntinlupa City and Parañaque City for the southern part of the region. Although Parañaque City could also be an option for this diversification in the southern part of the Metro, we believe Muntinlupa City would be the optimal site as it has the capacity and already caters to different office sectors from traditional office, IT-BPM, and POGO firms.

Despite the improvement in demand, we may see vacancy rate remain at levels above historical average as most offices will likely retain flexible work arrangements, leaving more spaces vacant. Also, the significant spaces vacated by POGO players in 2020 could spill over into 2021 and contribute to the upside in vacancy rates. Based on our forecasts, vacancy rate is seen reaching 12.9% by end-2021, up by more than 200 bps y-o-y.

5.1.7 Tenant Mix (2020)

Office spaces in Metro Manila are mostly occupied by traditional offices and the IT-BPM companies. As of 2020, 61% of the current stock is occupied by traditional offices, while 32% are from IT-BPM companies. Online gaming firms account for 3% of the occupied space in Metro Manila, while 2% are from the flexible workspace operators. It is good to note that the majority of IT-BPM and traditional offices can be found in Taguig and Makati City as these two cities are the home of the country’s premiere business districts — Makati CBD and BGC — and the first locations to host headquarters of both local and multinational companies.

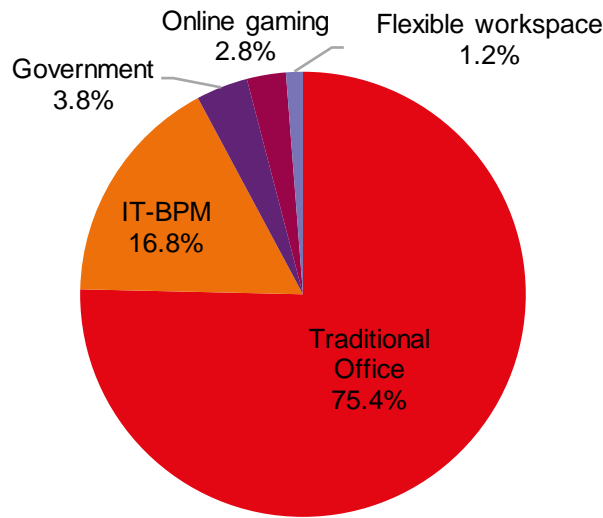
Figure 5. 10 – Tenant mix in Metro Manila



Source: JLL OLA, JLL Research and Consultancy

Majority of tenants in Makati City are from traditional offices, accounting for 75% of the occupied stock as of the first half, having the first business district in the country. Since the 1960s, Makati CBD became the home of corporate headquarters of established corporations from different sectors, particularly main offices of big local banks in the country. On the other hand, 17% of the tenants in Makati City are from the IT-BPM sector coming from the business process outsourcing component of multinational companies headquartered within the city. Other sectors that occupy office space in Makati City are government agencies, online gaming, and flexible workspace. Makati City has become one of the first destinations for POGOs in the country given the CBD’s wide array of real estate offerings from office developments, commercial spaces, shopping malls, and condominiums.

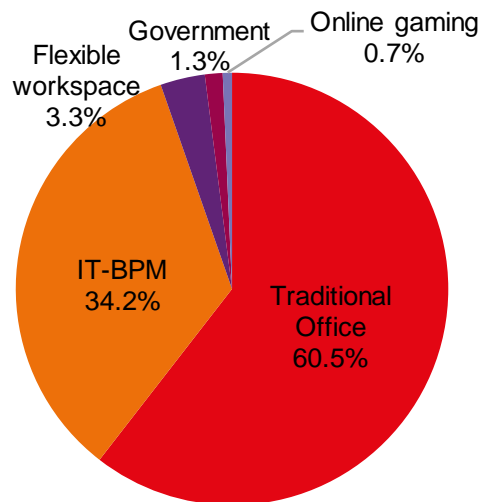
Figure 5. 11 – Tenant mix in Makati City



Source: JLL OLA, JLL Research and Consultancy

Just like Makati City, majority of tenants in Taguig City are traditional office operations and IT-BPM companies. However, the share of IT-BPM companies is significantly higher in Taguig City compared to Makati, accounting for 34% of the tenant mix. Traditional offices in Taguig City holds 61% of the occupied office spaces. The city’s relatively higher occupants from the IT-BPM sector was on the back of the booming demand from the industry in the early 2000s, the same period when BGC has started to be developed into the country’s next premiere business district. BGC was the preferred destination of the IT-BPM companies because of the modern lifestyle environment from relatively newer office skyscrapers, shopping malls, and residential developments.

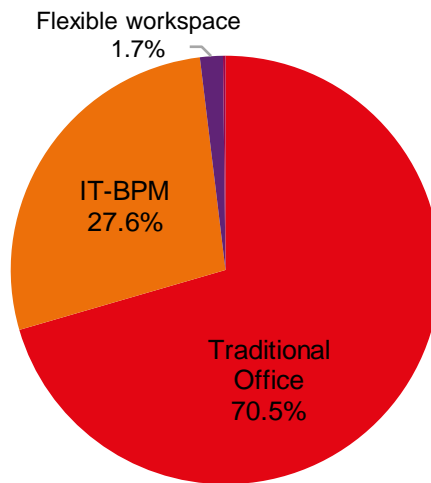
Figure 5. 12 – Tenant mix in Taguig City



Source: JLL OLA, JLL Research and Consultancy

Tenant mix in Pasig City is dominated by businesses with traditional office operations with 70% share of occupied office space, while 28% of the tenants are from the IT-BPM industry. The relatively high number of traditional offices in Pasig City was on the back of its geographical share in Ortigas CBD. The Ortigas CBD was an alternative business hub to Makati CBD in the early 1980s. Notable buildings in the Pasig-side of the CBD were the first headquarters of the Philippine Stock Exchange and Jollibee Foods Corp.

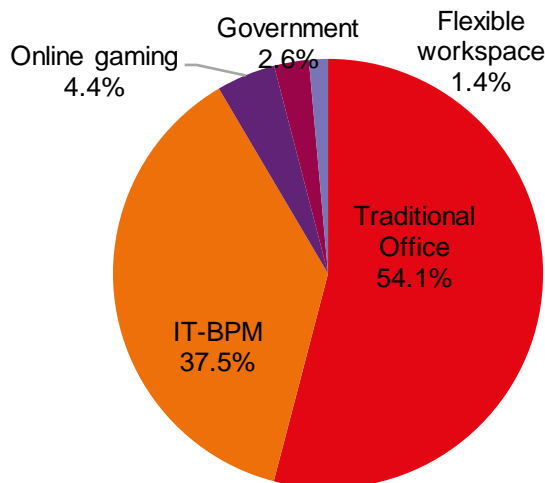
Figure 5. 13– Tenant Mix in Pasig City



Source: JLL OLA, JLL Research and Consultancy

Majority of office spaces in Mandaluyong City is covered by traditional offices and the IT-BPM companies, holding 54% and 38% of the mix, respectively. Also, online gaming tenants in the city are relatively higher compared to Makati and Taguig City, accounting for 4% of the mix. Mandaluyong City has been a good destination for IT-BPM firms and POGOs as there are several mixed-used developments in the area, such as the Greenfield District and Robinsons Cybergate Complex, which also has condominiums, green parks, and commercial spaces to complement its office buildings. Also, these townships are also strategically located near or connected to bus stops and train stations, beneficial for the employees particularly those in the IT-BPM companies.

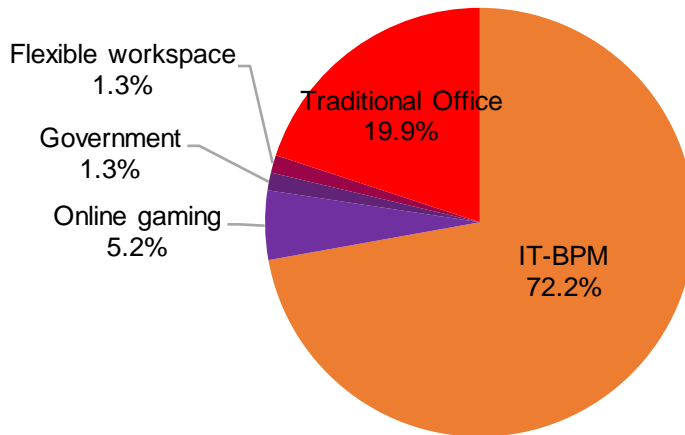
Figure 5. 14– Tenant Mix in Mandaluyong City



Source: JLL OLA, JLL Research and Consultancy

In Quezon City, tenant mix is mostly geared towards the IT-BPM sector, occupying 72% of the total office stock in the city, while traditional offices account for 20% of the mix. Office buildings in Quezon City gained interest from the IT-BPM sector as the location was an optimal site for expansion, which allowed the industry to reach more quality talent. Also, locating in Quezon City benefits its employees as it requires lesser travel time for those living in the northern part of Metro Manila.

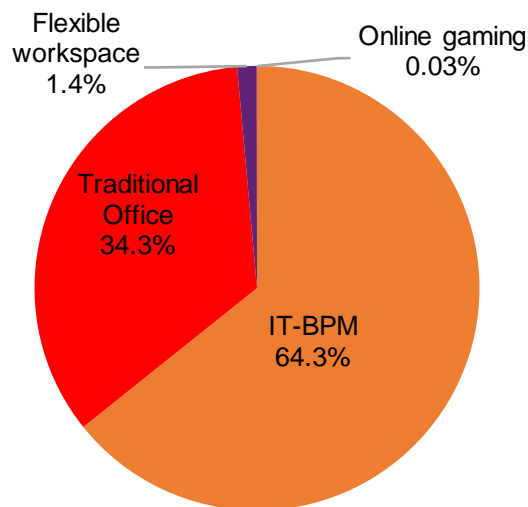
Figure 5. 15– Tenant Mix in Quezon City



Source: JLL OLA, JLL Research and Consultancy

In Muntinlupa City, IT-BPM companies hold most of the office space, accounting for 64% of the mix, while 34% of the supply is occupied by traditional offices. Majority of the IT-BPM firms are located within the business hubs of Filinvest City, where numerous PEZA-accredited buildings are located. Meanwhile, traditional offices are mostly located in Madrigal Business Park.

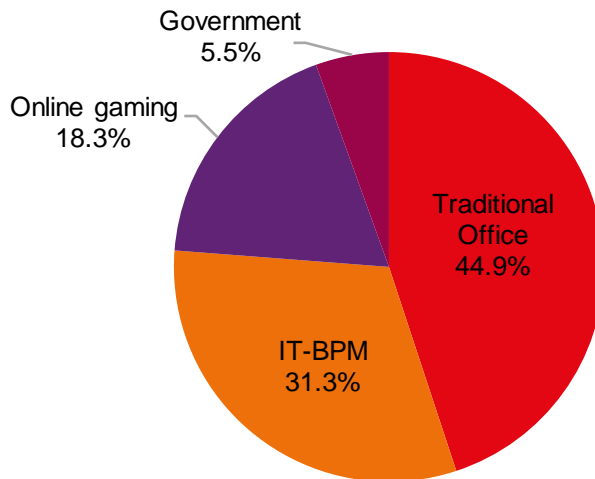
Figure 5. 16– Tenant Mix in Muntinlupa City



Source: JLL OLA, JLL Research and Consultancy

Furthermore, traditional offices accounts for 45% of occupied space in Pasay City, while IT-BPM companies hold 31% of the mix. Online gaming firms and government offices account for 18% and 6% of the occupied stock, respectively. The traditional offices and IT-BPM firms were mostly situated in the Bay Area, particularly office buildings in SM Mall of Asia Complex.

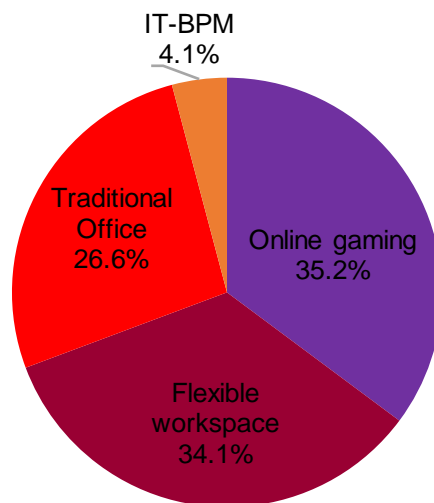
Figure 5. 17 – Tenant Mix in Pasay City



Source: JLL OLA, JLL Research and Consultancy

Unlike other cities, most of the occupied stock in Parañaque City is from the online gaming firms, accounting for 35% of the total. Majority of online gaming firms are leasing office spaces in Aseana City in the Bay Area and the four towers of the Parañaque Integrated Terminal Exchange (PITX). Flexible workspaces accounted for 34% of the mix, while traditional offices hold 27%.

Figure 5. 18 – Tenant Mix in Parañaque City

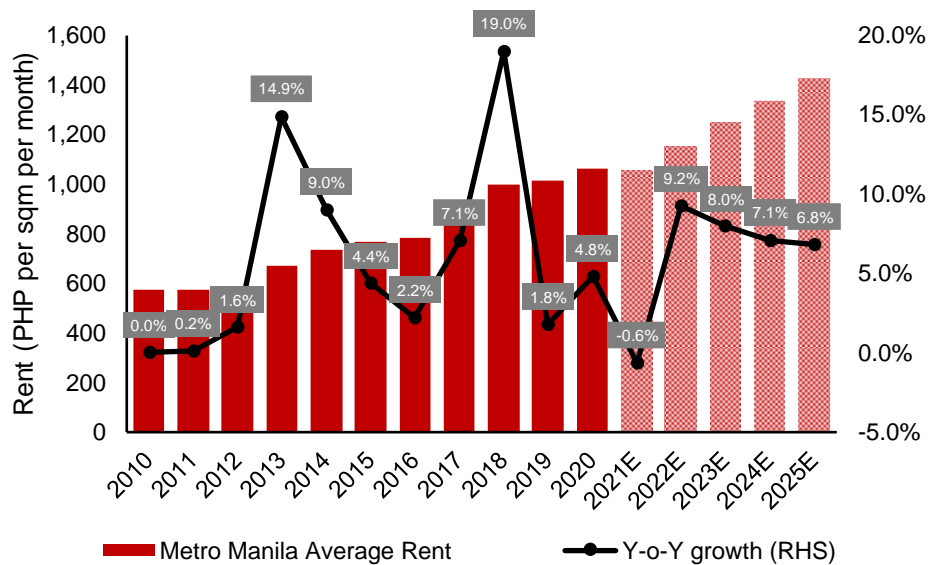


Source: JLL OLA, JLL Research and Consultancy

5.1.8 Office Rents

Historical rental performance of Metro Manila has been relatively stable post-GFC era. Average historical rent growth stood at 6.3% over the last 10 years, while the last five periods showed faster average growth of 7.2%. Fastest growth was recorded in 2018, with rents increasing by 19.0% y-o-y. The strong growth in rents during the year was on the back of booming POGO industry amid stable GDP growth and credit rating upgrades.

Figure 5. 19 - Average Office Rent – Metro Manila



Source: JLL Research and Consultancy

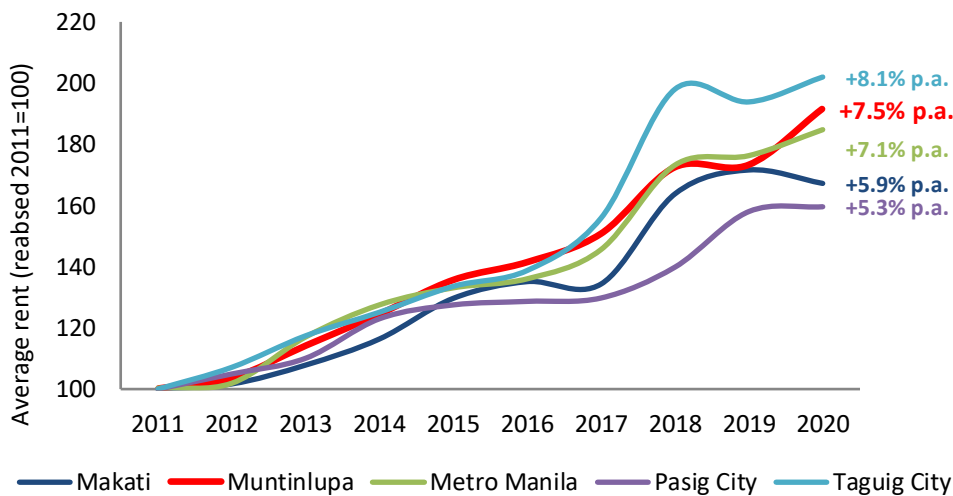
The growth momentum was put at risk in 2020 following the virus outbreak that placed the Philippine economy, as well as other countries, into a standstill. Overall demand in the office real estate market weakened as expansion and investment plans were shelved, while some businesses opted to not renew leases.

At the end of 2020, average asking rents in each city within Metro Manila fell between PHP 675 and PHP 1,420 per sqm per month. The lowest average rent in the region is in the City of Manila, while the highest average is from Parañaque City. Overall, average rent in the metro amounted to PHP 1,066 per sqm per month, up by 4.8% y-o-y, but slower than its 10-year average of 6.7%. The year-on-year increase in rents mostly took place during 1Q20 before the lockdown in started mid-March 2020. The succeeding quarters posted flat growth until 3Q20, then started to decline during the latter part of the year as vacancy rate reached double digits for the first time since the global financial crisis in 2009.

On a per district level, average rent in Taguig City stood at PHP 1, 333 per sqm per month in 4Q20, up by 4.2% y-o-y and -0.8% q-o-q. Despite the pandemic, upside in rents on an annual basis was sustained in Taguig City as tenant mix in the area are mostly from the IT-BPM firms, and headquarters of both local and foreign companies. Meanwhile, average rent in Makati City declined by 2.6% y-o-y to PHP 1,384 per sqm per month as increased vacancies prompted some landlords to lower asking rents to attract new leases and keep existing tenants. For Pasig City, average rent reached PHP 870 per sqm per month, up by 1.0% y-o-y, as newly completed grade A buildings pulled average rent higher in 2020.

Average rent in Muntinlupa City reached PHP 913 per sqm per month, up by 10.6% y-o-y and 0.1% q-o-q. The double-digit annual growth can be attributed to the entry of POGO firms in the previous years. We do note that since 2Q20, average rent in Muntinlupa only posted a little to no growth. Meanwhile, the sustained upside in rents in 4Q20 was mainly due to the district’s tenant mix, where most office spaces are leased by IT-BPM firms, which was allowed by the government to continue operations even during the 2.5-month ECQ. Despite the muted movements in rents in 2020, average rent in Muntinlupa City has a 5-year CAGR of 7.1%.

Figure 5. 20 - Average Office Rent (indexed) of Key Business Districts in Metro Manila



Note: Average rent refers to headline/asking rents
 Source: JLL Research and Consultancy

Average rent in Quezon City likewise posted strong annual growth of 6.7% y-o-y to PHP 893 per sqm per month. On a q-o-q basis, average rent declined by 2.4% as vacancies rise amid pre-terminations from the POGO firms.

Average rent in Mandaluyong City posted 24.3% y-o-y growth to PHP 956 per sqm per month, mainly due to high-grade office buildings that completed during the latter part of 2019, which increased average rent going into 1Q20. We note that average rent in Mandaluyong City was unchanged since 2Q20. For Parañaque City and Pasay City, average rent grew by 4.4% and 2.9% y-o-y to PHP1,420 per sqm per month and PHP 1,146 per sqm per month, respectively. On a q-o-q basis, both cities posted no growth as office buildings in the Bay Area did not observe significant moveouts from the online gaming firms. Furthermore, rents in the City of Manila marginally declined by 0.9% y-o-y to PHP 675 per sqm per month.

For 2021, we project average rent in Metro Manila to post marginal growth of 0.9% y-o-y to PHP 1,069 per sqm per month. Based on our forecast, lower rents are foreseen on almost all districts as we expect vacancies to remain elevated, thus capping potential upside in rents. However, as we expect demand to normalize close to pre-pandemic levels starting 2022, we see rents posting an average annual growth of 7.5% from 2022-2025.

For the country’s main business hubs, we see rents in Taguig City growing at an annual rate of 7.9% y and 7.2% for Makati City from 2022 to 2025. For Pasig City, average rent is seen growing by 5.5% annually starting 2022, while average rent in Mandaluyong City is seen growing by 5.9% annually. Although diversification outside these cities could happen in the near-term, we still see stable growth on continued expansion of IT-BPM firms and companies may likely keep footprints in the cities for head offices.

For Quezon City, we project rents to grow 6.7% annually from 2022 to 2025, while 5.4% annual growth is seen for Muntinlupa City. Strong rental growth from these cities may likely be driven still by IT-BPM sector, traditional offices, and flexible workspaces. For Parañaque City and Pasay City, average rent could post annual growth of 11% and 8.3%, respectively. Robust rental growth from these two cities is expected as demand recover amid limited supply.

5.2 Metro Cebu

The Study Area covers three cities in Metro Cebu — Cebu City, Lapu-Lapu City, and Mandaue City. Historically, office developments in Cebu City are usually low-rise to mid-rise commercial retail establishments. However, office developments in Cebu City started to emerge amid the booming IT-BPM sector in the country during the 2000s. IT-BPM companies have started to diversify office spaces outside Metro Cebu which benefited the other cities in the region, such as Lapu-Lapu City and Mandaue City.

Table 3. 10 - Profile of Select Key Business Districts in Metro Cebu

Sub-district	District	District Profile
Existing Business Districts		
Cebu Business Park	Cebu City	Cebu Business Park was the first business district in the region, established in the late 1980s. Cebu Business Park is mixed-use development housing robust portfolio of high-grade buildings catering to multinational and local companies.
Cebu IT Park	Cebu City	Cebu IT Park, the home of the IT-BPM industry in Metro Cebu, is 27-ha development housing PEZA-accredited buildings, complemented by a wide selection of retail developments and leisure facilities
The Mactan Newtown	Lapu-Lapu City	The Mactan Newtown is a 29-ha development consisting of hotels, residential, retail, leisure facilities, and high-grade office buildings primarily catering to IT-BPM companies.
Oakridge Business Park	Mandaue City	Oakridge Business Park consists of PEZA-registered buildings for IT-BPM industry, complementing with retail and lifestyle shops.

Source: Ayala Land, Inc., Megaworld Corp., Oakridge Realty Development Corp.

Office developments in Cebu City are mostly located in Cebu Business Park and Cebu IT Park. These are the two primary CBDs in Metro Cebu. Other sub-district in Cebu City are North Reclamation Area, Fuente Osmena, and South Road Properties. On the other hand, Lapu-Lapu City hosts Megaworld’s The Mactan Newtown, where notable office developments are located. For Mandaue City, most office developments are located along A.S Fortuna such as the Oakridge IT Center, J Center, and Norkis One. Office developments in the city are normally situated within a nearby retail development to complete the needs or are considered commercial buildings.

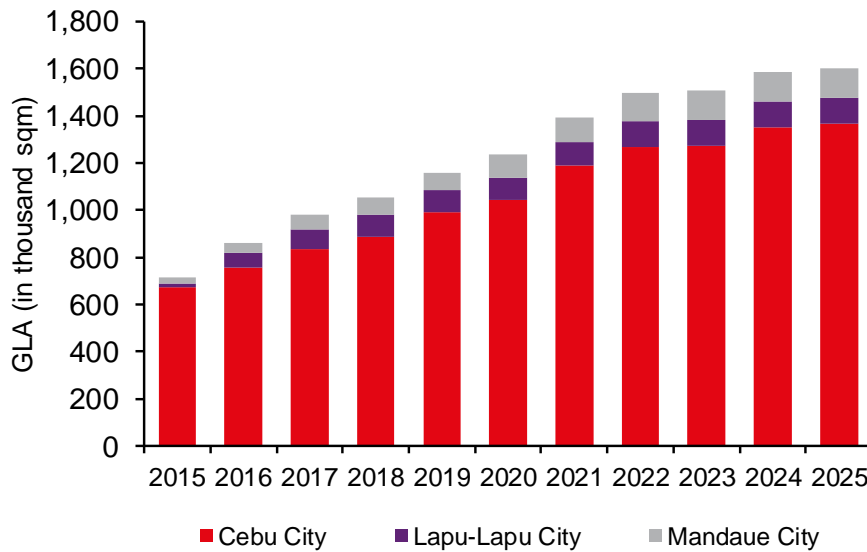
5.2.1 Existing Supply

Total existing office supply in Metro Cebu reached 1.2 million sqm at the end of 2020. Limited office supply completions were recorded during the year as the region was also placed under ECQ in March 2020. New office stock reached 75,800 sqm, coming from supply completions in Cebu City (67%) and Mandaue City (33%). There were no project completions recorded in Lapu-Lapu City.

Majority of existing office developments in Cebu City is in Cebu Business Park and Cebu IT Park. As of end-2020, total existing office supply stood at 1.04 million sqm in Cebu City, where 87% of the supply can be found in Cebu IT park (553,000 sqm) and Cebu Business Park (383,000 sqm). Furthermore, existing office supply totalled to 109,450 sqm in Mandaue City. Oakridge Business Park holds most of the existing supply in Mandaue City, accounting for 42% of the total, while 39% of the supply is located in along A.S. Fortuna street.

In Lapu-Lapu City, total existing supply reached 92,400 sqm at the end of 2020, with no project completions recorded during the period. Currently, most of office developments in the city are located in Mactan Newtown, accounting for 95% (87, 300 sqm) of the total office supply in Lapu-Lapu City.

Figure 5. 21 - Cumulative Supply – Metro Cebu (2020)



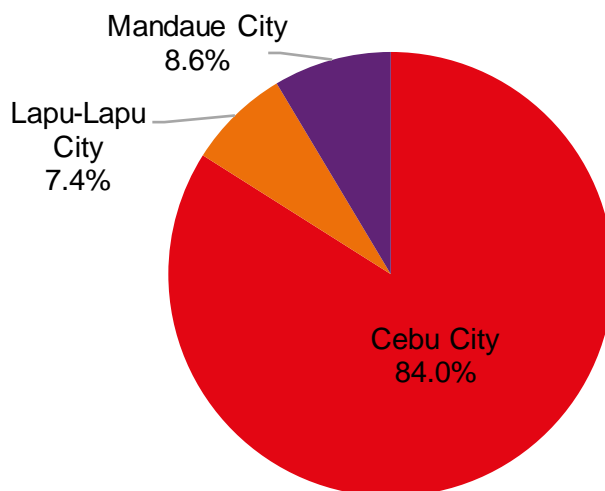
Source: JLL Research and Consultancy

5.2.2 Market Share of Existing Office Supply (2020)

Cebu City houses the most office developments in the entire Metro Cebu, accounting for 84% of the total, as the city is the home of Metro Cebu’s two main business hubs — Cebu Business Park and Cebu IT Park. Furthermore, Lapu-Lapu City holds 8% of the total office stock in Metro Cebu, while Mandaue City accounts for 8% market share.

Cebu IT Park is a 25-ha flagship project of Cebu Property Ventures and Development Corp. It was declared as a Special Economic Zone in 2001 by PEZA. Largest office developments in Cebu IT Park are TGU Tower and Calyx Center. Meanwhile, Cebu Business Park is a 50-ha development by Ayala Land’s subsidiary, Cebu Holdings Inc. Currently, Cebu Business Park is the largest PEZA-accredited IT park in the Philippines. Notable developments in Cebu Business Park are Ayala Center Cebu Tower and BPI Cebu Corporate Center. Furthermore, North Reclamation area houses 9% of the total office supply in Cebu City, while 2% of the supply can be found in the districts of Fuente Osmeña. Notable developments in fringe areas are Qimonda IT Center in North Reclamation Area and Metrobank Plaza in Fuente Osmeña.

Figure 5. 22 - Market Share of Existing Office Stock in Metro Cebu by district (2020)



Source: JLL Research and Consultancy

5.2.3 Developer Share of Existing Office Supply (2020)

Developers in Metro Cebu comprise of both local and major developers. Ayala Land accounts for 16% of office stock in Metro Cebu as the developer is the master planner of the city’s two primary business hubs — Cebu IT Park and Cebu Business Districts. Notable developments of Ayala Land, Inc. in terms of total GLA are BPI Corporate Center and Ayala Center Cebu Tower, and Central Blocs 1 & 2 through its subsidiary, Cebu Holdings Inc.

The 2nd largest developer in Metro Cebu is Innoland Development Corporation, a Cebu-based developer, accounting for 14% of the total office stock. Notable office development under its portfolio are TGU Tower and Calyx Center. The 3rd largest developer in Metro Cebu is Skyrise Realty and Development Company, holding 9% market share. Office developments of Skyrise Realty are spread across Cebu Business Park and Cebu IT Park. Notable development of Skyrise Realty are Skyrise 4B in Cebu IT Park and Skyrise Alpha in Cebu Business Park.

Table 3. 11 - Top developers of Existing Office Supply (2020)

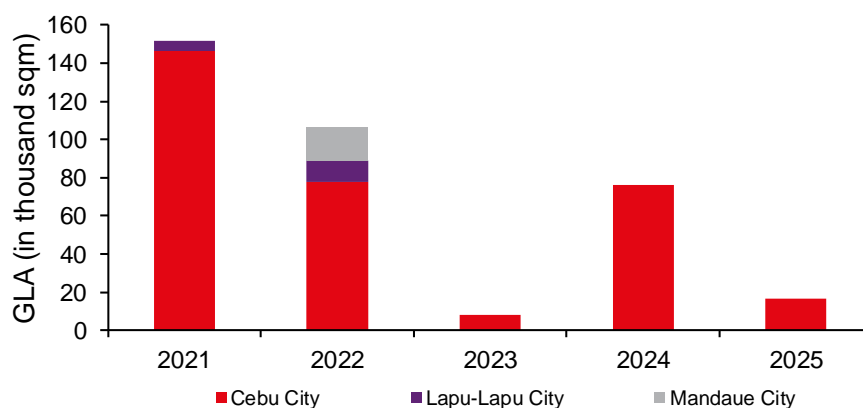
Rank	Developer	% Share
1	Ayala Land, Inc.	16.2%
2	Innoland Development Corporation	14.2%
3	Skyrise Realty and Development Company	8.9%
4	Primary Properties Corporation	6.4%
5	Megaworld Corporation	5.9%
6	Filinvest Land, Inc.	4.5%
7	Asian I Office Properties	3.3%
8	Cebu Property Ventures and Development Corporation	3.0%
9	Oakridge Realty Development	2.6%
10	GAGFA Estate Ventures Inc.	2.6%

Source: JLL Research and Consultancy

5.2.4 Future Supply

Upcoming office stock in Metro Cebu is expected to reach 358,950 sqm from 2021 to 2025. Majority of the pipeline projects will still be located in Cebu City, accounting for 90.5% (324,700 sqm) of the total future office supply. Moreover, 4.9% (17,600 sqm) of the future office supply will be in Mandaue City while 4.5% (16,550 sqm) of the total will rise in Lapu-Lapu City. Upcoming developments remained concentrated in Cebu City due to lack of established business hubs outside Cebu Business Park, Cebu IT Park, and Mactan Newtown. As of writing, there are no scheduled completions for Lapu-Lapu City and Mandaue City from 2023 to 2025.

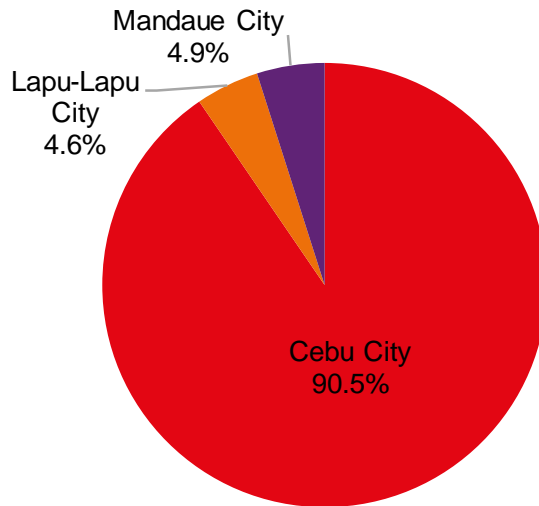
Figure 5. 23 - Upcoming office supply – Metro Cebu (2021-2025E)



Source: JLL Research and Consultancy

For Cebu City, notable upcoming office developments scheduled for 2021 completion are Filinvest Cyberzone 3 by Filinvest Land and 1Nito Tower by Juanito King & Sons. Meanwhile, completion of Mactan World Museum by Megaworld Corp. is scheduled to be completed by 3Q21.

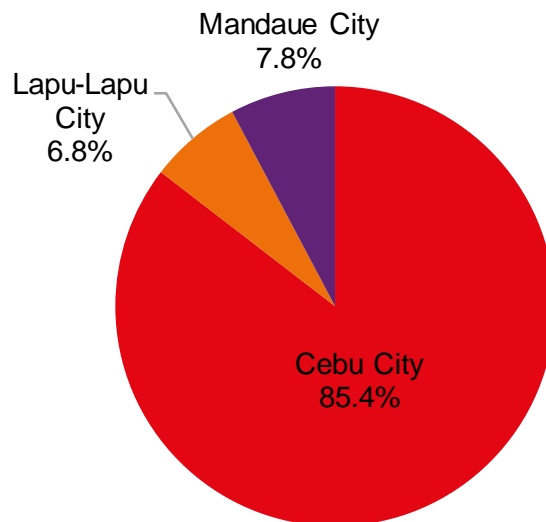
Figure 5. 24 - Market Share of Upcoming Office Stock in Metro Cebu by district (2021-2025)



Source: JLL Research and Consultancy

Should ongoing construction remain on track, total office supply in Metro Cebu will reach 1.6 million sqm by end-2025. Majority of the stock will remain in Cebu City with 85.4% share, while Mandaue City will account for 7.8% of the total stock. Lapu-Lapu City will have a market share of 6.8% by the end of 2025.

Figure 5. 25 - Market share of Office supply by 2025



Source: JLL Research and Consultancy

5.2.5 Developer Share of Upcoming Office Stock in Metro Cebu

The bulk of pipeline projects in Metro Cebu will be developed by Filinvest Land, accounting for 24.3% of future office stock. Should the upcoming projects of Filinvest Land remain on track, market share is seen increasing to 10.0% by the end of 2025. Notable pipeline projects of Filinvest Land are Filinvest Cebu Cyberzone 3 and 4, and IT Zone Cebu BPO, where both developments will be located in Cebu City. Arthaland Corporation holds 10% share of upcoming office supply in Metro Cebu, from the scheduled completion of Cebu Exchange in 2022.

Moreover, 8.0% of the upcoming office supply will come from SM Prime for its upcoming developments within the compound of its shopping malls in Metro Cebu. SM Prime is expecting roughly 40,000 sqm of new office space from two office towers in SM City Cebu by 2024.

Table 3. 12 - Top developers of upcoming office stock in Metro Cebu (2021-2025)

Rank	Developer	% Share
1	Filinvest Land, Inc.	24.3%
2	Arthaland	10.0%
3	SM Prime Holdings, Inc.	8.0%
4	Skyrise Realty and Development Company	3.9%
5	Robinsons Land Corporation	3.8%
6	Johndorf Ventures Corp.	3.6%
7	BL CBP Ventures, Inc.	3.6%
8	Ayala Land, Inc.	3.6%
9	JEG Development Corporation	2.9%
10	Grand Land, Inc.	2.4%

Source: JLL Research and Consultancy

By the end of 2025, Ayala Land, Inc. will still own the majority of office supply in Metro Cebu, having a 12.3% market share. Meanwhile, Filinvest Land is on track to jump four notches to become the 2nd largest developer in Metro Cebu with 10.0% share. Innoland Development Corporation will be just right below Filinvest Land at the 3rd rank, with 9.9% market share.

Table 3. 13 – Cumulative share by 2025

Rank	Developer	% Share
1	Ayala Land, Inc.	12.3%
2	Filinvest Land, Inc.	10.0%
3	Innoland Development Corporation	9.9%
4	Skyrise Realty and Development Company	7.3%
5	Primary Properties Corporation	4.4%
6	Megaworld Corporation	4.1%
7	Arthaland	2.8%
8	Asian I Office Properties	2.3%
9	SM Prime Holdings, Inc.	2.2%
10	Cebu Property Ventures and Development Corporation	2.1%

Source: JLL Research and Consultancy

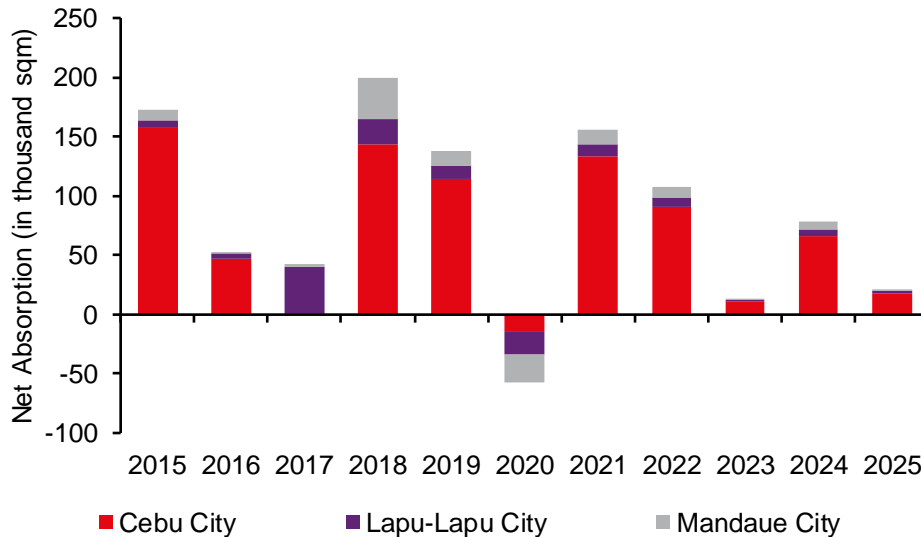
5.2.6 Office Demand

Net Absorption

In general, office space demand in Metro Cebu recorded stable occupancy level, backed by new entrants and expansion of both local and foreign firms that aims to diversify market reach outside Metro Manila. The attractiveness of Metro Cebu for potential investments increased as mixed-use developments have started to grow, and the quality of developments and offering are catching up with Metro Manila. Other factor that was considered is the robust talent pool in the region, having four universities listed in the country's top 100 universities, two of which were listed in the country's top 20.

Office take-up in Metro Cebu was driven by IT-BPM firms and several online gaming operators. Metro Cebu recorded its highest net absorption in 2018 with over 200,000 sqm. We can attribute this on the back of resilient demand from IT-BPM companies, the peaking of the POGO sector, and supply additions.

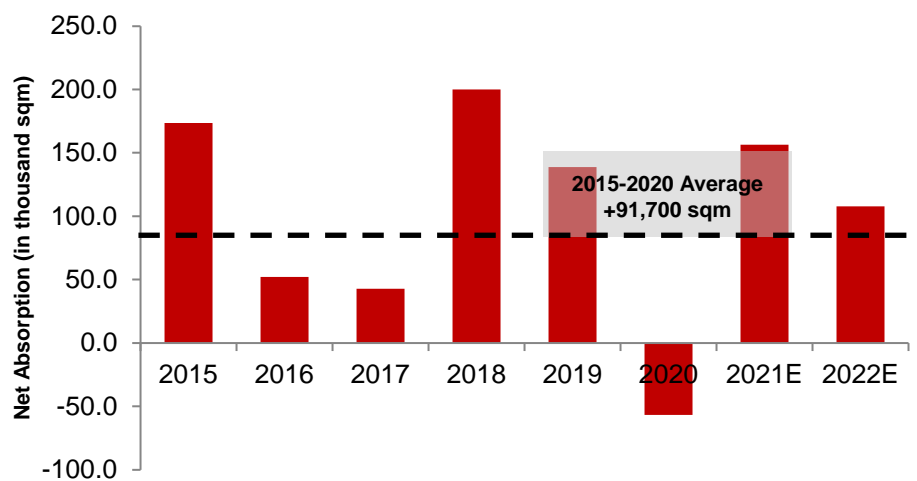
Figure 5. 26 - Annual Net Absorption – Metro Cebu



Source: JLL Research and Consultancy

Total net absorption in Metro Cebu entered the negative territory at -56,800 sqm at the end of 2020 as demand continued to weaken amid shelved investment plans, move outs, and pre-termination from POGO firms. With this, vacancy rate increased to 20.7% from just 14.3% in 2019. On a per district level, negative net absorption was recorded in Cebu City at -14,140 sqm as move outs across industries were recorded, as well as, pre-termination of POGO companies in some developments. This translated to a vacancy rate of 16.3% at the end of 2020. For Lapu-Lapu City, net absorption fell to -19,900 sqm mainly due to pull-outs of several POGO firms. With this, vacancy rate reached 26.8% in 2020. Mandaue City recorded net absorption of -22,700 sqm, ending 2020 with a vacancy rate of 57.6%.

Figure 5. 27 – FY2020 Net Absorption – Metro Cebu



Source: JLL Research and Consultancy

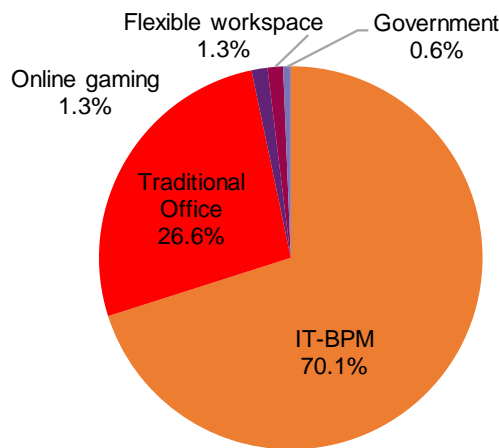
In 2021, we expect demand recovery across the three cities as market confidence start to gradually pick up this year. Also, diversification could also be the theme in Metro Cebu as spaces vacated by POGO companies could be

utilized as pocket office spaces across the region. We see IT-BPM firms to spearhead diversification and setup satellite offices across different business districts in Metro Cebu. Based on our forecast, majority of the leasing activity will remain in Cebu City from 2021 to 2025 due to limited options in other cities in the region. The relatively lower net absorption from 2023 to 2025 can be attributed to the limited pipeline projects in Metro Cebu.

5.2.7 Tenant Mix in Metro Cebu (2020)

The IT-BPM companies occupy most of the office supply in Metro Cebu, accounting for 70% of the total as end-2020. On the other hand, traditional offices account for 27% of the total occupied stock, while online gaming, Flexible Workspace, and government offices hold 3% of the supply.

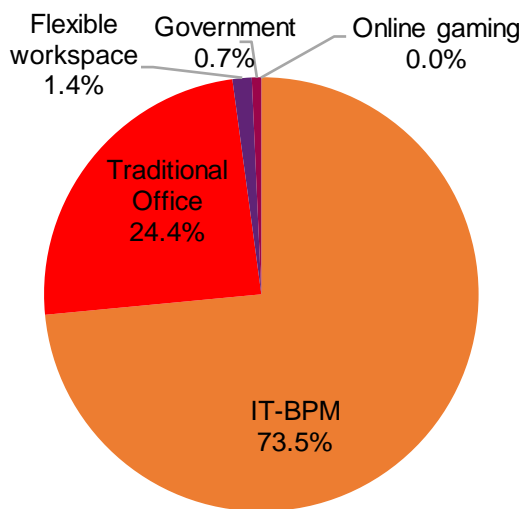
Figure 5. 28 – Tenant Mix in Metro Cebu



Source: JLL Commercial Leasing, JLL Research and Consultancy

In Cebu City, 74% of the mix is attributed to the IT-BPM sector, while 24% are from traditional offices. Cebu IT park and Cebu Business Park have been the first home of IT-BPM companies when the sector expanded in provincial areas outside Metro Manila. Also, bulk of PEZA-accredited buildings in the entire region can be found in Cebu IT Park and Cebu Business Park.

Figure 5. 29 – Tenant Mix in Cebu City

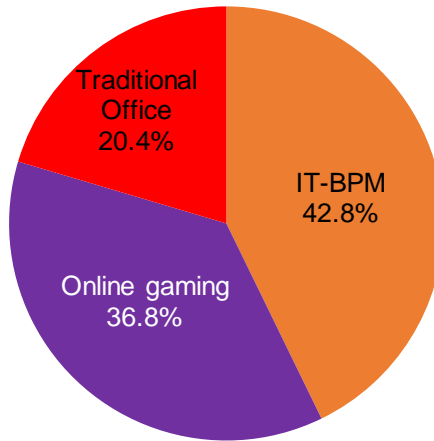


Source: JLL Commercial Leasing, JLL Research and Consultancy

In Lapu-Lapu City, three sectors dominate the market — IT-BPM, online gaming, and traditional offices. The bulk of the occupied stock is leased out by IT-BPM companies, accounting for 43% of the mix, while online gaming

firms holds 37% of the share. Traditional offices account for 20% of the total occupied stock. Majority of PEZA accredited buildings are located in Mactan Newtown of Megaworld Inc.

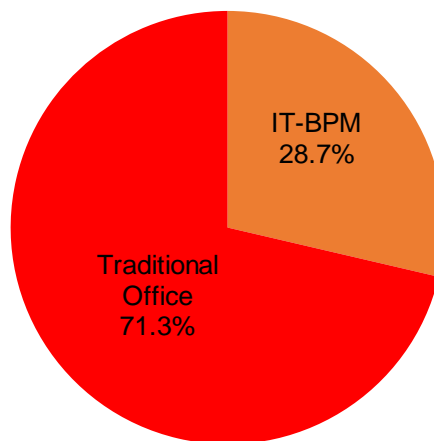
Figure 5. 30 – Tenant Mix in Lapu-Lapu City



Source: JLL Commercial Leasing, JLL Research and Consultancy

In Mandaue City, traditional offices accounts for the majority of occupied stock, 71% of the supply, as significant space is occupied by the headquarters of Oakridge Realty Development Corp. in Oakridge Business Park. Meanwhile, IT-BPM firms accounts for 29% of occupied offices spaces, majority of which are located in the office buildings within Oakridge Business Park.

Figure 5. 31 – Tenant Mix in Mandaue City



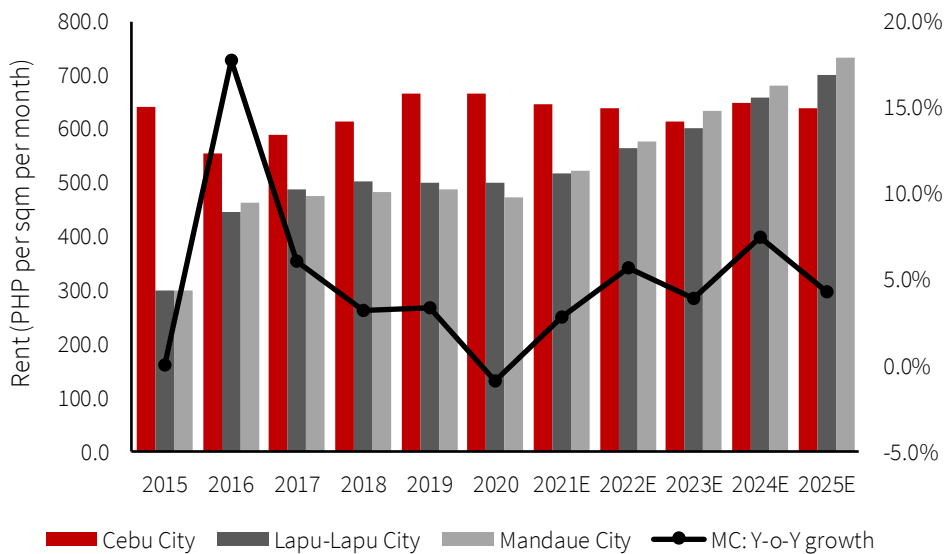
Source: JLL Commercial Leasing, JLL Research and Consultancy

5.2.8 Office Rents

Average rent in Metro Cebu has been relatively stable over last five periods, thanks to the continued growth of the IT-BPM companies in the region. Also, the entry of the online gaming operators has kept the average rent stable. The fastest y-o-y growth recorded was in 2016 primarily buoyed by the booming POGO industry in the country.

As of end-2020, average rent in Metro Cebu reached PHP 546 per sqm per month. Cebu City commands the highest rent with PHP 666 per sqm per month (-0.1% y-o-y), while average rent in Mandaue City stood at PHP 472 per sqm per month (-3.0% y-o-y). Average rent in Lapu-Lapu City moved sideways ending the year unchanged at PHP 499 per sqm per month.

Figure 5. 32 - Average Rent – Metro Cebu



Source: JLL Research and Consultancy

In 2021, we project average rents in Metro Cebu to grow around 2.8% to PHP 561 per sqm per month as demand gradually recovers. However, we may see downward pressure in rents in Cebu City as vacancies are seen to remain elevated. Also, exiting POGO firms are likely to add pressure as these tenants were historically driving rents upward. Average rents in Lapu-Lapu City and Mandaue City are projected to grow high single digits on the back of renewed interests for decentralization of office space footprint outside traditional business districts.

Rents in Metro Cebu are seen growing at an average rate of 5.3% annually from 2022 to 2025. Upside in rents for this period is expected normalize in a post-lockdown environment with stronger office recovery in 2022, coupled with limited upcoming office supply in the region.

6.0 MARKET OUTLOOK⁵

GENERAL MARKET

COVID-19 pushed the Philippine economy into a recession as the government implemented strict preventive measures to contain the virus, causing economic activities to be temporarily paralysed and ultimately resulting to a steep drop in GDP in the second quarter of 2020. The pandemic also caused the fall of OF remittances and FDIs as the world economic trade slows down.

Amid the pandemic, the government still helped the economy to recovery as it eased some of the quarantine restrictions during the second half of the year amidst increasing positive cases in Metro Manila. This helped some business activities to resume and some economies to open. Due to this, inflation eased to 2.4% for August 2020 and employment rate bumped up to 90.0% for July 2020. The government is also positive that OF remittances would slowly recover for land-based workers as other countries eased their restrictions as well.

Also, BSP continues to aid the recovery of the domestic economy from the impact of COVID-19 by keeping policy rates low. Last November 19, the BSP has cut policy rates yet again by 25bps to a record low 2%, pushing the real interest further down in the negative territory. With the negative real interest rate in place, it is a perfect time for the country's REIT market to grow and attract investors seeking for good yielding assets.

Overall, the Philippine economy is seen to have a slow recovery as the COVID-19 pandemic remains uncontrolled. The DBCC projects 2020 GDP to -5.5% and is expected to show a rebound in 2021 and 2022. Moreover, the central bank inflation forecast is at 2.0% to 3.0% for 2020 and 2021 which is within the DBCC projection of 2% to 4%. Also, due to uncertainty, other indicators such as OF remittances and FDI are expected to remain low.

Despite the challenges arising from the global health and economic crisis, economies are starting to open and are showing potential for a strong rebound in 2021. According to BSP, some economic measures are showing early signs of recovery as indicators such as manufacturing index and exports improved in June 2020 versus April 2020 figures. The Central Bank also characterized the Philippine economy as robust given its strong fundamentals such as low interest rates, appreciating peso, sound external sector with a record high GIR, low debt ratios, tame inflation, and robust banking industry.

Opportunities are found for the domestic market supported by a solid economic core in place. Business activities continued to resume amid the low interest rate environment, allowing investors and companies to pursue expansion and new investment plans. Likewise, the potential growth for the logistics industry is seen as foreign manufacturers may likely move out production from China. Also, e-commerce activity increases which will further increase demand for high grade warehousing. Lastly, even with the overall slowdown of real estate activities in the second quarter of 2020, office inquiries for expansion and flex space increases, which signals strong demand for space. The IT-BPM industry sees the most inquiries as the industry remains active and continues to show strong demand for office spaces in Metro Manila and in key provinces like in Cebu, Davao, Laguna, and Pampanga.

⁵ JLL views are as of end-2020.

OFFICE MARKET OUTLOOK

The office space market has experienced substantial growth over the years — thanks to the robust economic growth and investment-grade status, which brought demand from outsourcing firms and the online gaming sector. However, the environment has changed entering 2020, and the global economy went on a standstill amid virus outbreak. The COVID-19 pandemic brought so many uncertainties in the real estate market, keeping business sentiment dampened. This caused investors to hold off investments or expansion plans for the rest of 2020.

Despite the uncertainty from the pandemic, demand for office space is projected to remain stable and resilient. However, the changing environment could limit the upside potential of the office real estate market in the near future. Traditional offices and IT-BPM industry may continue to support the demand, but dampened sentiment from the online gaming firms could potentially pull back any demand upside in the market. We may not see strong demand from the POGO sector as the Philippine government aims to impose strict regulations (taxes and travel permits) on the sector, at the same time, Chinese government continues to discourage its citizens to not engage in this industry.

As mentioned above, this year's pandemic changed a lot in the business landscape, especially office space requirements of companies, and the world was forced to adapt work-from-home arrangements. This global trial of remote work proved that work-from-home setup was generally feasible. However, in the Philippines, access to stable internet connection at home was one of the early hurdles that the businesses faced amid lockdown. Also, internet connection in the country is not that affordable and not all families have the financial capacity to purchase such services. Also, one of the primary risks of a WFH setup is the risk of data security breaches since employees are relying on unsecured network at home.

Given these aforementioned factors, we expect that there will still be a need for office spaces among companies to continue smooth business operations. Hence, we may see some decentralization and the emergence of small satellite offices as we enter the next normal. We see these small satellite offices be located outside traditional business hubs (i.e. Makati CBD and BGC) to provide a more reliable office setup for its employees that is closer to home. This move will also lessen the exposure of employees to the virus from public places. We may see increased interest for office spaces in key business hubs in Metro Cebu as part BCP sites to mitigate risk and to crisis-proof business operations.

The IT-BPM industry may continue to spearhead demand for office spaces and this potential new trend of setting up satellite offices would be a strategic fit for the industry considering the significant number of employees in the sector. The IT-BPM industry may still be dominated by contact centers, IT outsourcing, and shared services. These subsectors are expected post growth of around low- to mid-single digit over the next three years. Meanwhile, upside potential of the entire industry will remain resilient as other emerging subsectors, such as Healthcare and, Animation and Game development will cushion the potential hiccups of the industry from this year's pandemic. These emerging subsectors are seen posting growth of high single digits to low-double digits in the next three years.

The lowering of CIT and modernizing tax incentives under the CREATE bill would increase attractiveness of the country from foreign investments seeking business expansion outside their respective home countries. Modernizing the tax incentives will likewise increase the quality of investments in the country as it will force investors to propose not only high-quality investments, but also investments that will be beneficial and aligned with the Philippines' developmental goals. Given this development, we are considering the potential foreign investments in the country. We see foreign companies diversifying production activities outside China and the Philippines could be a potential candidate for hosting these companies. With that, we could also expect this market to drive demand for office space, as these companies would need to set up headquarters for backend support.

Moreover, flexible workspace may play a significant role in the office market regardless of scenarios mentioned above. There may be a need to increase the supply in flexible workspace market to cater the potential increase in

demand in the next normal. Rationalizing office space requirements may be an opportunity for flex space operators to ramp up supply in the market and provide the much-needed office space alternatives for businesses in the next normal.

7.0 LIMITING CONDITIONS

This market report ("Report") contains forward-looking statements that are provided as JLL's beliefs, expectations, forecasts or predictions for the future. All such statements relating to future matters are based on the information known to JLL at the date of preparing this document. We stress that such statements should be treated as an indicative estimation of possibilities rather than absolute certainties. The forecast process involves assumptions about a substantial number of variables, which are highly responsive to changing conditions. Variations of any one of the variables may significantly affect outcomes and JLL draws your attention to this. Therefore, JLL cannot assure that the forecasts outlined in this Report will be achieved or that such forward-looking statements outlined in this Report will prove to be correct. Interested parties must be cautioned not to place undue reliance on such statements.

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8.0 Appendix

**Grade A Office Developments of Cyberzone Properties, Inc.
(a subsidiary of Filinvest Land, Inc.)**

Development	District	Property Grade
Plaza A	Muntinlupa City (Filinvest City)	Grade A
Plaza B	Muntinlupa City (Filinvest City)	Grade A
Plaza C	Muntinlupa City (Filinvest City)	Grade A
Plaza D	Muntinlupa City (Filinvest City)	Grade A
Plaza E	Muntinlupa City (Filinvest City)	Grade A
Capital One	Muntinlupa City (Filinvest City)	Grade A
5132 Building	Muntinlupa City (Filinvest City)	Grade A
iHub 1	Muntinlupa City (Filinvest City)	Grade A
iHub 2	Muntinlupa City (Filinvest City)	Grade A
Vector One	Muntinlupa City (Filinvest City)	Grade A
Vector Two	Muntinlupa City (Filinvest City)	Grade A
Vector Three	Muntinlupa City (Filinvest City)	Grade A
Filinvest One	Muntinlupa City (Filinvest City)	Grade A
Filinvest Two	Muntinlupa City (Filinvest City)	Grade A
Filinvest Three	Muntinlupa City (Filinvest City)	Grade A
Axis Tower 1	Muntinlupa City (Filinvest City)	Grade A
Cebu Tower 1	Cebu City (Cebu I.T. Park)	Grade A

ANNEX 4: INDEPENDENT AUDITOR'S REPORT ON
EXAMINATION OF PROFIT FORECAST AND PROFIT
PROJECTION



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF THE PROFIT FORECAST AND PROFIT PROJECTION

July 19, 2021

The Stockholders and the Board of Directors
Filinvest REIT Corp.
(formerly Cyberzone Properties, Inc.)
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Dear Sirs,

Independent Auditor's Report on the Profit Forecast for the six months financial period from July 1, 2021 to December 31, 2021 and the Profit Projection for the financial year ending December 31, 2022

This report has been prepared for inclusion in the real estate investment trust plan dated July 19, 2021 (the "REIT Plan") to be issued in connection with the Proposed Secondary Offer of 1,634,187,850 common shares of Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the "Issuer" or the "Company") with an over-allotment option of up to 163,418,785 common shares, at an offer price of ₱7.00 per share.

The Company is responsible for the preparation and presentation of the forecast and projected statements of comprehensive income and distribution of the Company for the six months financial period from July 1, 2021 to December 31, 2021 (the "Profit Forecast") and for the financial year ending December 31, 2022 (the "Profit Projection"), as set out on page 109 of the REIT Plan, which have been prepared on the basis of the assumptions as set out on pages 110 to 118 of the REIT Plan.

We have examined the Profit Forecast and Profit Projection, excluding certain non-GAAP measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividend payout ratio, illustrative price range per share, dividends, total dividends as percentage of distributable income, offer price, dividend yield %, net operating income and capital expenditure as set out on pages 109, 110, 111, 115 and 116 of the REIT Plan which have been prepared on the basis of the assumptions as set out on pages 110 to 118 of the REIT Plan, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, *The Examination of Prospective Financial Information*. The Company is solely responsible for the Profit Forecast and Profit Projection, including the assumptions set out on pages 110 to 118 of the REIT Plan on which they are based.



Profit Forecast

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast as described in the third paragraph of this report. Further, in our opinion, the Profit Forecast is properly prepared on the basis of the assumptions set out on pages 110 to 118 of the REIT Plan, is consistent with the accounting policies adopted by the Company as set out on pages F-19 to F-36 of the REIT Plan and is presented in accordance with Philippine Financial Reporting Standards (“PFRS”).

Profit Projection

The Profit Projection is intended to show a possible outcome based on the stated assumptions. As the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the assumptions used in the Profit Projection (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for the Profit Forecast. The Profit Projection does not therefore constitute a profit forecast.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection as described in the third paragraph of this report. Further, in our opinion, the Profit Projection, is properly prepared on the basis of the assumptions as set out in pages 110 to 118 of the REIT Plan, is consistent with the accounting policies adopted by the Company as set out in pages F-19 to F-36 of the REIT Plan, and is presented in accordance with PFRSs.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described in the REIT Plan occur, actual results are still likely to be different from the Profit Forecast and Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecasted and projected. For these reasons, we do not express any opinion as to the possibility of achievement of the Profit Forecast and the Profit Projection.



Attention is drawn to the risk factors set out on pages 66 to 101 of the REIT Plan which describe the principal risks associated with the Offering to which the Profit Forecast and the Profit Projection relate and the sensitivity analysis of the Profit Forecast and the Profit Projection as set out on page 101 of the REIT Plan.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534358, January 4, 2021, Makati City

July 19, 2021



COMPANY

Filinvest REIT Corp.
(formerly Cyberzone Properties, Inc.)
23rd Floor, Axis Tower 1
Northgate Cyberzone
Filinvest Corporate City
Alabang, Muntinlupa City
Philippines

SELLING SHAREHOLDER

Filinvest Land Inc.
Filinvest Building
79 EDSA, Mandaluyong City
1550 Philippines

JOINT GLOBAL COORDINATORS AND BOOKRUNNERS

BPI Capital Corporation
11/F Ayala North Exchange Tower One
6796 Ayala Ave. cor. Salcedo St.
Makati City, Philippines

UBS AG, Singapore Branch
9 Penang Road
Singapore 238459

LOCAL LEAD UNDERWRITER

China Bank Capital Corporation
28/F BDO Equitable Tower
8751 Paseo de Roxas,
Makati City 1226, Philippines

LOCAL CO-LEAD UNDERWRITERS

First Metro Investment Corporation
45/F, GT Tower International
6813 Ayala Avenue corner H.V. dela Costa Street
Makati City 1227, Philippines

SB Capital Investment Corporation
18th Floor, Security Bank Centre,
6776, Ayala Avenue
Makati City, Philippines

LEGAL COUNSELS

*To the Company and Selling Shareholder
as to Philippine law*

*To the Joint Global Coordinators and Bookrunners, Local Lead
Underwriters and Local Co-lead Underwriters as to Philippine
law*

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center
Picazo Law
104 H.V. dela Costa Street
Salcedo Village, Makati City
1227 Philippines

Angara Abello Concepcion Regala & Cruz Law Offices
22/F ACCRALAW Tower
2nd Avenue corner 30th Street
Crescent Park West, Bonifacio Global City
Taguig City 1635, Philippines

*To the Company and Selling Shareholder as to United States
Federal and New York State Law*

*To the Joint Global Coordinators and Bookrunners, Local Lead
Underwriters and Local Co-lead Underwriters as to United
States Federal and New York State Law*

Milbank LLP
30/F, Alexandra House
18 Chater Road
Central, Hong Kong

Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines