METRO
RETAIL STORES GROUP, INC.

April 12, 2023

SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village
Bel-air, Makati City 1209

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, PSE Tower
28th Street corner 5th Avenue, BGC, Taguig City

Attention: Ms. Alexandra D. Tom Wong
Head, Disclosure Department

RE: **DEFINITIVE INFORMATION STATEMENT (SEC FORM 20-IS)**

Gentlemen:

Please see attached, our reply to your Comments on the Definitive Information Statement (SEC Form 20-IS) of METRO RETAIL STORES GROUP, INC. ("MRSGI") for the year 2023. Also attached are the following documents for your clearance:

1. Definitive Information Statement
2. Audited Financial Statements for the year 2022 (Annex to DIS)
3. Certification

We trust that you will find the foregoing in order and merit us with the favourable clearance on or before April 13, 2023 the deadline for posting of the DIS and its attachments, for distribution to the stockholders via MRSGI's website and the PSE Edge.

Very Truly Yours,

ATTY. VINCENT E. TOMANENG
Corporate Secretary and
Chief Legal Counsel

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Compliance Officer and
Asst. Corporate Secretary

			Page No.	Remarks	MRSGI Reply
Metro Retail Stores Group, Inc.					
Preliminary Information Statement was filed on 23 March 2023.					
SEC Form 20-IS					
Checklist of Requirements			Page No.	Remarks	MRSGI Reply
Part I.					
A. General Information					
B. Control and Compensation Information					
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS				Please disclose the foreign ownership as of March 31, 2023 or as of record date.	Updated as of March 31, 2023
	As to each class entitled to vote, state the number of shares outstanding & the number of votes to which each class is entitled.			Please update information as of March 31, 2023 or as of record date, whichever is practicable.	Updated as of March 31, 2023
	Furnish information required by Part IV paragraph (C) of "Annex C, as amended"				
		(1) Security Ownership of Certain Record and Beneficial Owners of more than 5%:		Please update information as of March 31, 2023 or as of record date, whichever is practicable.	Updated as of March 31, 2023
		(2) Security Ownership of Management		Please update information as of March 31, 2023 or as of record date, whichever is practicable.	Updated as of March 31, 2023
		(3) Voting Trust Holders of 5% or more:		Please update information as of March 31, 2023 or as of record date, whichever is practicable.	Updated as of March 31, 2023
		(a) Title of Securities			
		(b) Amount of Securities Under Trust or Agreement			
		(c) Duration of the Agreement			
		(d) Names and Addresses of the Voting Trustees			
		(e) Outline of Voting Rights and Other Powers of the Voting Trustees			
		(4) Description of any arrangement which may result in a change in control of registrant		Please update information as of March 31, 2023 or as of record date, whichever is practicable.	Updated as of March 31, 2023
		If a change in control has occurred since the beginning of the last F.Y.			
		1. State the name of the person who acquired such control			
		2. Amount and source of consideration used			
		3. Basis of control			
		4. Date & description of the transaction(s) which resulted in the change in control			
		5. Percentage of voting securities now beneficially owned directly/indirectly by the person who acquired control			
		6. Identify from whom control was assumed			
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS					
If action is with respect to election of directors					
	Information required by Part I(C) of "Annex C, as amended"				
Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C, as amended"					
A	(A)(1) Identify Directors, including Independent Directors and Executive Officers				
	Certification on Qualification and Disqualification of Independent Directors.			Disclose the nominated Independent Directors (IDs), if the nominated IDs are different from the incumbent, submit the required certification for the nominated IDs.	Disclosed
		(a) List the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated or chosen to become such where required under Section 38 of the Code and SRC Rule 38.1 adopted thereunder; also provide the names of the incorporators in the case of an investment company.		Disclose for those nominated persons other than the incumbent Directors.	Disclosed
		(b) List of positions and offices such persons held or will hold;			
		(c) Term of office as a Director and the period which the person has served;			
		(d) Brief description of person's business experience (last five years); and			
		(e) Identification of other directorship held in reporting companies.			

	Checklist of Requirements	Page No.	Remarks	
	(5) Part IV, Paragraph (D) of "Annex C" as amended		Disclose the information required under this section. Do not merely refer to the Consolidated AFS.	Disclosed
	Certain Relationships and Related Transactions			
	(SEC MC No. 14, Series of 2004)			
	(1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions. The Commission consider the discussion of the following to be necessary.			
	(a) the business purpose of the arrangement;			
	(b) identification of the related parties transaction business with the registrant and nature of the			
	(c) how transaction prices were determined by parties;			
	(d) if disclosures represent that transactions have been evaluated for fairness, a description of			
	(e) any ongoing contractual or other commitments as a result of the arrangement.			
	(2) The disclosure shall also include information about parties that fall outside the definition "related parties" under SFAS/IAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis. For example, an entity may be established and operated by individuals that were former senior management of, or have some other current or former relationship with, a registrant. The purpose of the entity may be to own assets used by the registrant or provide financing or services to the registrant. Although former management or persons with other relationships may not meet the definition of a related party pursuant to SFAS/IAS 24, the former management positions may result in negotiation of terms that are more or less favorable than those available on an arm's-length basis from clearly independent third parties that are material to the registrant's financial position or financial performance.			
	In some cases, investors may be unable to understand the registrant's reported results of operations without a clear explanation of these arrangements and relationships. Items of similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements			
ITEM 6. COMPENSATION OF DIRECTORS & EXECUTIVE OFFICERS			Why is there a difference in the aggregate salary of the Chairman and CEO and the 4 most highly compensated officers for the year 2022. Table 1 shows P49,457,662.85 while Table 2 shows P47,457,667.85.	Corrected
Part IV, paragraph (B) of "Annex C", as amended				
If action to be taken is with regard to election of directors, any bonus profit sharing or other compensation plan, contract or arrangement, any pension/retirement plan, granting of extension of any option, warrant or right to purchase any securities, furnish the following:				
	(1) Summary Compensation Table			
	(a) Name and Principal Position (b) Year (c) Salary(P) (d) Bonus(P) (e) Other Annual Compensation			
ITEM 8. COMPENSATION PLANS				
Stock Options, Warrants or Rights Plan				
	(3) Consideration received or to be received by registrant/subsidiary		Please disclose.	Disclosed
	(4) Market value of securities as of the latest practicable date		Please disclose.	Disclosed
	(5) Amount of such options, warrants or rights received/to be received by the following:		Please disclose.	This is not determinable at this time. The Chairman shall determine the number of share options to be offered based on the considerations stated in Compensation Plan.
	(A) Chief Executive Officer;			
	(B) 4 highest paid executives who were serving at the end of the last completed fiscal year;			
	(C) All current executive officers as a group;			
	(D) Each nominee for election as a director;			
	(E) Each other person who received or is to receive five percent of such options, warrants or rights;			
	(F) All current directors as a group who are not executive officers; and			
	(G) All other employees as a group.			

			Checklist of Requirements	Page No.	Remarks	
Any other type of compensation plan						
	(1) Material features of the plan				Please disclose.	Disclosed
	(2) Identify each class of person eligible to participate in the plan, indicate approximate number of persons in each class				Please disclose.	This is not determinable at this time. The Chairman shall determine the number of share options to be offered based on the considerations stated in Compensation Plan.
	(3) Basis of participation				Please disclose.	Disclosed
	(4) Benefits or amounts that will be received by/allocated under the plan for each person (No. 5 above)				Please disclose.	This is not determinable at this time. The Chairman shall determine the number of share options to be offered based on the considerations stated in Compensation Plan.
Report to be Furnished to the Stockholders						
SRC Rule 20 – Disclosures to Stockholders Prior to Meeting						
If the information statement shall relate to an annual (or special meeting in lieu of the annual) meeting of stockholders at which directors shall be elected, it shall be accompanied or preceded by a management report to such stockholders containing the following:						
MANAGEMENT REPORT						
2	Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C, as amended")					
	Registrants that have not had revenues from operations in each of the last two fiscal years, or the last fiscal year and any interim period in the current fiscal year for which financial statements are furnished in the disclosure document, shall in addition to applicable items under subparagraph (2), provide the information in subparagraph (1) hereof.					
	2	Management's Discussion and Analysis. MD&A helps to explain financial results. A reader of the MD&A should be able to understand the financial results of the registrant's business as discussed in the "Business" section. It shall provide information with respect to liquidity, capital resources and other information necessary to understand the registrant's financial condition and results of operation.			Please provide MD&A for the period ending December 31, 2022 vs. 2021, 2021 vs. 2020 and 2020 vs. 2019	Provided
		The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of matters that would have an impact on future operations and have not had an impact in the past, and matters that have had an impact on reported operations and are not expected to				
		For both full fiscal years and interim periods, disclose the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.				
		(a) Full fiscal years				
		(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.				
		(2) If FS shows losses from operation, explain the causes underlying these losses and the steps the registrant has taken or is taking to address these cause.				
		(3) Past and future financial condition and results of operation, with particular emphasis on the prospects for the future.				
		(4) Key Variable and Other Qualitative and Quantitative Factors.				
		If Material:				
		(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)				
		(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation				
		(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.				
		(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures				
		(v)Any Known Trends, Events or Uncertainties (Material Impact on Sales)				
		(vi) Any Significant Elements of Income or Loss (from continuing operations)				
		(vii)Causes for Any Material Changes from Period to Period of FS which shall include vertical and				
		(viii)Seasonal Aspects that has Material Effect on the FS				
3	EXTERNAL AUDIT FEES (SEC MC No. 14, Series of 2004)					
	B.	Under the caption "Tax Fees", the aggregate fees billed in each of the last two (2) fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrant shall describe the nature of the services			Please disclose the nature of the services comprising the fees disclosed under this category	Disclosed

		Checklist of Requirements	Page No.	Remarks	
5	Market Price of and Dividends required by Part V of Annex C, as amended				
	1	Market Information			
		(a) Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded			
		If principal market is a Stock Exchange in the Philippines or a foreign Exchange:			
		(1) State the name of the Exchange.			
		(2) Presentation of the High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements are required by SRC Rule 68.		Please disclose for the 1st quarter of 2023	Disclosed
		(b) If the information called for by paragraph (a) of this Part is being presented, the document shall also include the price information as of the latest practicable trading date, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.		Please provide the share's closing price at the latest practicable date.	Provided
	2	Holders			
		(a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report.		Please disclose as of March 31, 2023 or as of record date	Disclosed as of March 31, 2023
		(ii) Names of the Top Twenty (20) Shareholders of Each Class			
		(iii) Number of Shares Held			
		(iv) Percentage of Total Shares Outstanding Held by Each			
AUDITED FINANCIAL STATEMENTS					
1	Statement of Management Responsibility on the Financial Statements			Please submit AFS as of Dec 31, 2022 and its attachments	Submitted
2	COMPARATIVE FINANCIAL STATEMENTS				
	A.	Comparative Form. Figures for the most recently ended fiscal year presented in the right portion immediately after the accounts name, followed by the figures for the last preceding year.			
	B.	Balance Sheet or Statement of Financial Position			
		The audited BS or Statement of financial position shall be as of the end of each of the two (2) most recently completed fiscal years.			
	C.	Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity			
3	ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS (SRC Rule 68, as amended October 2011)				
	A.	Legal matter paragraph in the Auditor's Report on each components: (Financial Reporting Bulletin No. 1)			
	B.	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1,4 (c))			
	D.	A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))			
4	ADDITIONAL REQUIREMENTS (SRC Rule 68, as amended October 2011)				
	A schedule showing financial soundness indicators in two comparative period as follows: 1) current/				
Required Disclosures under Section 49 of the RCC					
	(a)	*The minutes of the most recent regular meeting which shall include, among others:*		Please submit	Submitted
	1	A description of the voting and vote tabulation procedures used in the previous meeting;			
	2	A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;			
	3	The matters discussed and resolutions reached;			
	4	A record of the voting results for each agenda item;			
	5	A list of the directors or trustees, officers and stockholders or members who attended the			
	(b)	A list of material information on the current stockholders, and their voting rights;		Please disclose as of March 31, 2023 or as	Disclosed as of March 31, 2023
	(d)	Appraisals and performance report for the board and the criteria and procedure for assessment; and		Disclose the result of the appraisals and performance report for the board, the criteria and procedure used for assessment	Disclosed

CERTIFICATION

I, **ATTY. THERESA MARIE C. PUNO-DELA PEÑA,** of legal age, Filipino, married, and with office address at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected, qualified, and incumbent Compliance Officer and Assistant Corporate Secretary of **METRO RETAIL STORES GROUP, INC.** (the "Corporation") with SEC Registration No. CS200315877, a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu.

2. As such Compliance Officer and Assistant Corporate Secretary, I have caused this **Definitive Information Statement (SEC Form 20-IS)** to be prepared on behalf of the Corporation, and that I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records.

3. That the Corporation will comply with the requirements set forth is SEC Notice dated March 13, 2023, to effect a complete and official submission of reports and/or documents through electronic mail.

4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of filing fee.

5. That the e-mail account designated by the Corporation pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the Corporation in its online submissions to SEC.

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Compliance Officer and Asst. Corporate Secretary

BEFORE ME, a Notary Public for and in Cebu City, this APR 12 2023, 2022, personally appeared the following:

	Competent Evidence of Identity	
Affiant	**Type of ID**	**ID Number and Expiry Date (if applicable)**
Theresa Marie C. Puno-dela Peña	UMID	CRN

who represented to me that she executed the foregoing document for the purposes stated therein and acknowledged to me that the same is her free and voluntary act and deed and of the corporation she represents.

Doc. No. 207;
Page No. 86;
Book No. 07;
Series of 2022.

ATTY. ARJAM B. BONSUCAN ROLL NO. 70585 NOTARY PUBLIC CEBU CITY, PHILIPPINES

ATTY. ARJAM B. BONSUCAN, CPA
Notarial Commission No. 77-18; valid until 31 Dec. 2023
Notary Public for and in the City of Cebu
Attorney's Roll No. 70585
PTR No. CEB 226399[illegible] 2022; Cebu City
IBP OR No. 257018; 01 [illegible] IBP-Cebu Chapter
Room 406, Bldg. 5, Phase 1, [illegible] Tisa, Brgy. Tisa, Cebu City
arjbon[illegible].com

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S. S.

SECRETARY'S CERTIFICATE

I, **ATTY. THERESA MARIE C. PUNO-DELA PEÑA,** of legal age, Filipino, married, and with office address at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected, qualified, and incumbent Compliance Officer and Asst. Corporate Secretary of **METRO RETAIL STORES GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu.

2. As such Asst. Corporate Secretary, I am in custody of the corporate books and records of the Corporation, including the minutes of meetings of its Board of Directors and Stockholders.

3. I hereby certify that no Director or Officer of the Corporation is connected with any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto affixed my signature this MAR 23 2023, 2023, in Cebu City.

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Asst. Corporate Secretary

BEFORE ME, a Notary Public for and in Cebu City, this MAR 23 2023, 2023, personally appeared the following:

Affiant	Competent Evidence of Identity	
	Type of ID	**ID Number and Expiry Date (if applicable)**
Theresa Marie C. Puno-dela Peña	UMID	CRN

who represented to me that she executed the foregoing document for the purposes stated therein and acknowledged to me that the same is her free and voluntary act and deed and of the corporation she represents.

Doc. No. 206;
Page No. 43;
Book No. 66;
Series of 2023.

VINCENT E. TOMANENG
NOTARY PUBLIC FOR CEBU CITY
COMMISSION UNTIL DECEMBER 31, 2024
ROLL OF ATTORNEY NO. 39448
IBP LIFETIME NO. 1029091, CEBU CITY
PTR NO. 2263995 12/01/22 CEBU CITY
MCLE COMPLIANCE NO. VII -0005568
SUITES 210 2ND FLOOR THE WALK, CEBU IT PARK
LAHUG, CEBU CITY

March 24, 2023

SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village
Bel-air, Makati City 1209

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
Director, Corporate Governance and Finance Department

RE: **Certification of Independent Directors**

Director Remalante:

In connection with the Annual Stockholders' Meeting of Metro Retail Stores Group, Inc. ("MRSGI") to be held on May 5, 2023 (Friday), the following are nominated for re-election as Independent Directors:

1. Guillermo L. Parayno, Jr.
2. Ricardo Nicanor N. Jacinto

We submit herewith the Certification of Independent Directors duly executed by the above mentioned nominees for Independent Directors of MRSGI.

Very truly yours,

thereapuno

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Compliance Officer and Asst. Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GUILLERMO L. PARAYNO, JR.**, Filipino, of legal age, married, and a resident of 8488 Magnolia Street, Marcelo Green Village Parañaque City, Metro Manila, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metro Retail Stores Group, Inc. (the "Company") and have been its independent director since July 16, 2015.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
E-Konek Pilipinas, Inc.	Chairman and President	Present
Philippine Veterans Bank	Director and Vice-Chairman	Present
Bagong Silang Farms, Inc.	Chairman and President	Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Company, as provided for under Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Company.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done this MAR 21, 2023 at MAKATI, PHILIPPINES

GUILLERMO L. PARAYNO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAR 2 2 2023 at CITY OF TAGUIG affiant personally appeared before me and exhibited to me his Passport No. issued on December 2, 2021 at DFA Manila.

Doc. No. 76;
Page No. 17;
Book No. 13;
Series of 2023.

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2024
IBP O.R. No. 251632 issued on December 19, 2022
PTR No. 9563520 / 3 January 2023/ Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003699
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RICARDO NICANOR N. JACINTO,** Filipino, of legal age, married, and a resident of 30 Leo Street, Bel Air Village, Makati City, Metro Manila, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metro Retail Stores Group, Inc. (the "Company") and have been its independent director since July 27, 2015.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
SBS Philippines Corporation	Chairman	Present
Maybank Capital Partners, Inc.	Chairman/ Independent Director	Present
Maybank Securities, Inc.	Chairman/ Independent Director	Present
Torre Lorenzo Development Corporation	Director	Present
Etiqa Life and General Assurance Philippines, Inc.	Independent Director	Present
Maybank Securities (Thailand) Public Company Limited	Independent Director	Present
University of the Philippines - CE Virata School of Business	Lecturer	Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of the Company.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done this MAR 2 2 2023 at CITY OF TAGUIG.

RICARDO NICANOR N. JACINTO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 2 2 2023 at CITY OF TAGUIG, affiant personally appeared before me and exhibited to me his Passport No. issued on February 9, 2021 at DFA NCR South.

Doc. No. 75;
Page No. 16;
Book No. 13;
Series of 2023.

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2024
IBP O.R. No. 251632 issued on December 19, 2022
PTR No. 9563520 / 3 January 2023/ Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003699
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S. S.

CORPORATE SECRETARY'S CERTIFICATE

I, **ATTY. THERESA MARIE C. PUNO-DELA PEÑA,** of legal age, Filipino, married, and with office address at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected, qualified, and incumbent Compliance Officer and Assistant Corporate Secretary of **METRO RETAIL STORES GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at the Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu.

2. As such Assistant Corporate Secretary, I am in custody of the corporate books and records of the Corporation, including the minutes of meetings of its Board of Directors and Stockholders.

3. I hereby certify that at the Special Meeting of the Board of Directors held on March 17, 2023 where a duly constituted quorum was present, the Board unanimously adopted and approved **Board Resolution No. 003-2023**, which is now in full force and effect and has not been amended or revoked:

Board Resolution No. 003-2023

"**RESOLVED**, that the **2023 Annual Stockholders' Meeting ("ASM")** of **Metro Retail Stores Group, Inc.** (the "Corporation") shall be held on **May 5, 2023** ("Friday") at 9:00 in the morning via remote communication under the platform of Zoom Video Communications. The following are the particulars of the 2023 Virtual ASM:

- Record Date for the closing of the Stock Transfer Book - **April 5, 2023** (at least 20 calendar days before May 5, 2023)
- Date list of stockholders to be submitted to PSE and SEC: **April 17, 2023** (within 5 trading days from Record Date)
- Date of publication of Notices of 2023 ASM: **April 13, 2023 and April 14, 2023** (in print and online format for at least 2 consecutive days, last publication not later than 21 calendar days before May 5, 2023)
- Deadline for submission of all proxies to Corporate Secretary: **April 25, 2023** (at least 10 calendar days before May 5, 2023)
- Deadline for validating proxies: **April 30, 2023** (not less than 5 calendar days before May 5, 2023)

RESOLVED, FURTHER, to authorize the stockholders of the Corporation to exercise their right to vote and/or participate in the 2023 ASM *in absentia* or through remote communication;

RESOLVED, FURTHER, that this resolution on the holding of the ASM via remote communication shall only apply to the 2023 ASM of the Corporation;

RESOLVED, FURTHER, that the Board of Directors of the Corporation hereby approves the Notice and Agenda, with Proxy Form, for the 2023 ASM, attached herewith as Annexes "A" and "B";

RESOLVED, FINALLY, that the Organizational Board Meeting of the Corporation will immediately follow after the end of the 2023 ASM."

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ day of MAR 2 3 2023 2023 in CEBU CITY.

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Compliance Officer and Asst. Corporate Secretary

BEFORE ME, a Notary Public for and in Cebu City, this ____ day of MAR 2 3 2023 2023, personally appeared the following:

Affiant	Competent Evidence of Identity	
	Type of ID	**ID Number and Expiry Date (if applicable)**
Theresa Marie C. Puno-dela Peña	UMID	CRN

who represented to me that she executed the foregoing document consisting of two (2) pages for the purposes stated therein and acknowledged to me that the same is her free and voluntary act and deed and of the corporation she represents.

Doc. No. 265;
Page No. 42;
Book No. 6;
Series of 2023.

VINCENT E. TOMANENG
NOTARY PUBLIC FOR CEBU CITY
COMMISSION UNTIL DECEMBER 31, 2024
ROLL OF ATTORNEY NO. 39448
IBP LIFETIME NO. 1029091, CEBU CITY
PTR NO. 2263995 12/01/22 CEBU CITY
MCLE COMPLIANCE NO. VII-0006568
SUITES 210 2ND FLOOR THE WALK, CEBU IT PARK
LAHUG, CEBU CITY

METRO
RETAIL STORES GROUP, INC.

NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS
OF
METRO RETAIL STORES GROUP, INC.

Please take notice that the 2023 Annual Stockholders' Meeting ("ASM") of Metro Retail Stores Group, Inc. (the "Company"), will be held on May 5, 2023 (Friday) at 9:00 in the morning via remote communication under the platform of Zoom Video Communications.

The Agenda for the Virtual ASM shall be as follows:

1. Call to Order
2. Proof of Notice of the Meeting and Existence of Quorum
3. Chairman's Message
4. Approval of the Minutes of the ASM held on May 6, 2022 and the Minutes of the Special Stockholders' Meeting held on February 7, 2023
5. President's Message
6. Management Presentations and Approval of the Annual Report and the Audited Financial Statements for CY 2022
7. Appointment of External Auditor for CY 2023
8. General ratification of all acts and resolutions of the Board of Directors and its committees, officers and management since the last ASM up to the date of this meeting
9. Election of Board of Directors
10. Consideration of such other matters as may properly come during the meeting
11. Adjournment

The minutes of the 2022 ASM and the minutes of the Special Stockholders' Meeting are available for examination on the website of the Company at www.metroretail.com.ph.

The record date shall be on April 5, 2023 for purposes of determining the list of stockholders of the Company who are entitled to vote at the 2023 ASM.

The Company will allow attendance only by remote communication and voting ***in absentia***, subject to validation procedures.

Stockholders who will participate in the ASM by remote communication should pre-register at https://asm2023.mrsgi.com on or before May 1, 2023. Successful registrants will receive an email invitation with a complete guide on how to join the ASM and how to cast votes *in absentia*. For any registration concerns, please contact philip.coronado@metroretail.ph. Please refer to the Definitive Information Statement on the guidelines on attendance by remote communication and voting *in absentia* which is posted on the website of the Company at www.metroretail.com.ph. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum.

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at mrsgi_asmregister@metroretail.ph, not later than April 25, 2023. The proxies shall be validated on April 30, 2023. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised. **WE ARE NOT, HOWEVER, SOLICITING PROXIES.**

Stockholders may send their questions about the ASM and the Company to its Vice President – Business Development and Investor Relations at arnold.leoncio@metroretail.ph. He will reply accordingly.

Pursuant to SEC Notice dated March 13, 2023, the Stockholders may examine the Definitive Information Statement, Management Report, and SEC Form 17A on the Company's website and through the PSE Edge Portal.

There will be an audio and video recording of the ASM. All votes cast shall be validated by the Stock and Transfer Agent, Stock Transfer Service, Inc.

March 17, 2023, Mandaue City, Cebu.

For the Board of Directors,

ATTY. VINCENT E. TOMANENG
Corporate Secretary

PROXY

The undersigned stockholder of Metro Retail Stores Group, Inc. (the "Company") hereby appoints ________________ or in his absence, the Chairman of the meeting, as my proxy at the 2023 Annual Stockholders' Meeting ("ASM") of the Company, to be held via remote communication on May 5, 2023 (Friday) at 9:00 in the morning, for the purpose of acting on the following matters:

	Proposal	Approve	Disapprove	Abstain
I	Approval of the Minutes of the ASM held on May 6, 2022 and the Minutes of the Special Stockholders' Meeting held on February 7, 2023			
II	Approval of the Annual Report and the Audited Financial Statements for CY 2022			
III	Appointment of SGV&Co. as the External Auditor for CY 2023			
IV	Ratification of all acts and resolutions of the Board of Directors and its committees, officers and management since the last ASM up to the date of this meeting			

V	Election of Directors	Number of Votes[1]
	1. Frank S. Gaisano	
	2. Manuel C. Alberto	
	3. Margaret G. Ang	
	4. Jack S. Gaisano	
	5. Guillermo L. Parayno, Jr.	
	6. Ricardo Nicanor N. Jacinto	

Number of Shares Held

Signature of Stockholder/Authorized Signatory

Date

Printed name of Stockholder

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of all the matters stated above and for such matters as may properly come before the ASM in the manner described in the Definitive Information Statement and/or as recommended by Management or the Board of Directors.

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[1] Stockholders shall have the right to vote the number of shares of stock standing, on record date, in his own name on the stock and transfer book of the Company; and such stockholder may vote such number of shares for as many individuals as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected.

COVER SHEET

SEC Registration Number

C S 2 0 0 3 1 5 8 7 7

COMPANY NAME

METRO RETAIL STORES GROUP, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

VICSAL BUILDING, CORNER OF C.D. SENO AND W.O. SENO STREETS, GUIZO, NORTH RECLAMATION AREA, MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
20IS Definitive	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vicsal.sec@metroretail.ph	(032) 236-8390	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
21	First Friday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Vincent E. Tomaneng Corporate Secretary	vince.tomaneng@metroretail.ph	(032) 236 7793	N/A

CONTACT PERSON's ADDRESS

Vicsal Bldg., Corner of C.D.Seno & W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   Preliminary Information Statement
   ☑ **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **METRO RETAIL STORES GROUP, INC.** ("MRSGI" or the Company)

3. Province, country or other jurisdiction of incorporation or organization: **Cebu City, Philippines**

4. SEC Identification Number: **CS200315877**

5. BIR Tax Identification Code: **226-527-915**

6. Address of principal office and Postal Code: **Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu 6014**

7. Registrant's telephone number, including area code: **(032) 236-8390**

8. Date, time and place of the meeting of security holders: **May 5, 2023 (Friday) 9:00 a.m.; via remote communication under the platform of Zoom Video Communications; Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 12, 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock, P1.00 per share par value	**3,269,014,000**

11. Are any or all of registrant's securities listed in a Stock Exchange?

    ✓ Yes   No

MRSGI's common stock is listed on the Philippine Stock Exchange.

A. GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date, Time and Place of Meeting	**May 5, 2023 (Friday)** **9:00 a.m. via remote communication under the platform of Zoom Video Communications;** **Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu**
Complete Mailing Address of Principal Office	**Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu 6014**
Approximate date on which copies of the Information Statement are first to be sent or given to security holders	**April 12, 2023**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US PROXY.

The report attached as Annex "A" to this Information Statement (SEC Form 20-IS) is the management report to stockholders, including the Management's Discussion and Analysis, market price of shares and dividends and other data related to the Company's financial information required under Securities Regulation Code Rule 20 to accompany the Information Statement and is hereinafter referred to as the "Management Report".

Dissenters' Right of Appraisal

Any stockholder of the Company may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedures set forth under Chapter X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code").

Consistent with Section 80 of the Revised Corporation Code, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
3. In case of merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by dissenting stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) calendar days after the date on which the vote was taken. Provided, that failure to make the demand within such 30-day period shall be deemed as a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate(s) of stock representing the stockholders' shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) calendar days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) calendar days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no matters to be acted upon by the stockholders at the Annual Meeting of the Stockholders to be held on May 5, 2023 which would require the exercise of the appraisal right.

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

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

- **a.** Directors or Officers of the Company at anytime since the beginning of the last fiscal year;
- **b.** Nominees for election as directors of the Company;
- **c.** Associates of any of the foregoing persons.

No director or nominee for election as director has informed the Company of his opposition to any matter to be acted upon at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

1. The Company has 3,269,014,000 outstanding shares as of March 31, 2023. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

2. All stockholders of record as of April 5, 2023 are entitled to notice and to vote at the Company's Annual Stockholders' Meeting.

Directors and Executive Officers

Election of Directors

Section 2, Article III of the Company's Fourth Amended By-Laws states that the Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified. During the election of the members of the Board of Directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, on record date, in his own name on the stock and transfer book of the Company; and such shareholder may vote such number of shares for as many individuals as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the stock and transfer book of the Company multiplied by the whole number of directors to be elected.

For the 2023 Annual Stockholders' Meeting, the Company will allow attendance only by remote communication and voting ***in absentia***, subject to validation procedures. Please refer to D. Other Matters of this DIS on Voting Procedures and Guidelines for Participating via Remote Communication and Voting *In Absentia.*

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at mrsgi_asmregister@metroretail.ph, not later than April 25, 2023. The proxies shall be validated on April 30, 2023. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised during the Annual Stockholders' Meeting.

Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5 % of the Company's voting securities as of March 31, 2023.

As of March 31, 2023, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except set forth in the table below:

Title of Class	Name and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% of Total Issued Shares
Common	Vicsal Development Corporation Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City (stockholder)	Same as record owner	Filipino	2,627,427,300	76.62%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Filipino	730,694,821	21.31%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Non-Filipino	46,184,001	1.35%

Notes:

1. None of the Top 100 PDTC Participants - Filipino, hold 5% or more of the Company's outstanding capital stock as of March 31, 2023.

2. None of the Top 100 PDTC Participants – Foreign, hold 5% or more of the Company's outstanding capital stock as of March 31, 2023.

Security Ownership of Management of the Company's voting securities as of March 31, 2023

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership		Citizenship	% to Total Out-standing
			Direct	Indirect		
Common	Frank S. Gaisano	Chairman and Chief Executive Officer	2	30,448,000	Filipino	.93%
Common	Edward S. Gaisano	Director	75,002	0	Filipino	0
Common	Margaret G. Ang	Director	2	6,834,000	Filipino	.21%
Common	Jack S. Gaisano	Director	2	0	Filipino	0
Common	Manuel C. Alberto	President and Chief Operating Officer	1	0	Filipino	0
Common	Ricardo Nicanor N. Jacinto	Independent Director	500,001	0	Filipino	.01%
Common	Guillermo L. Parayno, Jr.	Independent Director	1	0	Filipino	0
Common	Joselito G. Orense	Treasurer/ Chief Finance Officer	0	0	Filipino	0
Common	Vincent E. Tomaneng	Corporate Secretary and Chief Legal Counsel	500,000	0	Filipino	0.01%
Common	Theresa Marie C. Puno-dela Peña	Asst. Corporate Secretary and Compliance Officer	0	0	Filipino	0

Shares owned by foreigners

The total number of common shares owned by foreigners as of March 31, 2023 is 46,184,001 shares.

Voting Trust Holders of 5% or more – as of March 31, 2023

There are no persons holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

As of March 31, 2023, there has been no change in the control of the Company, and there are no arrangements which may result in a change in control of the Company.

Directors and Executive Officers

Board of Directors

Currently, the Board consists of seven (7) members, of which two (2) are independent directors.

The Table below sets forth certain information regarding the members of our Board:

Name	Age	Nationality	Position
1. Frank S. Gaisano	65	Filipino	Chairman
2. Jack S. Gaisano	69	Filipino	Director
3. Edward S. Gaisano	67	Filipino	Director
4. Margaret G. Ang	71	Filipino	Director
3. Manuel C. Alberto	57	Filipino	Director
6. Guillermo L. Parayno, Jr.	74	Filipino	Independent Director
7. Ricardo Nicanor N. Jacinto	62	Filipino	Independent Director

Messrs. Frank S. Gaisano, Jack S. Gaisano, Edward S. Gaisano, and Ms. Margaret G. Ang have served their respective offices since the incorporation of the Company on August 2003. Mr. Manuel C. Alberto was elected as Director on December 17, 2018, and assumed the position effective January 1, 2019, to fill in the vacancy in the Board due to the retirement of Mr. Arthur Emmanuel. The independent directors, Mr. Guillermo L. Parayno, Jr. and Mr. Ricardo Nicanor N. Jacinto, were elected on July 16 and 27, 2015, respectively. All Board Members were re-elected to the Board during the last Annual Stockholders' Meeting held on May 6, 2022.

There are no other directors who declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

Board of Directors – Brief Description and Experience for the Last Five (5) Years

Frank S. Gaisano, 65, has been the Company's Chairman and Chief Executive Officer since 2012 and has served on the board of directors since 2003. He holds a Bachelor of Science degree in Civil Engineering, which he received from the Cebu Institute of Technology in 1978, and is a board-certified civil engineer. Presently, Mr. Gaisano also serves as Chairman of Pacific Mall Corporation. He is also a Director of AB Capital & Investment Corporation, Vicsal Development Corporation, Filipino Fund, Inc., Taft Property Venture Development Corporation, Taft Punta Engaño Property Inc. and HTLand, Inc. Additionally, he is a Trustee of Vicsal Foundation, Incorporated.

Jack S. Gaisano, 69, has been a Director of the Company since 2003. He received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City in 1976 and is a board-certified chemical engineer. He currently also serves as Chairman and President of Taft Property Venture Development Corporation and Midland Development Corporation. He is the President of HTLand, Inc. He is also a Director of Vicsal Development Corporation and Pacific Mall Corporation.

Edward S. Gaisano, 67, has served as a Director of the Company since 2003. He has been a board-certified Doctor of Medicine since 1980. Mr. Gaisano is currently Chairman and President of Vicsal Development Corporation. He is also Chairman of Wealth Development Bank Corporation, Hyundai Alabang, Inc. and Hyundai Southern Mindanao, Inc. He is a Director of Taft Property Venture Development Corporation and is the President of Pacific Mall Corporation and former President of the Cebu Chamber of Commerce & Industry. Additionally, Mr. Gaisano is a member of the Society of Fellows of the Institute of Corporate Directors.

Margaret G. Ang, 71, has served as Director of the Company since 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, Cum Laude), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director, Corporate Secretary and Treasurer of Vicsal Development Corporation, Taft Property Venture Development Corporation and Vicsal Securities & Stock Brokerage, Inc. Ms. Ang is also the President of Filipino Fund, Inc. and of Grand Holidays, Inc. Additionally, she serves as a Director of Manila Water Consortium, Inc. and as a Trustee of Vicsal Foundation, Incorporated.

Manuel C. Alberto, 57, was elected as Director of the Company, and appointed as President and Chief Operating Officer, on December 17, 2018, and assumed the position effective January 1, 2019, replacing Mr. Arthur Emmanuel who retired on December 31, 2018. Before his election/appointment as President and Chief Operating Officer, he served as the Company's Chief Merchandising and Marketing Officer. He earned his Bachelor of Arts in Communication (1989) from Santa Clara University, California, USA and obtained his Master's degree in Management (1998) from the Asian Institute of Management. Before joining the Company, he served as President & General Manager of Philippine Family Mart Inc. (2014-2018), VP & Business Unit Head (2013-2015) & VP of Operations (2001-2010) of Rustan Supercenters, Inc., National Operation Director of Jollibee Foods Corp (2010-2013), Store General Manager of Pilipinas Makro Inc. (1998-2001) and Store Manager of Stroud's Linen, USA.

Ricardo Nicanor N. Jacinto, 62, was elected as an independent Director of the Company on July 27, 2015. He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is the Chairman of SBS Philippines Corporation and Chairman and Independent Director of Maybank ATR Kim Eng Capital Partners, Inc. and Maybank ATR Kim Eng Securities, Inc. He is a Director of Torre Lorenzo Development Corp., and Independent Director of Maybank Securities (Thailand) Public Company Limited, and Etiqa Life and General Assurance Philippines, Inc. He is also a Lecturer of University of the Philippines – CE Virata School of Business. Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2013-2017) and Managing Director of Ayala Corporation (1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Chief Executive Officer.

Guillermo L. Parayno, Jr., 74, was elected as an independent Director of the Company on July 16, 2015. Mr. Parayno is also the Chairman and CEO of E-Konek Pilipinas, Inc. and the Director and Vice Chairman of Philippine Veterans Bank. He is also President of the Parayno Consultancy Services on logistics and distribution, customs, information, technology and taxation, and the Chairman and President of Bagong Silang Farms, Inc. Previously, Mr. Parayno led several Asian Development Bank Missions relating to Trade Facilitation and served as Commissioner of Customs from 1992 to 1998, and Commissioner of the Bureau of Internal Revenue from 2002-2005.

Officers

The following are the names, ages, positions and citizenships of the incumbent officers of the Company:

Name	Age	Nationality	Position
Frank S. Gaisano	65	Filipino	Chairman & Chief Executive Officer
Manuel C. Alberto	57	Filipino	President & Chief Operating Officer
Joselito G. Orense	57	Filipino	Treasurer & Chief Financial Officer
Vincent E. Tomaneng	55	Filipino	Corporate Secretary and Chief Legal Counsel
Theresa Marie C. Puno-dela Peña	39	Filipino	Assistant Corporate Secretary & Compliance Officer

Brief Description - Officers

Joselito G. Orense, 57, was appointed as the Treasurer & Chief Financial Officer on March 16, 2016. He is a Certified Public Accountant. He earned his Bachelor of Science in Business Administration and Accountancy (1987, Cum Laude) from the University of the Philippines, Diliman and obtained his Master's degree in Business Management from the Asian Institute of Management in 1991. Prior to joining the Company in November 2015 as Deputy CFO, he has served as Chief Financial Officer of All Value Holdings Corp. (2012 to 2015), Adidas Philippines (2004 to 2010), and Golden Arches Development Corporation (Director of Accounting, and CFO, 1996 to 2002).

Vincent E. Tomaneng, 55, was appointed as the Corporate Secretary on July 27, 2015. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (1988, Magna Cum Laude) degrees from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar Hernandez & Gatmaitan Law Offices as a Senior Associate (1997 to 2003) and with Sycip Gorres Velayo & Co., CPA's as a Tax Supervisor (1988 to 1996). He is presently the Director and Corporate Secretary of Filipino Fund, Inc. from 2014, and Corporate Secretary of HTLand, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and the Vice-President-External of Vicsal Foundation, Incorporated since February 2021.

Theresa Marie C. Puno-dela Peña, 39, was appointed as the Assistant Corporate Secretary and Compliance Officer on January 28, 2022, and assumed the position on February 1, 2022. She earned her Bachelor of Science in Mathematics (2005) from the University of the Philippines, Diliman and obtained her Bachelor of Laws (2010) degree from the University of San Carlos in Cebu City. Prior to joining the Company, she has served as Securities Counsel of the Securities and Exchange Commission (2011-2021).

Committees

The incumbent members of the Company's Nomination and Compensation Committee are:

1. Mr. Frank S. Gaisano – Chairman
2. Ms. Margaret G. Ang
3. Mr. Ricardo Nicanor N. Jacinto

The incumbent members of the Company's Corporate Governance Committee are:

1. Edward S. Gaisano – Chairman
2. Margaret G. Ang
3. Guillermo L. Parayno, Jr.
4. Ricardo Nicanor N. Jacinto
5. Manuel C. Alberto

The incumbent members of the Company's Audit and Risk Management Committee are:

1. Guillermo L. Parayno, Jr. – Chairman
2. Margaret G. Ang
3. Ricardo Nicanor N. Jacinto

The incumbent members of the Company's Investment Committee are:

1. Margaret G. Ang– Chairman
2. Jack S. Gaisano
3. Frank S. Gaisano
4. Ricardo Nicanor N. Jacinto
5. Guillermo L. Parayno, Jr.

Information Required by the SEC under SRC Rule 38 on the nomination and election of Independent Directors.

In accordance with SEC Memorandum Circular No. 19, series of 2016, the Company has filed its Revised Manual on Corporate Governance last May 30, 2017, and its Second Amended Manual on Corporate Governance duly approved by the Company's Board of Directors on November 12, 2019. To comply with SEC Memorandum No. 24, series of 2019, the Company has filed its Third Amended Manual on Corporate Governance on July 8, 2020. The Amended Manual substantially complied with the requirements under SRC Rule 38, as amended, and the Revised Code of Corporate Governance for Publicly Listed Companies. Under the Third Amended Manual on Corporate Governance, the following criteria and guidelines shall be observed in the pre-screening, short-listing, and nomination of Independent Directors:

A. Independent Director – Defined

An independent director is a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

B. Qualifications

An independent director is a person who:

a. Is not a director, senior officer, employee, or substantial shareholder of the Company or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);

b. Is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

c. Is not acting as a nominee or representative of a substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;

d. Has not been employed in any executive capacity by the Company, any of its related companies or any of its substantial shareholders within the last three (3) years;

e. Has not been appointed in the Company, its subsidiaries, associates, affiliates, or related companies as Chairman "Emeritus". "Ex-Officio" Directors/Officers or members of an advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;

f. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel by the Company, any of its related companies, or any of its substantial shareholders within the last three (3) years;

g. Has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a directors or substantial shareholder, other than transactions which are conducted at arm's-length and are immaterial or insignificant;

h. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes among others, a director, (except an independent director who will not be disqualified to become an independent director of the Company), officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

i. Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders;

j. It not employed as an executive officer of another company where any of the Company's executives serves as directors.

k. Is not an owner of more than two percent (2%) of the outstanding capital stock of the Corporation, its subsidiaries, associates, affiliates or related companies.

C. Disqualifications

Aside from the grounds for disqualification of a director, an independent director shall also be disqualified during his tenure under any of the following instances or causes:

a. He becomes an officer or employee of the Company where he is such member of the Board;

b. His beneficial security ownership in the Company or its subsidiaries and affiliates exceeds two percent (2%) of the outstanding capital stock of the Company where he is such director. The disqualification from being elected as an independent director is lifted if the limit is later complied with.

D. Election

Except as those required under the Securities Regulation Code and subject to pertinent existing laws, rules and regulations of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures for regular directors as provided in the By-Laws of the Company. It shall be the responsibility of the Chairman to inform all stockholders in attendance of the mandatory requirement of electing independent directors:

a. Specific slots for independent directors shall not be filled-up by unqualified nominees; and

b. In case of failure of election for independent directors, the Chairman shall call a separate election during the same meeting to fill up the vacancy.

E. Term and Cessation

The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as non-independent director. In the instance that the Company intends to retain an independent director who has served for nine (9) years as a non-independent director, the Board shall provide meritorious justification/s and obtain shareholders' approval during the annual shareholders meeting.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the SEC within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filed by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination and Compensation Committee, otherwise, said vacancies shall be filed by the shareholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

F. Number of Independent Directors

At least two (2) of the Company's seven (7) directors shall be independent directors.

Nomination of Candidates for Directors

1. The Nomination and Compensation Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall review and evaluate the qualifications of all individuals nominated to the Board.

2. The Committee shall pre-screen the qualifications and prepare a final list of all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications of a director under the Company's Fourth Amended By-Laws and the Third Amended Manual on Corporate Governance.

3. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

List of Candidates for Directors

As of the date of this Information Statement, the following incumbent directors have been nominated to the Board for re-election at the annual stockholders' meeting and have accepted their nomination:

1. Frank S. Gaisano
2. Jack S. Gaisano
3. Margaret G. Ang
4. Manuel C. Alberto
5. Guillermo L. Parayno, Jr.
6. Ricardo Nicanor N. Jacinto

The nominees, other than the nominees for independent directors, were formally nominated to the Nomination and Compensation Committee by the principal shareholder of the Company, Vicsal Development Corporation ("VDC"). Mr. Guillermo L. Parayno, Jr. and Mr. Ricardo Nicanor N. Jacinto, both incumbent independent directors of the Company, are being nominated as independent directors. The independent directors were nominated to the Nomination and Compensation Committee by Ms. Lucille S. Malazarte, a stockholder of the Company. Ms. Malazarte is not related to any of the Independent Directors. None of the candidates for independent directors of the Company are related to VDC.

The elected directors shall hold office for one (1) year and until their successors are elected and qualified.

Significant Employees

The Company has no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business.

Family Relationships

Family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Frank S. Gaisano, Chairman of the Board of Directors, Jack S. Gaisano, Edward S. Gaisano and Margaret G. Ang, Directors of the Company, are siblings.

Apart from the foregoing, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors or executive officers of the Company.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have 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; (3) have been the subject of 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 (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party.

Certain Relationships and Related Party Transactions

The Company and its affiliated companies, in the ordinary course of business, have engaged in transactions with each other, consisting principally of leases on an arms-length basis and sales and purchases of goods and services at market price.

Compensation of Directors and Executive Officers

Summary Compensation Table

The following table sets out the Company's Chairman and Chief Executive Officer and four most highly compensated senior officers of the Company for the last three (3) years and projected for the ensuing year (2023):

Name	Position	Year	Aggregate Salary (Annual)	Bonus	Other Annual Compensation
Frank S. Gaisano	Chairman and Chief Executive Officer	2022	Php47,457,667.85	–	Php7,280,929.08
Manuel C. Alberto	President and Chief Operating Officer	2022			
Conchita G. Lazaro	Deputy Chief Marketing and Merchandising Officer	2022			
Joselito G.	Chief	2022			

Orense	Financial Officer and Treasurer				
Fili P. Mercado	Chief Strategy and Governance Officer	2022			
All Other Officers and Directors as a Group Unnamed		2022	Php 2,869,999.98	–	–

The following table identified and summarizes the aggregated compensation (actual and expected) of the Company's Chairman and Chief Executive Officer and the four most highly compensated executive officers of the Company in 2020, 2021 and 2022, and for the ensuing year 2023:

Name	Year	Aggregate Salary (Annual)	Bonus	Other Annual Compensation
Chairman and Chief Executive Officer and the four most highly compensated executive officers named above	2020 (Actual)	53,745,447.48	–	6,715,171.91
	2021 (Actual)	49,851,516.12	–	7,663,595.08
	2022 (Actual)	47,457,667.85	–	7,280,929.08
	2023 (Projected)	49,355,974.56	–	7,280,929.08
All other Officers and Directors as a Group Unnamed	2020 (Actual)	4,581,495.44	–	–
	2021 (Actual)	2,672,615.30	–	–
	2022 (Actual)	2,869,999.98	–	–
	2023 (Projected)	2,869,999.98	–	–

Standard Arrangements

The by-laws of the Company provide that the Board is authorized to fix and determine the compensation of the Directors and Officers in accordance with law.

By resolution of the Board, there are currently no standard arrangements pursuant to which Directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director, except reasonable per diem for attendance in Board and/or Committee meetings, as follows:

	FIXED REMUNERATION	PER DIEM ALLOWANCE – Per BOD Meeting	PER DIEM ALLOWANCE – Per Committee Meeting
Executive Directors	Fixed monthly compensation	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)
Non-Executive Directors	None	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)

Independent Directors	None	₱150,000.00 (gross of tax)	Chairman: ₱45,000.00 (gross of tax) Member: ₱40,000.00 (gross of tax)

The total director's fees paid for each of the Company's directors as of December 31, 2022 is as follows:

Name of Director	Total Director's Fees (in Php)
Frank S. Gaisano *Chairman & Chief Executive Officer*	92,307.66
Jack S. Gaisano *Director*	66,666.66
Edward S. Gaisano *Director*	66,666.66
Margaret G. Ang *Director*	66,666.66
Manuel C. Alberto *President & Chief Operating Officer*	92,307.66
Guillermo L. Parayno, Jr. *Independent Director*	1,342,000.00
Ricardo Nicanor N. Jacinto *Independent Director*	1,328,000.00

Other Arrangements

Except for Mr. Frank S. Gaisano and Mr. Manuel C. Alberto, who receive monthly salaries as Chief Executive Officer and President & Chief Operating Officer, respectively, there are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Employment Contracts

The Company has existing employment contracts with its executive officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

Warrants and Options Outstanding

As of the date of this Report, there are no outstanding warrants or options held by the Chief Executive Officer, and President & Chief Operating Officer, and the named key executive and managerial officers, and all officers and directors as a group.

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. The MESOP shall only be implemented after the obtention of the requisite approval from the Securities and Exchange Commission. An application for the approval of the MESOP was submitted to the Commission on

February 17, 2023. As of today, the Commission has not yet approved the MESOP. The details of the MESOP can be seen under *Compensation Plans*.

Independent Public Accountants

Sycip Gorres Velayo & Co. (SGV & Co.) has acted as the Company's independent public accountant. The same accounting firm will be nominated for reappointment for the current calendar year at the annual meeting of stockholders.

The representatives of the independent public accountant are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The handling partner for the Company's account is Ma. Genalin Q. Arevalo. The Company will comply with paragraph 3(b)(ix) of Securities Regulation Code Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed every five (5) years of engagement, or earlier and that a two (2) year cooling off period shall be observed on the re-engagement of the same signing partner.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Audit and Audit Related Fees

The following table sets out the aggregate fees billed to the Company and its subsidiaries for the last three years for professional services rendered by SyCip, Gorres Velayo & Co.,

Audit and Audit-Related Fees*	**2022**	**2021**	**2020**
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	2,079,000.00	1,890,000.00	1,890,000.00
Fees for tax-related services	508,138.00	320,000.00	861,098.00
All Other Fees	327,900.00	321,000.00	299,000.00
Total	**P2,915,038**	**P2,531,000**	**P3,050,098**

* *exclusive of VAT*

All Other Fees pertain to fees paid by the Company for the certification of the Company's Disbursement of IPO Proceeds and Progress Report. Fees for tax-related services pertains to the assistance provided by SGV & Co. in handling BIR tax assessments.

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

No other service was provided by external auditors to the Company for the years ended December 31, 2022, 2021, and 2020.

The Audit and Risk Committee approves any engagement for the services of the external auditor. After reviewing the need for the services of the external auditor, the Audit and Risk Committee shall review the engagement proposal submitted. If the Audit and Risk Committee finds the engagement proposal acceptable, the Audit and Risk Committee then approves and passes a resolution appointing the external auditor and recommends that the said resolution be endorsed for the approval of the Company's stockholders during the Annual Meeting of the Stockholders of the Company. The stockholders of the Company then approves and ratifies the recommendation of the Audit and Risk Committee during the Annual Stockholders' Meeting.

Compensation Plans

The particulars of the MRSGI Executive Stock Option Plan ("MESOP") are as follows:

(1) The MESOP is an integral part of the Reward System of MRSGI that supports and promotes a corporate culture that is values-based, performance-driven, results-oriented and upholds meritocracy as the primary governing principle in providing and administering rewards to its executives, managers, and selected employees. It is a privilege, not a right or an entitlement. The voting and dividend rights shall vest upon the issuance of the shares to the executives, managers, and selected employees.

(2) The Corporation has alloted One percent (1%) of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP.

(3) Awards may be granted to individuals who, at a time of the grant, are executives, managers, and employees of MRSGI, including that of its principal stockholder, Vicsal Development Corporation, and MRSGI's subsidiaries (the "Group"). The Chairman shall maintain sole discretion over the selection of Participants to whom awards may be granted.

(4) The Chairman shall determine the number of Share Options to be offered a Participant; grant size may typically represent anywhere from two (2) to five (5) months equivalent of his annual guaranteed cash compensation.

In determining the granting of an award to any individual, including the number of shares to be given, the Chairman shall consider the position and responsibilities of the individual, the nature and value of his services and accomplishments, his present and potential contribution to the longterm success of the Company or Group and such other factors that the Chairman may deem relevant. Participation in any given year (i.e., a grant is given) does not necessarily constitute an entitlement or a right to continue participation to additional grants in the succeeding years

(5) The subscription price per share of Common Stock subject to an Option Grant under the MESOP shall be at the Option Grant Date to be either:

a. A price equal to the average closing prices of the shares of MRSGI at the PSE for the past 30 trading days preceding the Option Grant Date, also known as the Market Price; or
b. A price, which is set at a discount to the Market Price, the quantum of such discount to be solely determined by the Chairman, provided that the maximum discount which may be given to any Option Grant shall not exceed fifteen (15%) percent of the Market Price.

The Exercise Price will be fixed by the Chairman as at the Option Grant Date and will be valid for the duration of the Option Period as specified in the relevant Option Offer Letter and Award Agreements. Under no circumstances shall the Subscription Price be less than the par value of the shares.

On March 31, 2023, the Company's shares closed at Php 1.39 per share.

(6) Options granted under this Plan remain exercisable up to a maximum of five (5) years from the Option Grant Date.

(7) The amount of such options that will be received by the executives, managers and employees is not determinable at the moment.

The MESOP shall only be implemented after the ratification by the stockholders representing at least 2/3 of the total outstanding capital stock of the Corporation and after obtention of the requisite approval from the Securities and Exchange Commission.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

None

Modification or Exchange of Securities

None

Financial and Other Information

Please refer to Part II (Operational and Financial Information) of the Company's Management Report which is attached as Annex "A" of the DIS.

Mergers, Consolidations, Acquisitions and Similar Matters

None

Acquisition or Disposition of Property

None

Restatement of Accounts

The audited financial statements of the Company have been prepared in compliance with Philippine Reporting Standards ("PFRS").

D. OTHER MATTERS

Action with respect to reports

The following are included in the agenda of the Annual Meeting of Stockholders for the approval of the stockholders:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 6, 2022 and the Minutes of the Special Stockholders' Meeting held on February 7, 2023
2. Approval of the Annual Report and the Audited Financial Statements for CY 2022
3. Appointment of Sycip Gorres Velayo & Co. as External Auditor of the Corporation for the year 2023
4. General ratification of all acts and resolutions of the Board of Directors and its Committees, Officers and Management since the last annual stockholders' meeting up to the date of this meeting
5. Election of Board of Directors
6. Consideration of such other matters as may properly come during the meeting

A summary of the matters approved and recorded in the Minutes of the Annual Meeting of the Stockholders last May 6, 2022 is as follows:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 7, 2021
2. Approval of the Annual Report and the Audited Financial Statements for CY 2021
3. Appointment of Sycip Gorres Velayo & Co. as External Auditor of the Corporation for the year 2022
4. General ratification of all acts and resolutions of the Board of the Directors, Committees, Officers, and Management of the Corporation; and

5. Election of Board of Directors

The Minutes of the 2022 Annual Stockholders' Meeting and the Minutes of the Special Stockholders' Meeting held on February 7, 2023 can be examined at the website of the Company at www.metroretail.com.ph.

Below is a brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last annual meeting of stockholders held on May 6, 2022 for ratification by the stockholders:

Date of Board Approval	Description
May 6, 2022	Election of Officers and Members of the Board Committees
August 10, 2022	Approval of the 2nd Quarter Financial Results
November 8, 2022	Approval of the 3rd Quarter Financial Results
December 23, 2022	Approval of the MRSGI Executive Stock Option Plan (MESOP) Approval of the holding of a Special Stockholders' Meeting to Ratify the MESOP
March 17, 2023	Holding of the 2023 Annual Stockholders' Meeting via Remote Communication
March 31, 2023	Approval of the 2022 Audited Financial Statements and the accompanying SEC Form 17-A (Annual Report) Approval of Cash Dividend Declaration

Required Disclosures under Section 49 of the Revised Corporation Code of the Philippines

List of Material Information on the Current Stockholders and Their Voting Rights

As of March 31, 2023, the stockholders of the Company are as follows:

Rank	Name	Holdings	Rank
1	VICSAL DEVELOPMENT CORPORATION	2,627,427,300	76.62%
2	PCD NOMINEE CORPORATION (FILIPINO)	730,694,821	21.31%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	46,184,001	1.35%
4	VALUESHOP STORES INC.	24,801,489	0.72%
5	JUAN G. YU OR JOHN PETER C. YU	150,000	0.00%
6	FRANCISCO C. TIU	75,000	0.00%
7	CARLOS CATANGUE CHUA	24,000	0.00%
8	STEPHEN T. TEO &/OR TERESITA R. TEO	10,000	0.00%
9	ASUNCION VICTOR JAYO	5,000	0.00%
10	LEGASPI VIRGILIO C.	1,000	0.00%
11	LAMPA ARVIN C.	1,000	0.00%
12	DUNGO ELPIDIO S.	1,000	0.00%
13	VALENCIA JESUS SAN LUIS	300	0.00%
14	AU OWEN NATHANIEL S. AU ITF: LI MARCUS	78	0.00%
15	GAISANO JACK S.	2	0.00%
16	ANG MARGARET G.	2	0.00%
17	GAISANO FRANK S.	2	0.00%
18	GAISANO EDWARD S.	2	0.00%
19	PARAYNO JR. GUILLERMO L.	1	0.00%
20	JACINTO RICARDO NICANOR N.	1	0.00%
21	MANUEL C. ALBERTO	1	0.00%
	Total Issued Shares	**3,429,375,000**	**100.00%**

Vicsal Development Corporation (VDC) is the principal stockholder of the Company. As of March 31, 2023, VDC holds a total of 2,627,427,300 shares of the Company. The Board of Directors of VDC has the power to decide how the VDC shares in the Company are to be voted. "Any One" of the following directors/officers of VDC is authorized to vote the shares of VDC in the Company:

a. Ms. Margaret G. Ang - Director/Corporate Secretary/ Treasurer
b. Mr. Jack S. Gaisano - Director
c. Dr. Edward S. Gaisano - Chairman and President
d. Mr. Frank S. Gaisano - Director
e. Mr. Aljim C. Jamandre - Group Chief Financial Officer

PCD Nominee Corporation is the registered owner of the shares in the books of the Company's stock and transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce a scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. 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.

A directors' attendance report indicating the attendance of each director since the last Annual Stockholders' Meeting held on May 6, 2022

Name	Designation	5/6/2022 Organi-zational	8/10/2022 Regular	9/8/2022 Special	11/8/2022 Regular	12/23/2022 Special	2/7/2022 Special Stockholders' Meeting	3/3/2022 Special	3/17/2022 Special	3/31/2022 Regular
Frank S. Gaisano	Chairman of the Board and Chief Executive Officer	√	√	√	√	√	√	√	√	√
Manuel C. Alberto	President and Chief Operating Officer	√	√	√	√	√	√	√	√	√
Margaret G. Ang	Director	√	√	√	√	√	√	√	√	√
Edward S. Gaisano	Director	√	√	√	√	√	√		√	
Jack S. Gaisano	Director	√	√		√	√	√	√	√	
Guillermo L. Parayno, Jr.	Independent Director	√	√	√	√	√	√	√	√	√
Ricardo Nicanor N. Jacinto	Independent Director	√	√	√	√	√	√	√	√	√

Appraisal and performance report for the board and the criteria/procedure for assessment

Pursuant to the Company's Third Amended Manual on Corporate Governance, the Board conducts an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The assessment may be supported by an external facilitator. On March 22, 2022, the Board of Directors conducted Performance Evaluations on the individual Directors, as a group, and on each of the Committees. This evaluation was administered by the Corporate Secretary under the guidance of the Corporate Governance Committee.

Directors' disclosures on self-dealing and related party transactions

Pursuant to the Company's Policy on Related Party Transactions, no Advisement Report requiring disclosure of a material related party transaction was reported by any Directors, Officers, and Senior Managers of the Company since the last Annual Stockholders' Meeting held on May 6, 2022.

Matters Not Required to be Submitted

None

Amendment of Charter, By-Laws or Other Documents

None

Other Proposed Actions

None

Voting Procedures

Article II, Section 7 of the Company's Fourth Amended By-Laws provide that at all meetings of stockholders, a stockholder may vote in person or by proxy. Proxies shall be in writing and signed in accordance with the existing laws, rules and regulations of the Securities and Exchange Commission. Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than seven (7) business days prior to the date of the stockholders' meeting for proxy validation.

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 Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting.

The Company's Fourth Amended By-Laws does not prescribe the specific method of voting by the shareholders. However, election of directors will be conducted by ballot. In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Item B Control and Compensation Information – Directors and Executive Officers (Election of Directors), page 3 of this DIS. The Company's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders.

Guidelines for Participating via Remote Communication and Voting in Absentia

The 2023 Annual Stockholders' Meeting ("ASM") of Metro Retail Stores Group, Inc. (the "Company"), will be held on May 5, 2023 (Friday) at 9:00 in the morning via remote communication under the platform of Zoom Video Communications.

The record date shall be on April 5, 2023 for purposes of determining the list of stockholders of the Company who are entitled to vote at the 2023 ASM.

The Company will allow attendance only by remote communication and voting ***in absentia***, subject to validation procedures.

Stockholders who will participate in the ASM by remote communication should pre-register at https://asm2023.mrsgi.com on or before May 1, 2023. Successful registrants will receive an email invitation with a complete guide on how to join the ASM and how to cast votes *in absentia*. For any registration concerns, please contact philip.coronado@metroretail.ph. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum.

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at mrsgi_asmregister@metroretail.ph, not later than April 25, 2023. The proxies shall be validated on April 30, 2023. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised.

Pre- Registration

A stockholder who wishes to attend/participate in the 2023 ASM must pre-register at https://asm2023.mrsgi.com on or before May 1, 2023 and upload the following supporting documents/information:

• Individual Stockholders

1. Copy of valid government ID of stockholder/proxy
2. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

• Multiple Stockholders or joint owners

1. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
2. Copy of valid government IDs of all registered stockholders

• Corporate Stockholders

1. Secretary's Certification of Board resolution appointing and authorizing List of Signatories
2. Proxy Form for authorized representative duly signed by approved signatories
3. Valid government ID of the authorized representative

• Stockholders with Shares under broker account

1. Certification from broker as to the number of shares owned by stockholder
2. Valid government ID of stockholder
3. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

The Company will then check and validate the entries uploaded by the stockholder.

Voting

Stockholders who have successfully registered shall be notified via email of the link to the voting portal. Stockholders can then cast their votes in absentia for specific items in the agenda, as follows:

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent by email to the email-address of the stockholder provided to the Company.

2. Upon accessing the portal, the stockholder can proceed to vote on each agenda item.

2.1 A stockholder has the option to vote "Approve", "Disapprove", or "Abstain" on each agenda item for approval.

2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only. Please refer to page 3 of the DIS on the rule on cumulative voting (Election of Directors).

3. Once the stockholder has finalized his/her vote, he/she can proceed to submit his/her vote by clicking the "Submit" button.

Voting shall close two (2) business days before the ASM or on May 3, 2023. All votes cast shall be validated by the Stock and Transfer Agent, Stock Transfer Service, Inc.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to the stockholders in the emails provided to the Company.

Others

There will be no open forum during the ASM. Stockholders may send their questions about the ASM and the Company to its Vice President for Business Development and Investor Relations at arnold.leoncio@metroretail.ph. He will reply accordingly.

Pursuant to SEC Notice dated March 13, 2023, the Stockholders may examine the Definitive Information Statement, Management Report, and SEC Form 17A at the Company's website and through the PSE Edge Portal.

There will be an audio and video recording of the ASM, which will be adequately maintained by the Company and will be made available to participating stockholders upon written request.

Restriction that Limits the Payment of Dividends on Common Shares

None

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

Not applicable

Corporate Governance

In accordance with SEC Memorandum Circular No. 24, series of 2019, the Company has filed its Revised Manual on Corporate Governance last May 30, 2017, its Second Amended Manual on Corporate Governance on November 12, 2019, and its Third Amended Manual on Corporate Governance duly approved by the Board of Directors on June 9, 2020 (the "Manual") which substantially complied with the requirements under SRC Rule 38, as amended, and the Revised Code of Corporate Governance for Publicly Listed Companies.

The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in the Manual. The Manual also sets forth the various evaluation systems established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with corporate governance.

The Company has not deviated from the Manual and there have been no violations thereof since the Manual was approved by the Company's Board of Directors.

In addition to the Manual, the Company, upon recommendation of its Corporate Governance Committee, has approved a Guidelines on Matters Requiring Board, Shareholders and Management Approval. Further, the Company has also approved the following policies to improve the corporate governance of the Company:

1. Amended Policy on Related Party Transactions;

2. Whistle-Blowing Policy;
3. Code of Conduct for Directors and Senior Management;
4. Anti-Money Laundering Manual;
5. Data Privacy Policy; and
6. Sustainability Report.

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT (SEC FORM 17-A) FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF THE ANNUAL REPORT SHALL BE ADDRESSED AS FOLLOWS:

ATTENTION : **ARNOLD M. LEONCIO**
Vice President – Business Development and Investor Relations
Vicsal Building
Corner of C.D. Seno and W.O. Seno Sts.,
Guizo, North Reclamation Area,
Mandaue City, Cebu 6014

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaue, Cebu on April 12, 2023.

METRO RETAIL STORES GROUP, INC.

By:

ATTY. VINCENT E. TOMANENG	**ATTY. THERESA MARIE C. PUNO-DELA PEÑA**
Corporate Secretary and	*Asst. Corporate Secretary and*
Chief Legal Counsel	*Compliance Officer*

PART I BUSINESS AND GENERAL INFORMATION

Item 1 Business

(A) Business Development

We are one of the leading retail companies in the Philippines and in the Visayas - one of the fastest-growing geographic regions in the country. We opened our first store in Cebu City in 1982 and have steadily grown to become a market leader in the Visayas. After focusing on stability and growth during the first two decades of our operations, we started to open stores outside of the Visayas, beginning with the opening of our department store and supermarket in Legazpi City in 2001, followed by the opening of our department store and supermarket in Lucena City in 2003 and by the opening of our department store and supermarket at Metro Market! Market! at the Bonifacio Global City in Taguig in Metro Manila in 2004.

As of end of 2022, we had a total of ten (10) stores in Metro Manila and twelve (12) stores in other parts of Luzon with a total net selling space of approximately 111,150 sqm.

In addition, we have a total of forty (40) stores in the Visayas, with a total net selling space of approximately 138,674 sqm. This brings our total store count in the Philippines to sixty-two (62), with a total net selling space of 249,824 sqm.

(B) Business of Issuer

1. Description of registrant

a. Principal products and Services

The Company operates through the following retail formats and are located in strategic locations in densely populated cities or municipalities:

Supermarket

Our supermarket business is operated under two brand names “Metro Supermarket” and “Metro Fresh N Easy,” which we refer to collectively herein as “Metro Supermarket.” The Metro Fresh N Easy brand name is used for our smaller scale supermarkets serving as neighborhood stores.

Metro Supermarket opened its first supermarket, Gaisano Metro Department Store and Supermarket, in Cebu City in 1982 and currently operates 34 supermarkets in the Visayas, Metro Manila, and the rest of Luzon. As of end of 2022, Metro Supermarket had a total net selling space of approximately 57,237 sqm and an average net selling space of 1,683 sqm.

Department store

We started our retail business with the opening of Gaisano Metro Department Store and Supermarket in Colon, Cebu City in 1982. Our department stores are now operated under the “Metro Department Store” brand name.

As of 2022, we had 15 department stores in strategic locations throughout the country, with a total net selling space of 146,416 sqm and an average net selling space per store of 9,761 sqm.

Hypermarket

Our hypermarket retail format is operated under the name “Super Metro.” Our hypermarkets are a hybrid between our supermarkets and department stores, providing a broad assortment of basic everyday products at value prices. We opened our first hypermarket in 2011 and we currently operate 13 hypermarkets in key cities throughout the country with a total net selling space of 46,171 sqm and an average net selling space of 3,552 sqm. Our hypermarkets are supported by the same distribution centers as our supermarkets and department stores.

Target Market

Metro Supermarket primarily targets low to middle-income consumers and offers suitable car parking facilities to accommodate customers who travel to stores by car and also locates its stores in areas close to main transportation hubs. Its customers include individuals, institutional customers and resellers. We are not dependent on any single customer in our supermarket business.

Metro Department Store primarily targets low to middle-income consumers and strategically adjusts its product mix within different stores to account for variances in local income levels and customer demographics. Metro Department Store offers suitable car parking facilities to accommodate customers who travel to stores by car and also locates its stores in areas close to main transportation hubs. We are not dependent on any single customer in our department store business.

Super Metro hypermarkets target end consumers, including retail customers and wholesalers, in locations beyond the reach of typical modern supermarkets and department stores. Super Metro targets primarily low to middle-income retail customers. Super Metro hypermarkets also sell to resellers, including small to medium sari-sari stores, restaurants, bakeries, convenience and drug stores. We are not dependent on any single customer in our hypermarket business.

Metro Rewards Card – In 2006, the Company launched the Metro Rewards Card (MRC), a loyalty card allowing its members to redeem accrued points across all stores and all formats. The MRC is a powerful tool in knowing and increasing loyalty among our customers. The Company had a total of 356,542 members as of end of 2022.

Foreign Sales

The Company has no record of foreign sales as it is not exporting any of its merchandise abroad.

b. Distribution methods

We have a total of 12 warehouses nationwide (3 in Luzon and 9 in Visayas) which serve as a storage and cross docking facility for department store and supermarket items. All the warehouses are currently managed in-house. Each warehouse is equipped with racking, material handling equipment, and enabled by ORACLE warehouse management system. Our processes are compliant with Good Warehouse and Distribution Practices. Our people are professionals certified to run the facility. We also provide other services such as piece picking, kitting and assembly as requested by merchandising and store operations. Our operations are safe and compliant with the best practices on warehousing and distribution.

We have company-owned fleet of delivery trucks servicing the stores, designed to cover 4.2% of our fleet capacity nationwide. Our in-house trucks are GPS enabled. The balance 95.8% of our fleet requirements is covered by third party truck providers.

We use major shipping lines to transport products from one warehouse to another between Luzon and Visayas.

Our key strategic initiatives are as follows in order to:

1. Support our aggressive network expansion, we will put in place one Distribution Center ("DC") in Laguna to accommodate all the demand for warehousing and logistics requirements in Luzon stores, which is targeted to go-live in the first quarter of 2023. The DC will cover both storage and cross docking operations for dry, chilled, cold and fresh operations;

2. Support our campaign on End to End Supply Chain Food Safety promise to our consumers we will continue to implement a food safety program to suppliers (Good Agricultural and Manufacturing Practices), to warehouses & transport (Good Warehouse and Distribution Practices) unto our stores (Good Retail Practices) consistent with the internal standards of Codex Alimentarius. MRSGI has received Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Points (HACCP) certification for four (4) of our supermarkets – Metro Alabang Town Center, Metro Ayala Center Cebu, Metro Market! Market! and Metro Mandaue. We will continue to obtain and renew aforementioned certifications to uphold health and food safety for our customers.

3. Support our sales target through product availability, we will further demonstrate breakthrough performance with regards to our ability to service store orders on time, in full, right quality and no documentation errors. We will support our institutional customers with the fit-for-purpose distribution model that they will require, and will implement omni-channel strategy to keep up with the fast rising preference of our customers for online shopping;

4. Support our profit targets through putting in place productivity programs to be able to handle more products with lesser resources required, and drive cost saving initiatives in controllable operating expenses of the operations. Furthermore, we will ensure inventory record accuracy and minimize shrinkages in our operations.

c. New products and services

Adapting to the more digitally transformed retail space, MRSGI accelerated its e-commerce initiatives and further developed its digital assets. The Company launched shopmetro.ph, which serves as the online platform for both its Supermarket and Department Store and allows shoppers to have their orders delivered at their doorstep. In terms of mobile commerce, MRSGI offers Call-Text-Viber (CTV) service that enables its customers to easily reach out their preferred Metro store and order groceries and other essentials all at the safety of their homes. These digital offerings complement the Company's existing core business of department store, hypermarket, supermarket and ancillary businesses (pharmacy, bakery, food avenue, and leasing).

d. Competition

The Philippine food retail market has become increasingly competitive in recent years. We compete with both traditional stores and modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, shopping experience, presentation, price, supply chain and additional benefits such as loyalty programs. SM Retail; Robinsons Retail Holdings, Inc.; and Puregold Price Club, Inc. are among the top supermarket competitors in terms of retail sales value. Each of these retail chains has an established presence in the Philippines and continues to open supermarkets in the same cities, and often in the same neighborhood, where we have opened or intend to open our supermarkets. International brands such as Landers, with local partners operating stores in larger metro areas have recently begun to present a new source of competition.

We believe that Metro Supermarket's differentiators are our prices and our product assortment. We believe that we are able to provide all of the basic goods that our consumers expect while continuing to be competitive in pricing in every region that we operate in. Additionally, our strength in product assortment, particularly in non-food products with higher margins, help us compete with other retailers of food products. We believe that our prices and assortment, coupled with a best-in-class customer shopping experience, set us apart from our competitors.

The Philippine department store industry is dominated by a few top operators. SM Retail, Robinsons Retail Holdings, Inc., Landmark, and Gaisano Grand are among the top competitors in terms of retail sales value. Metro Department Store competes with major department store operators on the basis of location, product assortment, brand recognition, store image, presentation, price, understanding of market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and is continuing to open department stores in the same cities, and often the same neighborhood, where Metro Department Store has opened or intends to open its department stores.

Super Metro competes primarily with traditional stores and other modern retail operators, including other hypermarkets, supermarkets, convenience stores and local grocery stores. Puregold Price Club, Inc., SM Retail, Super8, and Prince Warehouse Club, Inc. are among the top hypermarket competitors in terms of retail sales value. These competitors, like Super Metro, are associated with larger brands that have an established presence in the Philippines.

We believe that Super Metro's key competitive strength is its ability to rely on our group's deep experience in providing retail services to the lower- to middle-income consumers. Cost-saving measures implemented in our existing operations are easily transplanted to the Super Metro platform, enabling us to maintain our status as a price leader in the hypermarket market. Additionally, our focus on basic everyday necessities further reduces our costs by allowing us to source more products from fewer suppliers.

e. Suppliers

With over 1,700 regular suppliers in 2022, Metro Supermarket's supplier base is diversified between local suppliers such as PMFTC Inc., Brollee Dist. & Log, Inc. and Universal Robina Corporation, and multinational corporations such as Nestle Philippines Inc. and Unilever Philippines, Inc. Metro Supermarket's top five suppliers together accounted for 25.5% of its net sales in 2022. For smaller local suppliers, Metro Supermarket seeks to partner with the best suppliers in each region in which it operates. We believe that our supermarket business as a whole is not dependent on any single supplier.

Metro Department Store maintains close relationships with its concessionaires and suppliers for its outright sales to ensure that it is able to continuously offer a broad range of merchandise. The concessionaires that carry competitive brands with a complete assortment of merchandise are generally placed in areas visually supported by graphics and unique fixtures, while suppliers of direct-sale merchandise are used to complete our product assortment and provide product differentiation.

With over 1,400 regular suppliers in 2022, Metro Department Store's supplier base includes suppliers such as Finden Technologies Inc., Skies Merchandise Sales Corporation, Atlas Home Products, Inc., Electrolux Philippines, Inc., and San-Yang Intertrade Corp. Metro Department Store's top five suppliers together accounted for approximately 7.2% of its net sales in 2022. We believe that our department store business as a whole is not dependent on any single supplier.

Super Metro's supplier base is the same as that of our supermarkets and department stores. Nestle Philippines, Inc., Universal Robina Corporation, Monde Nissin Corporation, Unilever Philippines, Inc., and Procter & Gamble Philippines Inc. are among the biggest suppliers of our hypermarket retail format. Super Metro's top five suppliers together accounted for approximately 19.6% of its net sales in 2022. We believe that our hypermarket business as a whole is not dependent on any single supplier.

f. Dependence upon single/few supplier/customer

MRSGI is not dependent on any single supplier. The Company's top five (5) suppliers accounted for 17.7% of its net sales in 2022. The Company does not rely on a single or a few customers for its retail business.

g. Transaction with related parties

In the ordinary course of our business, we engage in transactions with related parties and affiliates. On March 16, 2016, MRSGI adopted its Policy on Related-Party Transactions to ensure that these transactions are entered into at arm's length on terms no less favorable than terms available to any unconnected third party under the same or similar circumstances.

On September 5, 2019, MRSGI further adopted its Amended Policy on Related Party Transactions in Compliance to SEC Memorandum Circular 10 series of 2019.

We have the following major transactions with related parties:

- We entered into lease agreements with Vicsal Development Corporation ("VDC") for the Company's store space and warehouses. As part of the spin-off of the retail business to Metro Retail Stores Group, the land and structures which used to be owned by VDC remained with the parent company. Rent expenses followed benchmarks based on market guidance from an independent party adviser.

- We have short-term non-interest bearing payables/receivables from VDC in the normal course of business pertaining to intercompany recovery of expenses and trade-related transactions.

- In 2016, we entered into a service agreement with VDC for VDC to provide legal and operations strategy services to the Company.

- In the normal course of business, we ordinarily purchase goods and services from our related parties with the following nature of transactions:
    - Purchases of imported goods and store and office equipment from Cornerstone Diversified Goods Trading, Inc.
    - Concession purchases from Beneluxe Trading Corporation, which engages in the watch and jewelry business.
    - The use of logistical services provided by Cargo Bayan Inc. and Bayan Movers Logistics, Inc.
    - Travel ticketing and booking services from Grand Holidays, Inc.
    - Supply of goods and services to malls operated by Pacific Mall Corporation.

- We have entered into lease arrangements for store space with our related parties, including Beneluxe Trading Corporation and Wealth Development Bank Corporation
- We are parties to perpetual trademark licensing agreements with our affiliates, Metro Value Ventures, Inc. (now renamed "Taft Property Group, Inc.") and VDC, for a nominal fee.
- We have cash placements and bank accounts with Wealth Development Bank Corporation which earn interest based on prevailing market interest rates.

h. Trademarks/Tradenames

Effective May 6, 2015, we had perpetually licensed from Taft Property Group, Inc. (formerly: Metro Value Ventures, Inc.), a related party, the use of the following registered trade names or trademarks and devices used to identify our stores, including "Metro and Device", "Metro Gaisano", "Metro

Ayala", "Metro Market Market", "Super Metro Gaisano", "Metro Fresh 'n Easy", "Metro Pharmacy", "Metro Legazpi", "Metro Lucena", "Express Mart by Metro", "Metro Wholesale Mart", "Metro Gourmet", "Metro Tropical Delights", "Metro Market", "Tita Gwapa Metro Supertinda", "Metro Select" and "Metro Hi-Per." Effective May 6, 2015, we also perpetually licensed from Taft Property Group, Inc. the use of the following trade names or trademarks and devices, which are registered for: "Blue Camp", "Red Bears", "Nicole", "Junior Shop", "Young Teens", "Kiddies", "Blue Camp & Device", "Young Teens Collection & Device", "Cozy", "McKenzie & Jones", "Soft Impressions", "Firenze", "Metro Living", "Regal Comfort", "Main Course", "Metropolitan", "Ms'tique", "Swiss Precision", "Stylized Casadei", "MA.CO", "Follie", "Mei Wei", "South Sea", "Pure Soft", "Pure Max", "Pure Joy", "Lakas", "West Coast", "Best Harvest", "Q Premium Cebu's Best Lechon & Device", "Q Premium", "Q Premium Carcar's Best Chicharon", "West Coast Ice", "Savers Select", "M Copies", "Chum Girls", "Mirabella", "Cover Girl", "Natural Clothing", "Le Chateau", "Eddy & Emmy", "Metro Café", "Nautilus", "Christian Ferre", "Nina Botticelli", "Marquise", "Vicenza Silver Collection" and "Metro Ware." We pay Taft Property Group, Inc. an annual fee of P10,000.00 per trade name or trademark per year as consideration for the full and complete use of the foregoing trade names and trademarks, which fee may be adjusted upon the mutual consent of both parties.

Subsequently and for the same consideration as above, we also perpetually licensed from Taft Property Group, Inc. the use of the following registered trade names or trademarks and devices for "Metro Sale", "Metrosale", "Golden Crop", "T Nicola" and "Beauty Works".

Effective August 1, 2014, we had also perpetually licensed the use of the registered trade names or trademarks and their devices for "Suisse Cottage", "Karen Kay", and "Street Code" from Vicsal Development Corporation. We pay Vicsal Development Corporation an annual fee of P 10,000.00 per trade name or trademark per year as consideration for the full and complete use of the foregoing trade names and trademarks, which fee may be adjusted upon the mutual consent of both parties.

i. Government approvals

The Company has obtained, applied for, or is in the process of applying or renewing all material permits and licenses from national and local government units and other government units required to conduct its business. The Company expects to obtain these permits and licenses in the ordinary course.

j. Effect of existing governmental regulations

In the conduct of its operations, the Company is subject to the following laws and regulations: a) The Retail Trade Liberalization Act; b) The Philippine Competition Act; c) The Food, Drug and Cosmetics Act; d) The Consumer Act; e) The Meat Inspection Code; f) The Price Act; g) The Food Safety Act; h) The Comprehensive Dangerous Drugs Act; i) The Pharmacy Law; j) The Generics Act; and k) Philippine Labor Laws; (l) Expanded Senior Citizen Act of 2010; (m) Intellectual Property Code of the Philippines; (n) Articles on Quasi-Delicts of the Civil Code; and (o) Other pertinent laws.

k. Cost and effect of compliance and environmental laws

The Company is subject to various laws relating to environmental matters. In particular, the Company is required to obtain an Environmental Compliance Certificate (ECC) and/or Certificate of No Coverage (CNC) during the construction and development of commercial establishments such as malls, supermarkets and public markets, fast food and restaurants. The ECC is required when the total store area (including parking) exceeds 10,000 sqm. Where the total store area is equal to or less than 10,000 sqm, the operators of commercial establishments may obtain a CNC pursuant to Presidential Decree No. 1586.

For company-built store buildings, the Company has obtained CNCs for Metro Canduman and Metro Sum-ag, while ECCs were obtained for Metro Tacloban and Metro Baybay. Moreover, the Company secured CNCs for stores on lease arrangement (namely Metro Maasin, Super Metro Naga and Metro Fresh 'N Easy Banilad) in compliance to additional requirements mandated by the Department of Environment and Natural Resources or Local Government Units. For other existing stores, ECCs and CNCs were obtained by respective Lessors.

In addition to the foregoing, the Company is also subject to Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), The Clean Air Act of 1999 (Republic Act No. 8749), and the Philippine Clean Water Act of 2004 (Republic Act No. 9275).

The following table sets out the number of our employees as of December 31, 2022.

Store Operation	6,196
Warehouse Operation	514
Corporate	708
Total	**7,418**

We believe that we have a good relationship with our employees. We have always placed a high value on retention, as demonstrated by the fact that approximately 17% of our regular employees have been with the Company for at least 10 years.

l. Risks Related to Our Business

We may face increased competition from other retail companies in the Philippines.

The retail industry in the Philippines is highly competitive. The intensity of the competition in the Philippine retail industry varies from region to region, but Metro Manila is generally considered to be the most competitive market in the Philippines. The Province of Cebu and Metro Manila are two of our largest markets in terms of net sales. We compete principally with national and international retail chains in the Philippines, such as Robinsons Retail, SM Retail, Puregold, AllDay, AllHome, Wilcon, and Mercury Drug, among others. We also compete with retail stores operated by members of the broader Gaisano family. Each of these competitors competes with us on the basis of product selection, product quality, acquisition or development of new brands, customer service, price, store location or a combination of these factors. We anticipate competition from new market entrants and joint partnerships between national and international operators.

In addition, some of our competitors are also aggressively expanding their number of stores or their product offerings. Some of these competitors may have been in business longer or may have greater financial, distribution or marketing resources than us and may be able to devote greater resources to sourcing, promoting and selling their products. There can be no assurance that we will be able to compete successfully against current competitors or new entrants. Additionally, while we have a location advantage in certain underpenetrated regions of the Philippines, this advantage may decrease as our competitors expand or new entrants enter such regions. As competition in certain areas intensifies or competitors open stores within close proximity to our stores, our results of operations may be negatively impacted through a loss of sales, reductions in margins from competitive price changes or greater operating costs.

Competitive pressures, including those arising in connection with our expansion strategy, may have an adverse effect on our business, financial condition and results of operations.

Our future store openings may not be successful, and our existing stores may not be able to continue to benefit from the current favorable retail environment.

A significant part of our expansion strategy entails the opening of new stores in suitable locations in various areas of the Philippines, including in areas where we do not currently have a presence. There can be no assurance that we will be able to identify and procure suitable sites for our new stores. As of end of 2022, we had fourteen (14) stores in third-party malls. There can be no assurance that these companies will continue to grow at a rate that is consistent with our planned rate of growth. In addition, there can be no assurance that we will continue to be able to obtain "anchor tenant" status or spaces in new malls or township projects, on terms acceptable to us or at all. Generally, because of its ability to draw more customers to a particular shopping center, an anchor tenant has more flexibility in negotiating the terms of its lease contract. Due to the increased competition for desirable store sites, we may not be able to lease appropriate real estate for our new store locations, on terms and conditions acceptable to us or at all.

There is also no assurance that our new stores will be successful or profitable. While we initially focused our business in the Visayas, we have gradually expanded into other regions. Expansion into new geographical areas will also expose us to additional operational, logistical and other risks. We may find it difficult to obtain regulatory or local government approvals for our new stores in these areas due to differences in local requirements and processes. We may also experience difficulty in building our "Metro Supermarket" and other brand names in these new areas. Our proposed expansion will also place increased demands on our managerial, operational, financial and administrative resources. We may, for example, experience supply, distribution, transportation or inventory management difficulties due to our lack of familiarity with the suppliers, distribution network, third-party vendors and transportation systems in these new geographical areas. Any difficulties we experience with respect to developing our business operations in new geographical areas may materially and adversely affect our business, financial condition and results of operations.

In addition, there can be no assurance that our existing stores will be able to operate on a profitable basis if the current retail environment becomes less favorable to us. The surrounding environment of our existing stores may also change in terms of consumer demographics, or in terms of store mix, as different businesses move in or out of the surrounding areas. There can be no assurance that we will have the flexibility to move our existing store locations or to modify our existing stores in response to changes in the surrounding environment and to changes in market and consumer preferences. If we fail to predict and respond to changes in the retail environment, our business, financial condition and results of operation may be materially and adversely affected.

We are exposed to inventory risks.

Outright sales accounted for 76.4% and 80.1% of our net sales for the year ended December 31, 2022 and 2021, respectively. Our focus on outright sales exposes us to increased inventory risk, which includes inventory losses due to obsolescence, theft, pilferage, spoilage, and other damage. For products sourced for outright sales, we bear all risks and costs of inventory management, including shrinkage losses due to a discrepancy between our inventory based on a physical count and the amounts generated by our inventory system. If we fail to properly manage our inventory in relation to outright sales, we may suffer lower inventory turnover, which could have an adverse effect on our business, financial condition and results of operations.

The success of our business depends in part on our ability to develop and maintain good relationships with our current and future outright sales suppliers and concessionaires.

We derive approximately 99.4% of our revenue in 2022 from outright sales and sales of concession products, and our success depends on our ability to retain existing suppliers and concessionaires, and attract new suppliers and concessionaires on terms and conditions favorable to us. The sourcing of our products is dependent, in part, on our relationships with our suppliers. We have long-standing working relationships with a broad range of national and multinational suppliers across all of our retail formats.

If we are unable to maintain these relationships, or if we lose suppliers for any reason, we may not be able to continue to source products at competitive prices that both meet our standards and appeal to customers. Our five largest suppliers accounted for approximately 17.7% of our net sales for 2022. The loss of any one of these major suppliers would have an adverse effect on our sales.

We obtain deals, discounts, and rebates from suppliers, which allow us to maintain our competitive pricing. Should changes occur in market conditions or our competitive position, we may not be able to maintain or negotiate adequate support, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to maintain good relationships with our existing suppliers and concessionaires, or if we are unable to develop and maintain new supplier and concessionaire relationships, we will be unable to carry merchandise and products that are in demand and can generate profit for us. Furthermore, if any of our outright sales suppliers or concessionaires changes its distribution methods, we may experience a disruption in our product supply. As a result, our market positioning, image and reputation may be adversely affected, and our revenue and profitability may be impaired.

We rely significantly on distributors, service providers and the distribution networks of our multinational suppliers for our logistics requirements.

We rely significantly on distributors, third-party service providers and the distribution networks of our multinational suppliers for transportation, warehousing and delivery of products to our stores. The majority of our merchandise is delivered to our distribution centers from our suppliers by third-party service providers. Any deterioration in the relationships between distributors and third-party service providers or other changes relating to these parties, including changes in supply and distribution chains, could have an adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that we will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our growth plans. As we continue to expand, we will need to ensure that we are able to secure efficient distributors and service providers for our stores to be opened in new locations.

We may experience difficulty in implementing our growth strategy.

Our growth depends on the execution of our strategy to continue establishing and successfully operating stores in new locations in the Philippines. There are a number of factors affecting our ability to implement our growth strategy, including, among others:

- favorable economic conditions and regulatory environment;
- our ability to identify suitable sites for store locations;
- our ability to lease appropriate real estate for store locations;
- our ability to bear the increase in logistics costs when regional expansion occurs;
- our ability to open new stores in a timely manner;
- our ability to introduce new brands to the market;
- our ability to continue to attract customers to our stores;
- our ability to maintain the scale and stability of our information technology systems to support our current operations and continuous business growth;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of our stores on a timely basis;
- the availability of sufficient levels of cash flow or necessary financing to support our expansion; and

- our ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

If we fail to successfully implement our growth strategy due to the absence of, or our inability to carry out, any of the above mentioned factors, or otherwise, our business, financial condition and results of operations may be materially and adversely affected.

In addition, if we are unable to successfully manage the potential difficulties associated with store growth, we may not be able to capture the scale efficiencies that we expect from expansion. If we are unable to continue to capture scale efficiencies, improve our systems, continue our cost discipline and enhance our merchandise offerings, we may not be able to achieve our goals with respect to operating margins. Furthermore, if we do not adequately refine and improve our various ordering, tracking and allocation systems, we may not be able to increase sales or reduce inventory shrinkage, which may also cause our operating margins to stagnate or decline.

We lease all of our store premises and we may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions.

As of 2022, we leased all of our net selling space and all of our distribution centers. Approximately 13% of our sites are leased from related parties and 87% are leased from third parties. There is no assurance that we will be able to renew our leases on acceptable terms and conditions or at all upon their expiry. Leases of store premises in large shopping centers may not be available for extension because landlords may decide to change tenants for better commercial arrangements. There is no assurance that we will be able to enter into such new agreements with third parties on terms and conditions that are acceptable to us or at all, and our failure to do so may materially and adversely affect our business, financial condition and results of operations.

Moreover, if rent prices increase significantly throughout the Philippines, or in a particular region, it may cease to be economical to lease stores and we may have to discontinue operations at some of our stores. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms and conditions, termination of the existing leases, or revision of the terms and conditions of leases to our detriment may have an adverse effect on our business, financial condition and results of operations. Further, a number of our landlords are normally granted the right to terminate the leases for cause prior to their expiration. In the event that any of our leases are terminated for any reason prior to their expiration, we will need to either close our operations at such locations or relocate to alternative premises. Relocation of any of our operations may cause disruptions to our business and may require significant expenditure, and we cannot assure that we will be able to find suitable premises on acceptable terms and conditions or at all in a timely manner.

Product liability claims in respect of defective goods sold in our stores and food safety and food-borne illness concerns could adversely affect our reputation and our financial prospects.

Our business involves an inherent risk of product liability, product recall, adverse publicity and exposure to public liability claims. We do not currently have any product liability insurance and will therefore be subject to the full amount of any product liability we may incur. Although each of our concessionaires and suppliers provides us with a written indemnity covering the full extent of any third-party liability we incur through their operations and sales in our stores, there is no assurance that we will be successful in obtaining such indemnity payments or that the indemnity payments will fully cover all of our costs associated with the original liability. Furthermore, under the Consumer Act, we, as a seller, distributor or importer, may be subject to sanctions for goods not in conformity with applicable consumer product quality or safety standards. If we are found responsible for damage caused by defective goods sold in our stores, the reputation of our stores may be adversely affected. This could lead to erosion of consumer confidence in our brands and a subsequent reduction in sales.

Such an event would be likely to have an adverse effect upon our business, financial condition, results of operations and prospects.

Preparation, packaging, transportation, storage and sale of fresh and freshly prepared food products and non-food products entail the inherent risk of product contamination, deterioration or defect, which could potentially lead to product recalls, liability claims and adverse publicity. Food and non-food products may contain contaminants that could, in certain cases, cause illness, injury or death. Any shipment or sale of contaminated, deteriorated or defective products may be grounds for a product liability claim or product recall. The risks of product liability claims or product recall obligations are particularly relevant in the context of our sales of freshly prepared food products. Although our suppliers bear the risk of product liability claims, we could incur adverse publicity through our association with such claims, which could have an adverse effect on our business, financial condition and results of operations.

As a means of fulfilling some of our labor requirements, a significant portion of our workforce is outsourced through third-party manpower agencies. Outsourcing carries with it certain inherent risks including potential litigation from the employees of our third-party manpower service providers who may claim an employer-employee relationship with us; and the risk that the current arrangements we currently have in place are later on found by the Department of Labor and Employment to be "labor-only contracting" which would have the consequence of effectively making us the employer of the relevant employees and thus, obliging us to extend to the relevant employees the same salaries and benefits we extend to our regular employees, which could have a significant impact on our labor costs. As the principal in the outsourcing arrangement, we can also be held jointly and severally liable with our third-party manpower service providers to the latter's employees for unpaid wages for work performed under their respective contracts, or for any violation by our manpower service providers of the provisions of the Labor Code.

We are party to a number of related party transactions.

Certain companies controlled by the VICSAL Group have significant commercial transactions with us, including leases for store spaces and purchases of goods, services and concession activities.

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by or under common control of the Metro Gaisano Family could adversely affect our results of operations.

We expect that we will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Metro Gaisano Family. These transactions may involve potential conflicts of interest which could be detrimental to us or our shareholders. Conflicts of interest may also arise between the Metro Gaisano Family and us in a number of other areas relating to our businesses, including:

- major business combinations involving us;
- plans to develop our respective businesses; and
- business opportunities that may be attractive to both the Metro Gaisano Family and us.

The Company has a number of related party transactions that have been entered into on an arm's length basis. However, we have no assurance if the BIR will view these transactions as arm's length on the basis of its Transfer Pricing Regulations.

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

Our business and operations are dependent upon key executives.

Our key executives and members of management have greatly contributed to our success with their experience, knowledge, business relationships and expertise. If we are unable to fill any vacant key executive or management positions with qualified candidates, our business, operating efficiency and financial performance may be adversely affected.

Item 2 Legal Proceedings

As of December 31, 2022, neither the Company nor any of its properties is engaged in or a subject of any material litigation, claims or arbitration, including bankruptcy, receivership or similar proceedings, either as plaintiff or defendant, which could be expected to have a material effect on our financial position and we are not aware of any facts likely to give rise to any proceedings which would materially and adversely affect our business or operations.

Item 3 Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the year covered by this report.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 4 Market for Issuer's Common Equity and Related Stockholder Matters

(A) Principal Market or Markets Where the Registrant's Common Equity is Traded

The Company's common stock is listed in the Philippine Stock Exchange.

The following table shows the high and low prices (in Php) of the Company's shares in the Philippine Stock Exchange:

		Low	High
January – March (Q1)	2020	1.15	2.19
April – June (Q2)	2020	1.38	1.99
July – September (Q3)	2020	1.30	1.79
October – December (Q4)	2020	1.24	1.74
January – March (Q1)	2021	1.22	1.55
April – June (Q2)	2021	1.20	1.49
July – September (Q3)	2021	1.24	1.48
October – December (Q4)	2021	1.28	1.45
January – March (Q1)	2022	1.35	1.45
April – June (Q2)	2022	1.28	1.46
July – September (Q3)	2022	1.18	1.48
October – December (Q4)	2022	1.09	1.41
January – March (Q1)	2023	1.35	1.44

On March 31, 2023, the Company's shares closed at Php 1.39 per share.

(B) Holders

The number of shareholders of record as of March 31, 2023 was twenty-one (21). As of March 31, 2023, common shares issued were 3,429,375,000. Of these, 3,269,014,000 were outstanding, while 160,361,000 common shares were repurchased by the Company from the market.

List of Stockholders of Record as of March 31, 2023

Rank	Name	Holdings	Rank
1	VICSAL DEVELOPMENT CORPORATION	2,627,427,300	76.62%
2	PCD NOMINEE CORPORATION (FILIPINO)	730,694,821	21.31%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	46,184,001	1.35%
4	VALUESHOP STORES INC.	24,801,489	0.72%
5	JUAN G. YU OR JOHN PETER C. YU	150,000	0.00%
6	FRANCISCO C. TIU	75,000	0.00%
7	CARLOS CATANGUE CHUA	24,000	0.00%
8	STEPHEN T. TEO &/OR TERESITA R. TEO	10,000	0.00%
9	ASUNCION VICTOR JAYO	5,000	0.00%
10	LEGASPI VIRGILIO C.	1,000	0.00%
11	LAMPA ARVIN C.	1,000	0.00%
12	DUNGO ELPIDIO S.	1,000	0.00%
13	VALENCIA JESUS SAN LUIS	300	0.00%

14	AU OWEN NATHANIEL S. AU ITF: LI MARCUS	78	0.00%
15	GAISANO JACK S.	2	0.00%
16	ANG MARGARET G.	2	0.00%
17	GAISANO FRANK S.	2	0.00%
18	GAISANO EDWARD S.	2	0.00%
19	PARAYNO JR. GUILLERMO L.	1	0.00%
20	JACINTO RICARDO NICANOR N.	1	0.00%
21	MANUEL C. ALBERTO	1	0.00%
	Total Issued Shares	**3,429,375,000**	**100.00%**

(C) Dividends

Dividend Policy

Under Section 3 Article VIII of the Company's Fourth Amended By-Laws, dividends shall be declared and paid out of the unrestricted retained earnings, which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

On April 13, 2015, our Board of Directors approved and adopted an annual dividend payment ratio of approximately 20% of our net income after tax for the preceding fiscal year, payable in cash, property or shares, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends, including but not limited to undertaking major projects and developments which require substantial cash expenditures, or restrictions due to loan covenants.

The Board may, at any time, modify such dividend payout ratio taking into consideration various factors including: the level of our cash earnings, return on equity and retained earnings; our results for, and our financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on us by any of our financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate.

Dividend History

The tables below set out the dividends declared during 2018, 2019, 2020 and 2021:

Cash Dividend

Year	Amount Declared	Dividend Per Share	Recorded Date	Payment Date
2018	P205,762,500.00	P0.06	April 13, 2018	May 2, 2018
2019	P205,762,500.00	P0.06	April 15, 2019	May 2, 2019
2020	P205,762,500.00	P0.06	May 29, 2020	June 15, 2020
2021	P –	P–	–	–
2022	-	-	-	-

(D) Restriction that Limits the Payment of Dividends on Common Shares

None

(E) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.

None

Item 5 Management's Discussion and Analysis or Plan of Operation

Results of Operations

The year ended December 31, 2022 compared with the year ended December 31, 2021

Revenue

Net Sales
For the year ended December 31, 2022, our net sales were ₱38,101.7 million, an increase of 22.1% compared to ₱31,211.3 million for the year ended December 31, 2021.

Total food retail and general merchandise business grew by 13.1% and 54.3%, respectively, over the same period last year. The growth is brought about by the full reopening of the economy, pent up domestic demand and recovery in discretionary spending.

Blended same store sales grew by 19.2% over the same period last year.

Rental income
For the year ended December 31, 2022, our rental income was ₱243.7 million, an increase of 41.3% compared to ₱172.5 million for the year ended December 31, 2021. The increase in rental income is primarily due to the re-opening of the economy and non-essential tenants have become operational. Rental concessions that were extended to tenants who continued to operate during the pandemic times were totally discontinued in the last quarter of 2022.

Costs and expenses

Cost of sales
For the year ended December 31, 2022, our cost of sales was ₱30,053.2 million, an increase of 18.6% compared to ₱25,336.4 million for the year ended December 31, 2021. The increase in cost of sales is lower than the increase in net sales as the general merchandise sales grew faster than the supermarket sales. General merchandise has higher margins than supermarket.

Operating expenses
For the year ended December 31, 2022, our operating expenses were ₱6,886.7 million, an increase of 15.5% compared to ₱5,962.5 million for the year ended December 31, 2021. While the Company continued to implement cost reduction and saving measures, there were significant increases in rent which were based on percentage of sales and minus the rental concessions given during the pandemic, and utilities expenses as fuel and electricity rates spiked during the year.

Interest and other income

For the year ended December 31, 2022, our interest and other income was ₱350.9 million, an increase of 788.4% compared to ₱39.5 million for the year ended December 31, 2021.

Factors that contributed to the increase include the recognition of gain on lease modification amounting to ₱106.3 million coming from revision of existing contracts with lessors. In addition, gain on insurance claims pertaining to recoveries and reimbursement of losses for property damages and business interruption due to Typhoon Odette in 2021 was also recognized during the year amounting to ₱53.7 million. Higher interest income and forex gains also contributed to the increase this year.

Finance costs

For the year ended December 31, 2022, our finance costs were ₱523.5 million, an increase of 11.5% compared to ₱469.5 million for the year ended December 31, 2021. The increase is primarily driven by the increase in interest expense related to the Company's outstanding loans payable,

Provision for income tax

For the year ended December 31, 2022, our provision for income tax was ₱315.4 million, an increase of 1272.5% compared to the benefit from income tax of ₱26.9 million for the year ended December 31, 2021. The increase in provision for income tax was primarily due to the increase in income before tax.

Net income

As a result of the foregoing, for the year ended December 31, 2022, net income was ₱917.3 million, a huge improvement of 388.4% compared to the net loss of ₱318.1 million for the year ended December 31, 2021.

The year ended December 31, 2021 compared with the year ended December 31, 2020

Revenue

Net Sales
For the year ended December 31, 2021, our net sales were ₱31,211.3 million, a decrease of 0.2% compared to ₱31,286.3 million for the year ended December 31, 2020.

Both food retail and general merchandise declined by 0.2% over the same period last year. In the middle of March 2021, department stores were temporarily closed brought about by the COVID-19 outbreak. These were gradually opened but were faced with customer traffic constraint since community quarantine is still in effect and as consumers prioritized the purchase of essential goods in general.

Blended same store sales declined by 5.2% over the same period last year.

Rental income
For the year ended December 31, 2021, our rental income was ₱172.5 million, an increase of 17.5% compared to ₱146.8 million for the year ended December 31, 2020. The increase is primarily due to the gradual re-opening of non-essential tenants.

Costs and expenses

Cost of sales
For the year ended December 31, 2021, our cost of sales was ₱25,336.4 million, an increase of 1.5% compared to ₱24,960.2 million for the year ended December 31, 2020. Cost of sales increased slightly higher than net sales as consumers prioritized the purchase of essential goods in general, which typically has low margins.

Operating expenses
For the year ended December 31, 2021, our operating expenses were ₱5,962.5 million, a decrease of 12.0% compared to ₱6,775.5 million for the year ended December 31, 2020. The decrease in operating expenses is mainly attributable to the increased efficiency and continuous cost reduction and saving measures implemented by the Company.

Interest and other income

For the year ended December 31, 2021, our interest and other income was ₱39.5 million, a decrease of 85.3% compared to ₱269.2million for the year ended December 31, 2020.

The decrease is caused by the timing of recognition of recovery from insurance claims of the Company for inventory, property and business interruption of a supermarket and department store that were damaged by fire in January 2018. This amounted to nil and ₱104.4 million for the year ended December 31, 2021 and 2020, respectively.

In addition, there is a decrease in interest income due to lower placements coupled with lower interest rates which ranges from 0.1% to 2.0% this year. This amounted to ₱29.1 million and ₱50.8 million in 2021 and 2020, respectively.

Finance costs

For the year ended December 31, 2021, our finance costs were ₱469.5 million, a decrease of 8.3% compared to ₱512.2 million for the year ended December 31, 2020. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, offset with the increase on finance costs related to the Company's outstanding loans payable.

Benefit from income tax

For the year ended December 31, 2021, our benefit from income tax was ₱26.9 million, a decrease of 71.9% compared to ₱95.9 million for the year ended December 31, 2020. The decrease in benefit from income tax was primarily due to the improvement in loss before tax.

Net loss

As a result of the foregoing, for the year ended December 31, 2021, net loss was ₱318.1 million, an improvement of 29.2% compared to the net loss of ₱449.6 million for the year ended December 31, 2020.

The year ended December 31, 2020 compared with the year ended December 31, 2019

Revenue

Net Sales
For the year ended December 31, 2020, our net sales were ₱31,286.3 million, a decrease of 15.0% compared to ₱36,790.2 million for the year ended December 31, 2019.

Total food retail business increased by 1.1%, while total general merchandise business declined by 45.7% over the same period last year. In the middle of March 2020, department stores were temporarily closed brought about by the COVID-19 outbreak. These were gradually opened but were faced with customer traffic constraint since community quarantine is still in effect and as consumers prioritized the purchase of essential goods in general.

Blended same store sales declined by 19.3% over the same period last year brought about by the decline in sales of our general merchandise business.

Rental income
For the year ended December 31, 2020, our rental income was ₱146.8 million, a decrease of 42.6% compared to ₱255.8 million for the year ended December 31, 2019. Decrease in rental income is primarily due to the temporary closure of non-essential tenants as a result of the community quarantine

brought about by the COVID-19 outbreak, as well as, rental concessions extended to tenants who continued to operate.

Costs and expenses

Cost of sales
For the year ended December 31, 2020, our cost of sales was ₱24,960.2 million, a decrease of 12.7% compared to ₱28,592.5 million for the year ended December 31, 2019. Cost of sales declined slower than net sales since the food business which typically has a higher cost of sales compared to our general merchandise business continued to thrive despite the COVID-19 outbreak, while our general merchandise business declined.

Operating expenses
For the year ended December 31, 2020, our operating expenses were ₱6,775.5 million, a decrease of 8.3% compared to ₱7,390.2 million for the year ended December 31, 2019.

The decrease in operating expenses was primarily driven by the disrupted operations of department stores due to COVID-19 pandemic, offset by the recognition of non-recurring expenses in connection with the streamlining of operations and rationalization of stores and workforce of the Company in response to the impact of COVID-19 pandemic amounting to ₱270.2 million.

Interest and other income

For the year ended December 31, 2020, our interest and other income was ₱269.2 million, a decrease of 62.0% compared to ₱709.3 million for the year ended December 31, 2019.

The decrease is caused by the timing of recognition of recovery from insurance claims of the Company for inventory, property and business interruption of a supermarket and department store that were damaged by fire in January 2018. This amounted to ₱104.4 million and ₱538.7 million for the year ended December 31, 2020 and 2019, respectively.

In addition, there is a decrease in interest income due to lower placements coupled with lower interest rates which ranges from 0.1% to 4.5% this year. This amounted to ₱50.8 million and ₱101.9 million in 2020 and 2019, respectively.

Finance costs

For the year ended December 31, 2020, our finance costs were ₱512.2 million, a decrease of 15.7% compared to ₱607.5 million for the year ended December 31, 2019. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, offset with the increase on finance costs related to the Company's outstanding loans payable.

Provision for (benefit from) income tax

For the year ended December 31, 2020, our benefit from income tax was ₱95.9 million, a decrease of 124.6% compared to the provision for income tax of ₱389.4 million for the year ended December 31, 2019. The decrease in provision for income tax was primarily due to the decrease in income before tax.

Net income (loss)

As a result of the foregoing, for the year ended December 31, 2020, net loss was ₱449.6 million, a decrease of 158.0% compared to the net income of ₱775.6 million for the year ended December 31, 2019.

Financial Position

The year ended December 31, 2022 compared with the year ended December 31, 2021

As of December 31, 2022 and 2021, our net current assets, or the difference between total current assets and total current liabilities, were ₱7,007.1 million and ₱3,449.7million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2022 and 2021 were ₱12,243.1 million and ₱8,298.6 million, respectively. The increase of 47.5% in current assets is due to the increase in cash and cash equivalents, receivables, and merchandise inventories. Short-term investment and other current assets, on the other hand, have decreased.

As of December 31, 2022, short-term investment amounted to nil, receivables totaled ₱954.8 million, merchandise inventories totaled ₱5,495.3 million and other current assets totaled ₱630.4 million. As of December 31, 2021, short-term investment totaled ₱1,091.6 million, receivables totaled ₱669.9 million, merchandise inventories totaled ₱4,163.0 million and other current assets totaled ₱702.3 million.

As of December 31, 2022, cash and cash equivalents amounted to ₱5,162.6 million, an increase of 208.8% from ₱1,671.8 million as of December 31, 2021. The increase is mainly attributable to the availment of long-term loans amounting to ₱2,500.0 million and ₱2,073.7 million net cash provided by operating activities, offset by payments of loans payable and lease liabilities amounting to ₱1,000.0 million and ₱532.2 million, respectively and acquisition of property equipment amounting to ₱544.7 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2022 and 2021 were ₱10,495.9 million and ₱11,137.1 million, respectively. The decrease of 5.8% in noncurrent assets is significantly due to the decrease in right-of-use assets amounting to ₱392.4 million, and reduction in deferred tax assets – net amounting to ₱213.0 million.

Current Liabilities

Total current liabilities as of December 31, 2022 and 2021 were ₱5,236.0 million and ₱4,848.9 million, respectively. As of December 31, 2022 and 2021, trade and other payables totaled ₱4,820.5 million and ₱3,537.0 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to ₱130.2 million and ₱1,000.0 million as of December 31, 2022 and 2021, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2022 and 2021 were ₱8,442.0 million and ₱6,413.6 million, respectively. The increase of 31.6% in noncurrent liabilities is significantly due to the availment of long term loans of ₱2,500.0 million in March 2022, offset by the movement in lease liabilities as a result of lease modifications

The year ended December 31, 2021 compared with the year ended December 31, 2020

As of December 31, 2021 and 2020, our net current assets, or the difference between total current assets and total current liabilities, were ₱3,449.7 million and ₱2,996.5 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash, short-term investments, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2021 and 2020 were ₱8,298.6 million and ₱9,722.5 million, respectively. The decrease of 14.6% in current assets is due to the decrease in inventories and cash and cash equivalents.

As of December 31, 2021, short-term investment totaled ₱1,091.6 million, receivables totaled ₱669.9 million, merchandise inventories totaled ₱4,163.0 million and other current assets totaled ₱702.3 million. As of December 31, 2020, short-term investment totaled ₱1,270.6 million, receivables totaled ₱672.1 million, merchandise inventories totaled ₱4,981.6 million and other current assets totaled ₱540.9 million.

As of December 31, 2021, cash and cash equivalents amounted to ₱1,671.8 million, a decrease of 25.9% from ₱2,257.3 million as of December 31, 2020. The decrease were mainly attributable to the additions to property and equipment amounting to ₱790.8 million and payment for lease liabilities of ₱677.2 million, offset by the decrease in short-term investments of ₱179.0 million and the ₱763.9 million cash provided by operating activities.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2021 and 2020 were ₱11,137.1 million and ₱11,651.4 million, respectively. The decrease of 4.4% in noncurrent assets is significantly due to the movement in right-of-use assets as a result of lease modifications, recognition of allowance for impairment losses, as well as, the depreciation and amortization.

Current Liabilities

Total current liabilities as of December 31, 2021 and 2020 were ₱4,848.9 million and ₱6,726.0 million, respectively. As of December 31, 2021 and 2020, trade and other payables totaled ₱3,537.0 million and ₱4,642.3 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to ₱1,000.0 million and ₱1,500.0 million as of December 31, 2021 and 2020, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2021 and 2020 were ₱6,413.6 million and ₱6,111.6 million, respectively. The increase of 4.9% in noncurrent liabilities is significantly due to the availment of a long term loan of ₱500.0 million, offset by the movement in lease liabilities as a result of lease modifications.

The year ended December 31, 2020 compared with the year ended December 31, 2019

As of December 31, 2020 and 2019, our net current assets, or the difference between total current assets and total current liabilities, were ₱2,996.5 million and ₱3,123.8 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash, short-term investments, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2020 and 2019 were ₱9,722.5 million and ₱9,816.0 million, respectively. The decrease of 1.0% in current assets is due to the decrease in receivables and cash and cash equivalents, offset by the increase in short-term investment, inventories and other current assets.

As of December 31, 2020, short-term investment totaled ₱1,270.6 million, receivables totaled ₱672.1 million, merchandise inventories totaled ₱4,981.6 million and other current assets totaled ₱540.9 million. As of December 31, 2019, short-term investment totaled ₱629.6 million, receivables totaled ₱1,146.3 million, merchandise inventories totaled ₱4,636.6 million and other current assets totaled ₱494.4 million.

As of December 31, 2020, cash and cash equivalents amounted to ₱2,257.3 million, a decrease of 22.4% from ₱2,909.1 million as of December 31, 2019. The decrease were mainly attributable to the additions to property and equipment amounting to ₱737.2 million, increase in short-term investments of ₱641.1 million, dividend payment amounting to ₱205.8 million and payment for lease liabilities of ₱1,002.0 million, offset by the loan proceeds of ₱1,500.0 million and ₱472.4 million cash provided by operating activities.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2020 and 2019 were ₱11,651.4 million and ₱13,548.6 million, respectively. The decrease of 14.0% in noncurrent assets is significantly due to the movement in right-of-use assets as a result of lease modifications, recognition of allowance for impairment losses, as well as, the depreciation and amortization.

Current Liabilities

Total current liabilities as of December 31, 2020 and 2019 were ₱6,726.0 million and ₱6,692.2 million, respectively. As of December 31, 2020 and 2019, trade and other payables totaled ₱4,642.3 million and ₱5,409.5 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable outstanding amounted to ₱1,500.0 million and nil as of December 31, 2020 and 2019, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2020 and 2019 were ₱6,111.6 million and ₱7,436.4 million, respectively. The decrease of 17.8% in noncurrent liabilities is significantly due to the movement in lease liabilities as a result of lease modifications.

Cash Flows

The following table sets out information from our statements of cash flows for the periods indicated.

	For the years ended December 31,		
	2022	**2021**	**2020**
		(₱ million)	
Net cash flows generated from operating activities	₱2,073.7	₱763.9	₱472.4
Net cash flows provided (used in) investing activities	523.7	(568.6)	(1,410.3)
Net cash flows provided (used in) financing activities	844.5	(783.6)	292.2

Net increase (decrease) in cash	₱3,441.9	(₱588.3)	(₱645.7)

Net cash flows from operating activities

Our net cash flows from operating activities for the year ended December 31, 2022 was ₱2,073.7 million, which is comprised of operating income before working capital changes of ₱2,537.1 million, adjusted for changes in working capital and interest received, partially offset by income tax, interest, and retirement benefits paid. The changes in working capital were attributable to the increase in merchandise inventory and receivables of ₱1,367.5 million and ₱236.2 million, respectively, and offset by the increase in trade and other payables of ₱1,285.2 million.

Our net cash flows from operating activities for the year ended December 31, 2021 was ₱763.9 million, which is comprised of operating income before working capital changes of ₱1,387.2 million, adjusted for changes in working capital and interest received, partially offset by income tax, interest and retirement benefits paid. The changes in working capital were mainly attributable to the decrease in trade and other payables of ₱1,112.6 million and increase in other current assets of ₱212.7 million, offset by the decrease in merchandise inventory of ₱764.6 million.

Our net cash flows from operating activities for the year ended December 31, 2020 was ₱472.4 million, which is comprised of operating income before working capital changes of ₱1,603.6 million, adjusted for changes in working capital, proceeds from insurance claims on merchandise inventory and interest received, partially offset by income tax and interest paid. The changes in working capital were mainly attributable to the decrease in trade and other payables of ₱834.5 million, increase in merchandise inventory of ₱390.5 million and increase in other current assets of ₱22.3 million, offset by the decrease in receivables of ₱339.3 million.

Net cash flows used in investing activities

For the year ended December 31, 2022, net cash flows provided by investing activities was ₱523.7 million, generated from proceeds from short-term investments of ₱1,091.6 million and proceeds from sale of property and equipment of ₱49.4 million. This is partially offset by the acquisitions of property and equipment for the construction and fit outs of new stores and improvements of existing stores totaling ₱544.7 million and by the increase in other noncurrent assets by ₱72.6 million.

For the year ended December 31, 2021, net cash flows used in investing activities was ₱568.6 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores amounting to ₱790.8 million, offset by the decrease in short-term investments by ₱179.0 million and decrease in other noncurrent assets by ₱43.2 million.

For the year ended December 31, 2020, net cash flows used in investing activities was ₱1,410.3 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores amounting to ₱737.2 million, increase in short-term investments by ₱641.1 million and increase in other noncurrent assets by ₱32.1 million.

Net cash flows used in financing activities

Net cash flows provided by financing activities was ₱844.5 million for the year ended December 31, 2022, mainly generated from the availment of long-term loans of ₱2,500.0 million, and partially offset by payments of loans payable and lease liabilities amounting to ₱1,000.0 and ₱532.2 million, respectively, as well as payments for the purchase of ₱104.6 million treasury stocks.

Net cash flows used in financing activities was ₱783.6 million for the year ended December 31, 2021, as a result of the payments of lease liabilities amounting to ₱677.2 million and purchase of treasury stock amounting to ₱102.6 million.

Net cash flows generated from financing activities was ₱292.2 million for the year ended December 31, 2020, as a result of proceeds from loan of ₱1,500.0 million offset by payments of lease liabilities amounting to ₱1,002.0 million and payment of cash dividends amounting to ₱205.8 million declared on May 14, 2020.

Indebtedness

As of December 31, 2022 and 2021, outstanding loans payable amounted to ₱2,981.1 million and ₱1,496.7 million, respectively.

Key Performance Indicators

	For the years ended December 31,		
	2022	**2021**	**2020**
The Company			
Net Sales[1] (₱ millions)	38,101.7*	31,211.3*	31,286.3*
Average Basket Size[2] (₱)	1,002.0*	1,067.7*	929.5*
Same store sales growth[3] (%)	19.2%*	-5.2%*	-19.3%*
Number of Stores	62*	61*	56*
Net selling area[4] (sqm)	249,824*	247,576*	224,282*

excludes discontinued operations and temporary closure of stores

Notes:
(1) Net sales are gross sales, net of discounts and returns.
(2) Average basket size is the amount of net sales divided by the number of transactions for a given period.
(3) Same store sales growth is the comparisons of net sales between two periods generated by the relevant stores. The stores that are included in comparisons are those that have operated for at least 12 months preceding the beginning of the last month of the reporting period. The comparison for each store takes into account net sales by that store during the same period it was in operation in both the reporting period and the period of comparison. The net sales of all the relevant stores in the relevant period are then aggregated and compared.
(4) Net selling space is the area of the store where items are displayed, excluding the backroom and warehouse.

Quantitative and qualitative disclosure of market risk
Our principal financial instruments consist of cash and cash equivalent, short-term investment and receivables. The main purpose of our financial instruments is to fund our operations and capital expenditures. We do not actively engage in the trading of financial assets for speculative purposes nor do we write options. The main risks arising from our financial instruments are liquidity risk and credit risk. See Note 27 of the notes to our audited financial statements.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations. The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The

Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk. The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues and income

(i) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Company's liquidity.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures, general purposes of such commitments, expected sources of funds for such expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Sales.

(vi) The Company experiences seasonal fluctuations in operations. Historically, sales peak in December of each year, thereafter it slows down in the first quarter of the year and begins to increase in the second quarter, driven by the summer season, the school break in April and May, and particularly the beginning of the school year in the month of June. This is followed by a slowdown in sales in the third quarter due to the rainy season.

Item 6 Financial Statements and Supplementary Schedules

The financial statements are filed as part of this report.

Item 7 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

(A) External Audit Fees and Services

Audit and Audit - Related Fees

The following table sets out the aggregate fees billed to the Company and its subsidiaries for the last three years for professional services rendered by SyCip, Gorres Velayo & Co.,

Audit and Audit-Related Fees*	2022	2021	2020
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	2,079,000.00	1,890,000.00	1,890,000.00
Fees for tax-related services	508,138.00	320,000.00	861,098.00
All Other Fees	327,900.00	321,000.00	299,000.00
TOTAL	**2,915,038.00**	**2,531,000.00**	**3,050,098.00**

**exclusive of VAT*

All Other Fees pertain to fees paid by the Company for the certification of the Company's Disbursement of IPO Proceeds and Progress Report. Fees for tax-related services pertains to the assistance provided by SGV in handling BIR tax assessments.

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

No other service was provided by external auditors to the Company for the years ended December 31, 2022, 2021 and 2020.

The Audit and Risk Committee approves any engagement for the services of the external auditor. After reviewing the need for the services of the external auditor, the Audit and Risk Committee shall review the engagement proposal submitted. If the Audit and Risk Committee finds the engagement proposal acceptable, the Audit and Risk Committee then approves and passes a resolution appointing the external auditor and recommends that the said resolution be endorsed for the approval of the Company's stockholders during the Annual Meeting of the Stockholders of the Company. The stockholders of the Company then approve and ratify the recommendation of the Audit and Risk Committee during the Annual Stockholders' Meeting.

PART III CONTROL AND COMPENSATION INFORMATION

Item 8 Directors and Executive Officers of the Issuer

(A) Board of Directors and Executive Officers of the Registrant

Currently, the Board consists of seven (7) members, of which two (2) are independent directors.

The Table below sets forth certain information regarding the members of our Board:

Name	Age	Nationality	Position
1. Frank S. Gaisano	65	Filipino	Chairman
2. Jack S. Gaisano	69	Filipino	Director
3. Edward S. Gaisano	67	Filipino	Director
4. Margaret G. Ang	71	Filipino	Director
5. Manuel C. Alberto	57	Filipino	Director
6. Guillermo L. Parayno, Jr.	74	Filipino	Independent Director
7. Ricardo Nicanor N. Jacinto	62	Filipino	Independent Director

Messrs. Frank S. Gaisano, Jack S. Gaisano, Edward S. Gaisano, and Ms. Margaret G. Ang have served their respective offices since the incorporation of the Company on August 2003. Mr. Manuel C. Alberto was elected as Director on December 17, 2018, and assumed the position effective January 1, 2019, to fill in the vacancy in the Board due to the retirement of Mr. Arthur Emmanuel. The independent directors, Mr. Guillermo L. Parayno, Jr. and Mr. Ricardo Nicanor N. Jacinto, were elected on July 16 and 27, 2015, respectively. All Board Members were re-elected to the Board during the last Annual Stockholders' Meeting held on May 6, 2022.

There are no other directors who declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

Board of Directors – Brief Description and Experience for the Last Five (5) Years

Frank S. Gaisano, 65, has been the Company's Chairman and Chief Executive Officer since 2012 and has served on the board of directors since 2003. He holds a Bachelor of Science degree in Civil Engineering, which he received from the Cebu Institute of Technology in 1978, and is a board-certified civil engineer. Presently, Mr. Gaisano also serves as Chairman of Pacific Mall Corporation. He is also a Director of AB Capital & Investment Corporation, Vicsal Development Corporation, Filipino Fund, Inc., Taft Property Venture Development Corporation, Taft Punta Engaño Property Inc. and HTLand, Inc. Additionally, he is a Trustee of Vicsal Foundation, Incorporated.

Jack S. Gaisano, 69, has been a Director of the Company since 2003. He received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City in 1976 and is a board-certified chemical engineer. He currently also serves as Chairman and President of Taft Property Venture Development Corporation and Midland Development Corporation. He is the President of HTLand, Inc. He is also a Director of Vicsal Development Corporation and Pacific Mall Corporation.

Edward S. Gaisano, 67, has served as a Director of the Company since 2003. He has been a board-certified Doctor of Medicine since 1980. Mr. Gaisano is currently Chairman and President of Vicsal Development Corporation. He is also Chairman of Wealth Development Bank Corporation, Hyundai Alabang, Inc. and Hyundai Southern Mindanao, Inc. He is a Director of Taft Property

Venture Development Corporation and is the President of Pacific Mall Corporation and former President of the Cebu Chamber of Commerce & Industry. Additionally, Mr. Gaisano is a member of the Society of Fellows of the Institute of Corporate Directors.

Margaret G. Ang, 71, has served as Director of the Company since 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, Cum Laude), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director, Corporate Secretary and Treasurer of Vicsal Development Corporation, Taft Property Venture Development Corporation and Vicsal Securities & Stock Brokerage, Inc. Ms. Ang is also the President of Filipino Fund, Inc. and of Grand Holidays, Inc. Additionally, she serves as a Director of Manila Water Consortium, Inc. and as a Trustee of Vicsal Foundation, Incorporated.

Manuel C. Alberto, 57, was elected as Director of the Company, and appointed as President and Chief Operating Officer, on December 17, 2018, and assumed the position effective January 1, 2019, replacing Mr. Arthur Emmanuel who retired on December 31, 2018. Before his election/appointment as President and Chief Operating Officer, he served as the Company's Chief Merchandising and Marketing Officer. He earned his Bachelor of Arts in Communication (1989) from Santa Clara University, California, USA and obtained his Master's degree in Management (1998) from the Asian Institute of Management. Before joining the Company, he served as President & General Manager of Philippine Family Mart Inc. (2014-2018), VP & Business Unit Head (2013-2015) & VP of Operations (2001-2010) of Rustan Supercenters, Inc., National Operation Director of Jollibee Foods Corp (2010-2013), Store General Manager of Pilipinas Makro Inc. (1998-2001) and Store Manager of Stroud's Linen, USA.

Ricardo Nicanor N. Jacinto, 62, was elected as an independent Director of the Company on July 27, 2015. He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is the Chairman of SBS Philippines Corporation and Chairman and Independent Director of Maybank ATR Kim Eng Capital Partners, Inc. and Maybank ATR Kim Eng Securities, Inc. He is a Director of Torre Lorenzo Development Corp., and Independent Director of Maybank Securities (Thailand) Public Company Limited, and Etiqa Life and General Assurance Philippines, Inc. He is also a Lecturer of University of the Philippines – CE Virata School of Business. Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2013-2017) and Managing Director of Ayala Corporation (1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Chief Executive Officer.

Guillermo L. Parayno, Jr., 74, was elected as an independent Director of the Company on July 16, 2015. Mr. Parayno is also the Chairman and CEO of E-Konek Pilipinas, Inc. and the Director and Vice Chairman of Philippine Veterans Bank. He is also President of the Parayno Consultancy Services on logistics and distribution, customs, information, technology and taxation, and the Chairman and President of Bagong Silang Farms, Inc. Previously, Mr. Parayno led several Asian Development Bank Missions relating to Trade Facilitation and served as Commissioner of Customs from 1992 to 1998, and Commissioner of the Bureau of Internal Revenue from 2002-2005.

Officers

The following are the names, ages, positions and citizenships of the incumbent officers of the Company:

Name	Age	Nationality	Position
Frank S. Gaisano	65	Filipino	Chairman & Chief Executive Officer
Manuel C. Alberto	57	Filipino	President & Chief Operating Officer

Joselito G. Orense	57	Filipino	Treasurer & Chief Financial Officer
Vincent E. Tomaneng	55	Filipino	Corporate Secretary and Chief Legal Counsel
Theresa Marie C. Puno-dela Peña	39	Filipino	Assistant Corporate Secretary & Compliance Officer

Brief Description - Officers

Joselito G. Orense, 57, was appointed as the Treasurer & Chief Financial Officer on March 16, 2016. He is a Certified Public Accountant. He earned his Bachelor of Science in Business Administration and Accountancy (1987, Cum Laude) from the University of the Philippines, Diliman and obtained his Master's degree in Business Management from the Asian Institute of Management in 1991. Prior to joining the Company in November 2015 as Deputy CFO, he has served as Chief Financial Officer of All Value Holdings Corp. (2012 to 2015), Adidas Philippines (2004 to 2010), and Golden Arches Development Corporation (Director of Accounting, and CFO, 1996 to 2002).

Vincent E. Tomaneng, 55, was appointed as the Corporate Secretary on July 27, 2015. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (1988, Magna Cum Laude) degrees from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar Hernandez & Gatmaitan Law Offices as a Senior Associate (1997 to 2003) and with Sycip Gorres Velayo & Co., CPA's as a Tax Supervisor (1988 to 1996). He is presently the Director and Corporate Secretary of Filipino Fund, Inc. from 2014, and Corporate Secretary of HTLand, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and the Vice-President-External of Vicsal Foundation, Incorporated since February 2021.

Theresa Marie C. Puno-dela Peña, 39, was appointed as the Assistant Corporate Secretary and Compliance Officer on January 28, 2022, and assumed the position on February 1, 2022. She earned her Bachelor of Science in Mathematics (2005) from the University of the Philippines, Diliman and obtained her Bachelor of Laws (2010) degree from the University of San Carlos in Cebu City. Prior to joining the Company, she has served as Securities Counsel of the Securities and Exchange Commission (2011-2021).

(B) Significant Employees

The Company has no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business.

(C) Family Relationships

Family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Frank S. Gaisano, Chairman of the Board of Directors, Jack S. Gaisano, Edward S. Gaisano and Margaret G. Ang, Directors of the Company, are siblings.

Apart from the foregoing, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors or executive officers of the Company.

(D) 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 Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have 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; (3) have been the subject of 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 (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party.

Item 9 Executive Compensation

Summary Compensation Table

The following table sets out the Company's Chairman and Chief Executive Officer and four most highly compensated senior officers of the Company for the last three (3) years and projected for the ensuing year (2023):

<table>
<tr><th>Name</th><th>Position</th><th>Year</th><th>Aggregate Salary (Annual)</th><th>Bonus</th><th>Other Annual Compensation</th></tr>
<tr><td>Frank S. Gaisano</td><td>Chairman and Chief Executive Officer</td><td>2022</td><td rowspan="5">Php47,457,667.85</td><td rowspan="5">–</td><td rowspan="5">Php7,280,929.08</td></tr>
<tr><td>Manuel C. Alberto</td><td>President and Chief Operating Officer</td><td>2022</td></tr>
<tr><td>Conchita G. Lazaro</td><td>Deputy Chief Marketing and Merchandising Officer</td><td>2022</td></tr>
<tr><td>Joselito G. Orense</td><td>Chief Financial Officer and Treasurer</td><td>2022</td></tr>
<tr><td>Fili P. Mercado</td><td>Chief Strategy and Governance Officer</td><td>2022</td></tr>
<tr><td colspan="2">All Other Officers and Directors as a Group Unnamed</td><td>2022</td><td>Php 2,869,999.98</td><td>–</td><td>–</td></tr>
</table>

The following table identified and summarizes the aggregated compensation (actual and expected) of the Company's Chairman and Chief Executive Officer and the four most highly compensated executive officers of the Company in 2020, 2021 and 2022, and for the ensuing year 2023:

Name	Year	Aggregate Salary (Annual)	Bonus	Other Annual Compensation
Chairman and Chief Executive Officer and the four most highly compensated executive officers named above	2020 (Actual)	53,745,447.48	–	6,715,171.91
	2021 (Actual)	49,851,516.12	–	7,663,595.08
	2022 (Actual)	47,457,667.85	–	7,280,929.08
	2023 (Projected)	49,335,974.56	–	7,280,929.08
All other Officers and Directors as a Group Unnamed	2020 (Actual)	4,581,495.44	–	–
	2021 (Actual)	2,672,615.30	–	–
	2022 (Actual)	2,869,999.98	–	–
	2023 (Projected)	2,869,999.98	–	–

Standard Arrangements

The by-laws of the Company provide that the Board is authorized to fix and determine the compensation of the Directors and Officers in accordance with law.

By resolution of the Board, there are currently no standard arrangements pursuant to which Directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director, except reasonable per diem for attendance in Board and/or Committee meetings, as follows:

	FIXED REMUNERATION	**PER DIEM ALLOWANCE – Per BOD Meeting**	**PER DIEM ALLOWANCE – Per Committee Meeting**
Executive Directors	Fixed monthly compensation	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)
Non-Executive Directors	None	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)
Independent Directors	None	₱150,000.00 (gross of tax)	Chairman: ₱45,000.00 (gross of tax) Member: ₱40,000.00 (gross of tax)

The total director's fees paid for each of the Company's directors as of December 31, 2022 is as follows:

Name of Director	**Total Director's Fees** (in Php)
Frank S. Gaisano *Chairman & Chief Executive Officer*	92,307.66
Jack S. Gaisano	66,666.66

Director	
Edward S. Gaisano *Director*	66,666.66
Margaret G. Ang *Director*	66,666.66
Manuel C. Alberto *President & Chief Operating Officer*	92,307.66
Guillermo L. Parayno, Jr. *Independent Director*	1,342,000.00
Ricardo Nicanor N. Jacinto *Independent Director*	1,328,000.00

Other Arrangements

Except for Mr. Frank S. Gaisano and Mr. Manuel C. Alberto, who receive monthly salaries as Chief Executive Officer and President & Chief Operating Officer, respectively, there are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Employment Contracts

The Company has existing employment contracts with its executive officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

Warrants and Options Outstanding

As of the date of this Report, there are no outstanding warrants or options held by the Chief Executive Officer, and President & Chief Operating Officer, and the named key executive and managerial officers, and all officers and directors as a group.

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. The MESOP shall only be implemented after the obtention of the requisite approval from the Securities and Exchange Commission. An application for the approval of the MESOP was submitted to the Commission on February 17, 2023. As of today, the Commission has not yet approved the MESOP. The details of the MESOP can be seen under *Compensation Plans*.

Item 10. Security Ownership of Certain Beneficial Owners and Management

(A) Security Ownership of Certain Record and Beneficial Owners of more than 5 % of the Company's voting securities as of December 31, 2022.

As of December 31, 2022, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except set forth in the table below:

Title of Class	Name and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% of Total Issued Shares
Common	Vicsal Development Corporation Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City (stockholder)	Same as record owner	Filipino	2,627,427,300	76.62%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Filipino	730,642,421	21.31%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Non-Filipino	46,236,401	1.35%

Notes:

1. None of the Top 100 PDTC Participants - Filipino, hold 5% or more of the Company's outstanding capital stock as of December 31, 2022.

2. None of the Top 100 PDTC Participants – Foreign, hold 5% or more of the Company's outstanding capital stock as of December 31, 2022.

(B) Security Ownership of Management of the Company's voting securities as of December 31, 2022

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership		Citizenship	% to Total Out-
			Direct	Indirect		

						standing
Common	Frank S. Gaisano	Chairman and Chief Executive Officer	2	30,448,000	Filipino	.93%
Common	Edward S. Gaisano	Director	75,002	0	Filipino	0
Common	Margaret G. Ang	Director	2	6,834,000	Filipino	.21%
Common	Jack S. Gaisano	Director	2	0	Filipino	0
Common	Manuel C. Alberto	President and Chief Operating Officer	1	0	Filipino	0
Common	Ricardo Nicanor N. Jacinto	Independent Director	500,001	0	Filipino	.01%
Common	Guillermo L. Parayno, Jr.	Independent Director	1	0	Filipino	0
Common	Joselito G. Orense	Treasurer/ Chief Finance Officer	0	0	Filipino	0
Common	Vincent E. Tomaneng	Corporate Secretary and Chief Legal Counsel	500,000	0	Filipino	0.01%
Common	Theresa Marie C. Puno-dela Peña	Asst. Corporate Secretary and Compliance Officer	0	0	Filipino	0

(C) Voting Trust Holders of 5% or more – as of December 31, 2022

There are no persons holding more than 5% of common shares under a voting trust or similar agreement.

(D) Changes in Control

As of December 31, 2022, there has been no change in the control of the Company, and there are no arrangements which may result in a change in control of the Company.

Item 11. Certain Relationships and Related Transactions

Please refer to Note 22 of the Financial Statements for the Related Party Transactions.

PART IV CORPORATE GOVERNANCE

Item 12. Corporate Governance

Please refer to the Company's Annual Corporate Governance Report.

PART V EXHIBITS AND SCHEDULES

Item 13 Exhibits and Reports on SEC Form 17-C

The table below lists the Company's Corporate Disclosures under SEC Form 17-C:

List of Corporate Disclosures/Replies to SEC Letters Under SEC Form 17-C January 1,-December 31, 2022	
DATE	**SUBJECT**
1/2/2022 to 12/29/22	Share Buy Back Transactions
1/28/22	Appointment of Officer
2/10/22	Material Information
2/10/22	Notice of Annual Stockholders' Meeting
3/29/22	Material Information
4/13/22	Press Release
4/13/22	Reply to Exchange's Query
5/6/22	Results of Annual Stockholders' Meeting
5/11/22	Notice of Analyst's Meeting and Investors' Call
5/6/22	Results of Organizational Meeting
5/13/22	Press Release
8/12/22	Press Release
8/11/22	Notice of Analyst's Meeting and Investors' Call
8/10/22	Material Information
11/16/22	Notice of Analyst's Meeting and Investors' Call
12/12/22	Material Information

Item 14 Use of Proceeds

Please refer to the Company's Disbursement of Proceeds and Progress Report as of December 31, 2022 duly certified by the Company's external Auditor.

VICSAL SEC <vicsal.sec@metroretail.ph>

SEC eFast Initial Acceptance

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph> Tue, Apr 11, 2023 at 5:12 PM

Greetings!

SEC Registration No: CS200315877
Company Name: METRO RETAIL STORES GROUP, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF THE FOLLOWING BUSINESS NAMES: 1. THE METRO GAISANO 2. METRO GAISANO PHARMACY 3. METRO GAISANO CAFE 4. SUPER METRO GAISANO 5. METRO AYALA CENTER 6. METRO PLAZA STORE- TOLEDO 7. METRO GAISANO EXPRESS MART 8. TITA GWAPA SUPERTINDA 9. METRO GOURMET DINING 10. METRO FRESH 'N EASY 11. METRO WHOLESALEMART 12. METRO MARKET MARKET DEPARTMENT STORE & SUPERMARKET 13. METRO ALABANG DEPARTMENT STORE & SUPERMARKET 14. METRO HI-PER 15. METRO GAISANO MARKET 16. METRO LEGAZPI DEPT. STORE & SUPERMARKET 17. METRO LUCENA DEPARTMENT STORE & SUPERMARKET 18. METRO ANGELSE CITY DEPARTMENT STORE & SUPERMARKET 19. METRO ANGELES CITY PHARMACY
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER: TO ALL FILERS OF REPORTS IN THE e-FAST Please strictly follow the instruction stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer. 1. General Information Sheet (GIS-Stock) 2. General Information Sheet (GIS-Non-stock) 3. General Information Sheet (GIS- Foreign stock & non-stock) 4. Broker Dealer Financial Statements (BDFS) 5. Financing Company Financial Statements (FCFS) 6. Investment Houses Financial Statements (IHFS) 7. Publicly – Held Company Financial Statement 8. General Form for Financial Statements 9. Financing Companies Interim Financial Statements (FCIF) 10. Lending Companies Interim Financial Statements (LCIF) Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	1	5	8	7	7

COMPANY NAME

METRO RETAIL STORES GROUP, INC.

PRINCIPAL OFFICE(*No. / Street / Barangay / City / Town / Province*)

VICSAL BUILDING, CORNER OF C.D. SENO AND W.O. SENO STREETS, GUIZO, NORTH RECLAMATION AREA, MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vicsal.sec@ metroretail.ph	**(032) 236-8390**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
21	**First Friday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joselito G. Orense	**joel.orense @metroretail.ph**	**(032) 236-7793**	**N/A**

CONTACT PERSON's ADDRESS

Vicsal bldg., Corner of C.D.Seno& W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

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

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

METRO
RETAIL STORES GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Metro Retail Stores Group, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo and Co. (SGV), the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of the presentation upon completion of such audit.

FRANK S. GAISANO
Chairman of the Board

FRANK S. GAISANO
Chief Executive Officer

JOSELITO G. ORENSE
Chief Financial Officer

March 31, 2023

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 11 2023
DPQA SECTION INITIAL

SUBSCRIBED AND SWORN to before me this APR 05 2023 affiants exhibiting to me their respective Philippine passports as follows:

	Passport No.	Date of Issue	Place of Issue
Frank S. Gaisano	P5597665A	12 JAN 2018	DFA NCR South
Joselito G. Orense	P8825848A	20 SEP 2018	DFA NCR South

Doc. No. 287
Page No. 59
Book No. 15
Series of 2023

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2024
IBP O.R. No. 251632 issued on December 19, 2022
PTR No. 9563520 / 3 January 2023/ Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003609
Unit 25, G/F Fiesta Market, Market Ext.
BGC, Taguig City
Roll No. 71171

MANILA CORPORATE OFFICE
6F Metro Market! Market!, Mckinley Parkway,
Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634
Tel No. v+632 843.0099 | +632 843.0032 Telefax +632 836.8172

CEBU PRINCIPAL OFFICE
Vicsal Building corner of C.D. Seno and W.O Seno Streets Guizo
North Reclamation Area, Mandaue City, Philippines
Tel No. (+63 32) 236-... Fax No. (+63 32) 236-9516

METRO
RETAIL STORES GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of METRO RETAIL STORES GROUP, INC. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all *information* and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of METRO RETAIL STORES GROUP, INC., complete and correct in all materials respects. Management likewise affirms that:

a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c. METRO RETAIL STORES GROUP, INC, has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

FRANK S. GAISANO
Chairman of the Board

FRANK S. GAISANO
Chief Executive Officer

JOSELITO G. ORENSE
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION CEBU
RECEIVED
APR 11 2023
DPQA SECTION INITIAL

ATTY. JENNYLYN R. DUANO-SABADO
Notary Public City of Taguig
Until 31 December 2024
IBP O.R. No. 251632 issued on December 19, 2022
PTR No. 9563520 / 3 January 2023/ Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003699
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

Doc. No. 288;
Page No. 59;
Book No. 15;
Series of 2023.

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 05 2023 day at TAGUIG CITY affiant(s) exhibiting to me his/her their Id's:
March 31 2023

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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APR 11 2023
DPQA SECTION INITIAL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metro Retail Stores Group, Inc., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Metro Retail Stores Group, Inc. as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the 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 financial statements.

Existence and completeness of merchandise inventories

The Company's inventories comprise 24% of its total assets as at December 31, 2022. The Company operates 62 stores (consisting of department stores, supermarkets and hypermarkets) and 10 warehouses across Luzon and Visayas. We focused on this area since inventories are material to the financial statements and are located in various sites across the country.

The Company's disclosures about inventories are included in Note 7 to the financial statements.

Audit Response

We observed the conduct of inventory count at selected stores and warehouses and performed test counts. We traced the results of the test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We also traced the last documents used for shipping, receiving, transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained the reconciliation of the valued physical inventory compilation and compared this with the general ledger account balances and tested selected reconciling items. On a sampling basis, we tested the rollforward and rollback procedures on inventory quantities from the date of inventory count to reporting date.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide with 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 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.

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 29 and Revenue Regulations 15-2010 in Note 30 to the financial statements are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and are not required parts of the basic financial statements. Such information are the responsibility of the management of Metro Retail Stores Group, Inc. The information have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Genalin Q. Arevalo.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
Tax Identification No. 224-024-926
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108517-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-123-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369773, January 3, 2023, Makati City

March 31, 2023

METRO RETAIL STORES GROUP, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	**₱5,162,583,002**	₱1,671,751,798
Short-term investments (Notes 5 and 27)	**–**	1,091,644,133
Receivables (Notes 6 and 27)	**954,824,757**	669,943,462
Merchandise inventories (Note 7)	**5,495,332,780**	4,163,043,783
Other current assets (Notes 8 and 27)	**630,372,608**	702,255,561
Total Current Assets	**12,243,113,147**	8,298,638,737
Noncurrent Assets		
Property and equipment (Note 9)	**5,294,353,429**	5,325,379,067
Right-of-use ("ROU") assets (Note 24)	**4,307,663,208**	4,700,055,422
Deferred tax assets - net (Note 23)	**393,572,613**	606,630,930
Other noncurrent assets (Notes 10 and 27)	**500,309,676**	505,051,360
Total Noncurrent Assets	**10,495,898,926**	11,137,116,779
TOTAL ASSETS	**₱22,739,012,073**	₱19,435,755,516
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 27)	**₱4,820,527,987**	₱3,536,960,607
Contract liabilities (Note 12)	**104,828,812**	99,893,390
Income tax payable	**23,734,498**	–
Loans payable – current portion (Notes 13 and 27)	**130,208,334**	1,000,000,000
Lease liabilities - current portion (Notes 24 and 27)	**156,724,371**	212,043,486
Total Current Liabilities	**5,236,024,002**	4,848,897,483
Noncurrent Liabilities		
Lease liabilities – net of current portion (Notes 24 and 27)	**5,106,227,807**	5,362,911,707
Retirement benefit obligation (Note 21)	**470,417,519**	536,848,593
Loans payable – net of current portion (Notes 13 and 27)	**2,850,878,173**	496,669,910
Other noncurrent liabilities (Notes 14 and 27)	**14,473,976**	17,130,032
Total Noncurrent Liabilities	**8,441,997,475**	6,413,560,242
Total Liabilities	**13,678,021,477**	11,262,457,725
Equity		
Capital stock (Note 15)	**3,429,375,000**	3,429,375,000
Additional paid-in capital (Note 15)	**2,455,542,149**	2,455,542,149
Treasury stock (Note 15)	**(207,150,258)**	(102,572,930)
Retained earnings (Note 15)	**3,289,176,015**	2,371,901,941
Remeasurement gain on defined benefit obligation (Note 21)	**94,047,690**	19,051,631
Total Equity	**9,060,990,596**	8,173,297,791
TOTAL LIABILITIES AND EQUITY	**₱22,739,012,073**	₱19,435,755,516

See accompanying Notes to Financial Statements.

METRO RETAIL STORES GROUP, INC.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Net sales (Note 16)	**₱38,101,661,412**	₱31,211,348,935	₱31,286,312,987
Rentals (Notes 22 and 24)	**243,657,457**	172,466,727	146,843,483
	38,345,318,869	31,383,815,662	31,433,156,470
COSTS AND EXPENSES			
Cost of sales (Note 18)	**30,053,235,521**	25,336,357,749	24,960,173,867
Operating expenses (Note 19)	**6,886,725,835**	5,962,470,235	6,775,499,850
	36,939,961,356	31,298,827,984	31,735,673,717
OPERATING INCOME (LOSS)	**1,405,357,513**	84,987,678	(302,517,247)
OTHER INCOME (CHARGES)(Note 17)			
Interest and other income	**350,851,441**	39,456,118	269,182,058
Finance costs	**(523,494,595)**	(469,455,919)	(512,183,440)
	(172,643,154)	(429,999,801)	(243,001,382)
INCOME (LOSS) BEFORE INCOME TAX	**1,232,714,359**	(345,012,123)	(545,518,629)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**289,525,704**	34,531,735	143,886,188
Deferred	**25,914,581**	(61,442,629)	(239,813,226)
	315,440,285	(26,910,894)	(95,927,038)
NET INCOME (LOSS)	**917,274,074**	(318,101,229)	(449,591,591)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 21)	**99,994,745**	80,512,638	(63,250,628)
Income tax effect (Note 23)	**(24,998,686)**	(22,875,626)	18,975,188
	74,996,059	57,637,012	(44,275,440)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱992,270,133**	(₱260,464,217)	(₱493,867,031)
Basic/Diluted Earnings (Loss) Per Share (Note 25)	**₱0.28**	(₱0.09)	(₱0.13)

See accompanying Notes to Financial Statements.

METRO RETAIL STORES GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022, 2021 and 2020

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Treasury Stock (Note 15)	Retained Earnings (Note 15)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 21)	Total
At January 1, 2022	**₱3,429,375,000**	**₱2,455,542,149**	**(₱102,572,930)**	**₱2,371,901,941**	**₱19,051,631**	**₱8,173,297,791**
Net income for the year	**–**	**–**	**–**	**917,274,074**	**–**	**917,274,074**
Other comprehensive income	**–**	**–**	**–**	**–**	**74,996,059**	**74,996,059**
Total comprehensive income (loss)	**–**	**–**	**–**	**917,274,074**	**74,996,059**	**992,270,133**
Acquisition of treasury stock (Note 15)	**–**	**–**	**(104,577,328)**	**–**	**–**	**(104,577,328)**
At December 31, 2022	**₱3,429,375,000**	**₱2,455,542,149**	**(₱207,150,258)**	**₱3,289,176,015**	**₱94,047,690**	**₱9,060,990,596**
At January 1, 2021	₱3,429,375,000	₱2,455,542,149	₱–	₱2,690,003,170	(₱38,585,381)	₱8,536,334,938
Net loss for the year	–	–	–	(318,101,229)	–	(318,101,229)
Other comprehensive income	–	–	–	–	57,637,012	57,637,012
Total comprehensive income (loss)	–	–	–	(318,101,229)	57,637,012	(260,464,217)
Acquisition of treasury stock (Note 15)	–	–	(102,572,930)	–	–	(102,572,930)
At December 31, 2021	₱3,429,375,000	₱2,455,542,149	(₱102,572,930)	₱2,371,901,941	₱19,051,631	₱8,173,297,791
At January 1, 2020	₱3,429,375,000	₱2,455,542,149	₱–	₱3,345,357,261	₱5,690,059	₱9,235,964,469
Net loss for the year	–	–	–	(449,591,591)	–	(449,591,591)
Other comprehensive loss	–	–	–	–	(44,275,440)	(44,275,440)
Total comprehensive loss	–	–	–	(449,591,591)	(44,275,440)	(493,867,031)
Declaration of dividends (Note 15)	–	–	–	(205,762,500)	–	(205,762,500)
At December 31, 2020	₱3,429,375,000	₱2,455,542,149	₱–	₱2,690,003,170	(₱38,585,381)	₱8,536,334,938

See accompanying Notes to Financial Statements.

METRO RETAIL STORES GROUP, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,232,714,359**	(₱345,012,123)	(₱545,518,629)
Adjustments for:			
Depreciation and amortization of property and equipment (Note 9)	**595,215,592**	606,735,487	497,444,254
Finance costs (Note 17)	**523,494,595**	469,455,919	512,183,440
Depreciation and amortization of ROU assets - net (Note 24)	**389,328,155**	518,263,490	859,437,309
Gain on lease modification (Note 24)	**(106,318,492)**	(4,830,438)	(84,463,838)
Retirement benefits costs (Note 21)	**67,799,324**	68,241,526	88,378,081
Interest income (Note 17)	**(60,965,124)**	(29,076,640)	(50,751,483)
Gain on insurance claims - net (Note 17)	**(53,681,402)**	–	(104,364,149)
Foreign currency exchange losses (gains) (Note 17)	**(48,874,026)**	(2,761,482)	6,164,814
Provision for impairment and write off of nonfinancial assets (Notes 8 and 19)	**(33,608,129)**	23,660,791	133,358,471
Provision for impairment and write off of receivables (Notes 6 and 19)	**11,515,752**	23,447,783	24,292,248
Casualty loss from typhoon Odette (Notes 7, 9 and 17)	**–**	34,387,035	–
Provision for decline in inventories values (Note 7)	**35,167,252**	20,076,626	45,465,268
Loss (gain) on retirement/disposal of property and equipment (Note 9)	**(14,675,584)**	4,649,628	4,532,824
Loss on stores closure - net (Note 19)	**–**	–	217,449,025
Operating income before working capital changes	**2,537,112,272**	1,387,237,602	1,603,607,635
Decrease (increase) in:			
Merchandise inventories	**(1,367,456,249)**	764,605,251	(390,509,258)
Receivables	**(236,200,479)**	(25,440,019)	339,300,631
Other current assets	**20,513,896**	(212,725,910)	(22,274,650)
Increase (decrease) in:			
Trade and other payables	**1,285,202,619**	(1,112,623,056)	(834,521,785)
Contract liabilities	**4,935,422**	17,759,650	(21,392,097)
Other noncurrent liabilities	**(2,656,056)**	11,505,169	290,785
Cash flows generated from operations	**2,241,451,425**	830,318,687	674,501,261
Interest paid	**(124,105,588)**	(56,362,076)	(27,123,619)
Interest received	**54,449,958**	33,253,093	57,013,949
Income tax paid	**(63,822,791)**	(28,834,164)	(352,087,946)
Retirement benefits paid	**(34,235,653)**	(14,488,298)	(88,643,728)
Proceeds from insurance claims on merchandise inventory and business interruption	**–**	–	208,728,297
Net cash provided by operating activities	**2,073,737,351**	763,887,242	472,388,214
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 9)	**(544,727,723)**	(790,785,583)	(737,201,461)
Proceeds from sale of property and equipment	**49,400,000**	–	–
Proceeds from (availment of) short-term investments	**1,091,644,133**	179,000,301	(641,069,460)
Decrease (increase) in other noncurrent assets	**(72,605,645)**	43,168,298	(32,054,926)
Net cash provided by(used in) investing activities	**523,710,765**	(568,616,984)	(1,410,325,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment (Note 13)	**2,500,000,000**	1,300,000,000	1,500,000,000
Purchase of treasury stock (Note 15)	**(104,577,328)**	(102,572,930)	–
Payments of:			
Loans payable	**(1,000,000,000)**	(1,300,000,000)	–
Lease liabilities (Note 24)	**(532,163,610)**	(677,225,703)	(1,001,989,894)
Debt issue cost (Note 13)	**(18,750,000)**	(3,750,000)	–
Cash dividends (Note 15)	**–**	–	(205,762,268)
Net cash provided by (used in) financing activities	**844,509,062**	(783,548,633)	292,247,838
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,441,957,178**	(588,278,375)	(645,689,795)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 17)	**48,874,026**	2,761,482	(6,164,814)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,671,751,798**	2,257,268,691	2,909,123,300
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,162,583,002**	₱1,671,751,798	₱2,257,268,691

See accompanying Notes to Financial Statements.

1. Corporate Information and Approval of the Financial Statements

Corporate Information

Metro Retail Stores Group, Inc. (MRSGI; the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (the SEC) on August 28, 2003 in the Republic of the Philippines. The Company is 80.07%-owned by Vicsal Development Corporation (VDC), 0.76%-owned by Value Shop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

The Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 24, 2015 (see Note 15).

The Company's principal place of business is located at Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo North Reclamation Area, Mandaue City, Cebu.

Approval of the Financial Statements

The financial statements of the Company as of December 31, 2022 and 2021 and for each of the three years in the year ended December 31, 2022 were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2023.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is the Company's functional currency. Amounts are rounded off to the nearest Philippine Peso, except where otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated:

- 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.

- Amendments to PAS 16, *Property, 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 Company.

- 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 Company 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.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the '10 percent' 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 Company 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.

- 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.

  These amendments are not expected to have a material impact on the Company.

<u>Standards and Interpretation Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, Definition of Accounting Estimates

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. 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; and
  - 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 Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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.

Summary of Significant Accounting Policies
The following accounting policies were applied in the preparation of the Company's financial statements:

Current and Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,

- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash pertains to cash on hand and in banks. Cash in banks represent cash funds that are deposited in various bank accounts of the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid investment with maturities of more than three (3) months but less than one year and are intended for short term cash requirement of the Company.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a FVPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 Company'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 Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset 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 cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, short-term investments, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" and lodged in "Deposits" under "Other noncurrent assets".

Financial assets at fair value through OCI (debt instrument)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments measured at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has no financial assets designated at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

The Company has no financial assets measured at FVPL.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement-and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

Impairment of financial assets

The Company 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

For trade receivables and rentals the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Definition of default
The Company considers that default has occurred when a financial asset is more than 90 days past due and when an internally developed information indicate that the debtor is unlikely to pay the Company in full unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16, *Leases*.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowing, 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.

The Company's financial liabilities include trade and other payables (excluding statutory payables), loans payable, lease liabilities and other noncurrent liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss only if the criteria in PFRS 9 are satisfied.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability at FVPL.

Financial liabilities at amortized cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rates (EIR) method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR 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 EIR. The EIR amortization is included as finance costs in the profit or loss. This category generally applies to trade and other payables (excluding statutory payables), loans payable, lease liabilities and other noncurrent liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 amount is recognized in profit or loss.

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 the Company.

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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as disclosed in Note 27.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the weighted average cost (WAC) method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The Company provides for estimated inventory losses based on the Company’s experience. The provision is adjusted periodically to reflect the actual physical inventory count results.

Other Assets
Deposits
Deposits include payments to lessors for rental, payments to utility companies for meter deposits which will be offset against the Company’s outstanding balance at the end of the contract term. This also include deposits for future land acquisition for the acquisition of certain land. The Deed of Absolute Sale (DOAS) for the property will be executed upon fulfillment by both parties of certain undertakings and conditions. This is expected to be transferred to “Property and equipment” within

one year upon fulfillment of the conditions. These are recognized at the actual payments at transaction date.

Prepayments
Prepayments include advance payments for insurance and rentals which are amortized or consumed within the entity's normal operating cycle.

Supplies
Supplies pertain to office and store supplies purchased by the Company for general and administrative purposes. These are recorded at cost and taken to profit and loss upon issuance.

Advances to Suppliers
Advances to suppliers are down payments to the Company's suppliers for the acquisition of supplies, merchandise inventories, property and equipment and other services. These are recognized based on the amount paid at the transaction date and are applied when the goods are received or services are rendered.

Value-Added Tax (VAT)
Revenues, expenses, and assets 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 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 statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Property and Equipment
Items of property and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including borrowing cost. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period in which they are incurred. The cost of an item of property and equipment include costs incurred relating to leases of assets that are used to construct an item of property and equipment, such as depreciation of right-of-use assets. In situations where it can be clearly demonstrated that the expenditures would result in an increase in 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 additional cost of such property and equipment.

Construction-in-progress are carried at cost (including borrowing cost) and transferred to the related property and equipment account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

When assets are sold or retired, the cost and related accumulated depreciation or amortization and accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Depreciation and amortization is calculated on a straight-line method over the estimated useful lives (EUL) of the property and equipment, except for leasehold improvements, which are amortized over the term of the lease or the EUL of the improvements, whichever is shorter.

	Years
Machinery and equipment	10 to 15
Store and office equipment	3 to 10
Computer equipment	3 to 5
Transportation equipment	3 to 10
Leasehold improvements	3 to 25 or the lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The assets' useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date.

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged.

Borrowing Costs

Borrowing costs are 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 "property and equipment" account in the statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest expense from lease liabilities.

Company as Lessee

Right-of-use assets

The Company 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. 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 and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company 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 as follow.

	Years
Land	4 to 41
Building	2 to 27

Carrying amount of right-of-use assets are adjusted for any remeasurement of lease liabilities. It is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. For all other lease modifications, the Company makes a corresponding adjustment to the right-of-use asset.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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 Company 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 (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset. PFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Rent concession
The Company recognizes rent concessions arising as a direct consequence of the COVID-19 pandemic as variable lease payments, particularly as a deduction from depreciation of right-of-use assets having met all the following criteria of amendments to PFRS 16, *COVID-19 related Rent Concessions*:

- 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, 2022; and
- There is no substantive change to other terms and conditions of the lease.

Company as Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits -noncurrent) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 (CGU) 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 or groups of assets.

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 of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

Retirement Benefit Obligation
The Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its employees. The Company's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension cost comprises the following:

- service cost;
- interest on the pension liability; and
- remeasurements of pension liability.

Service costs which include current service costs, past service cost and gains and losses on non-routine settlements are recognized in expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the Company's pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the Company's pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses 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.

Equity
Capital Stock and Additional paid-in capital
The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction from the proceeds.

Amount of contribution in excess of par value is accounted for as an additional paid-in capital.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the

extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained Earnings
The amount included in retained earnings includes accumulated profit (loss) less dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Company's BOD. Interim dividends, if any, are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. Retained earnings may be appropriated for any investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When appropriation is no longer needed, it is reversed.

Revenue from Contracts with Customers
The Company recognized revenue from sale of goods to retail customers, including the related loyalty program. Sale of goods includes food, beverage, grocery items, fashion items (e.g. shoes, bags, clothing, cosmetics), household items, home improvement products, consumer electronics and appliances, toys, and prescription and over-the-counter pharmaceutical products.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

Sale of goods
The Company sells goods directly to customers through its own stores.

For sale of goods through stores, revenue is recognized when the control of the goods has transferred to the customer, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sale of loyalty points, gift checks and stored value cards.
The Company operates a loyalty program where retail customers accumulate points for purchases made at the Company's stores that can be redeemed against any future purchases at any of the Company's stores, subject to a minimum number of points obtained. The Company also sells gift checks and stored value cards which can be used to redeem goods.

The Company allocates the consideration received to loyalty points, gift checks and stored value cards. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. The amount allocated to these items is deferred and is recognized as revenue when redeemed or the likelihood of the customer redeeming becomes remote. The deferred revenue is included in contract liabilities.

Contract Balances

Receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Rental
Rental income is recognized in profit or loss on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Interest Income
Interest income pertains to income recognized as the interest accrues using the effective interest method.

Other Income
Other operating income pertains to scrap sales from items such as non-reusable cartons, sacks, containers and other items from the Company's stores, insurance recovery and other miscellaneous income. Other income is recognized upon completion of the earning process and the collectability of the amount is reasonably assured.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the service is used or the expenses incurred.

Cost of Sales
Cost of sales consists of inventory costs related to goods which the Company has sold. Inventory costs include all costs of purchase, costs of conversion and other costs incurred, net of all related discounts, in bringing the inventories to their present location and condition.

Operating Expenses
Operating expenses constitute costs of administering the business and selling and marketing expenses associated with the development and execution of marketing promotion activities. These are recognized as expenses when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has occurred and the decrease in economic benefits can be measured reliably.

Income Taxes

Current Income Tax
Current income tax assets and current income tax 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 have been enacted or substantively enacted as of the reporting date.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized before their reversal or expiration. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period 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 reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Segment Reporting
The Company’s store operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. Information on reporting segment is represented in Note 26 to the financial statements.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income of the Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS amounts are calculated by dividing the net income attributable to the Company (after deducting interest on the convertible preferred shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of common shares used in the calculation of the basic/diluted EPS is determined on the basis of the weighted average number of shares of the Company during the year.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the closing rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations. Nonmonetary items that are denominated in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change.

The effects of any change in accounting estimates are reflected in the Company's financial statements as they become reasonably determinable. Accounting assumptions, 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effects on the amounts recognized in the financial statements:

Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company 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.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company 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 or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for some leases of land and building with shorter non-cancellable period. It is probable that the Company will exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Determining whether the loyalty points, gift checks and stored value cards provide material rights to customers
The Company has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Company's stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as the Company assessed that they provide a material right to the customer. Transaction price is allocated to these items issued to customers based on relative stand-alone selling price and recognized as a contract liability until these are redeemed. Revenue is recognized upon redemption of products by the customer. The Company also has gift checks and stored value cards which can be redeemed for future purchases at any of the Company's stores.

Contingencies
The Company in the ordinary course of business is a party to various legal proceedings and is subject to certain claims and exposures. The assessment of the probability of the outcome of these claims and exposures has been developed in consultation with the Company's counsels and is based upon an analysis of potential results. The Company's management and counsels believe that the eventual liabilities under these lawsuits, claims or exposures, if any, will not have a material effect on its financial statements.

Accordingly, no provision for probable losses was recognized by the Company in 2022 and 2021.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting 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 as follows:

Assessing NRV of Inventories
NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of

inventories but only to the extent of their original acquisition costs. In the event that NRV is lower than cost, the decline is recognized as an expense.

The Company recognized provision for shrinkage and decline in inventory values amounting to ₱35.17 million and ₱20.08 million in 2022 and 2021, respectively. Allowance for shrinkage and decline in inventory values amounted to₱100.71 million and ₱65.54 million as of December 31, 2022 and 2021, respectively (see Note 7). Merchandise inventories amounted to ₱5,495.33 million and ₱4,163.04 million as of December 31, 2022 and 2021, respectively (see Note 7).

Provision for expected credit losses of trade receivables, rentals and security deposits
The Company uses a provision matrix to calculate ECLs for trade receivables, rentals and security deposits. The provision rates are based on days past due for groupings of customer segment that have similar loss patterns (i.e., customer type and guarantor).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information including COVID-19 impact. At every 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from the Company's sales during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The Company recognized provision for expected credit losses of receivables amounting to ₱5.27 million and ₱7.38 million in 2022 and 2021, respectively. Allowance for expected credit losses of receivables amounted to₱38.93 million and ₱35.61 million as of December 31, 2022 and2021, respectively. The carrying amount of receivables, net of valuation allowance, amounted to ₱954.82 million and ₱669.94 million as of December 31, 2022 and 2021, respectively (see Note 6).

Allowance for impairment losses on security deposit amounted to ₱2.55 million and ₱6.22 million as of December 31, 2022 and 2021, respectively. The carrying amount of security deposit, net of impairment losses, amounted to ₱217.83 million and ₱218.22 million as of December 31, 2022 and 2021, respectively (see Notes 8 and 10).

Evaluation of Impairment of Nonfinancial Assets
The Company reviews other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits - noncurrent) with definite lives for impairment of value.

The impairment evaluation for nonfinancial assets includes considering certain indications of impairment such as significant changes in asset usage, significant decline in asset's market value, obsolescence, or physical damage of an asset, significant underperformance relative to expected historical or projected operating results and significant negative industry or economic trends.

The Company permanently closed two of its stores in 2020 and decided to reduce lease spaces in certain stores in 2021 and 2022. The company has also approved the permanent closure of two of its stores in 2023. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the 'property and equipment' and 'right-of-use assets'.

The Company estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect the above-mentioned nonfinancial assets. For property and equipment and right-of-use assets, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value-in-use of the CGU to which the property and equipment and right-of-use assets pertains to. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The significant assumptions used in the valuation are discount rates of 9.6%-12.4% and 9.7%–10.5% in 2022 and 2021, respectively, with an average growth rate of 3%. In 2021, the Company also considered in its assumptions the impact of COVID-19 on sales and the updated costs structure based on changes implemented during the year.

As of December 31, 2022 and 2021, the carrying value of the Company's nonfinancial assets are, as follows:

	2022	2021
Other current assets* (see Note 8)	**₱508,075,181**	₱638,784,417
Property and equipment (see Note 9)	**5,294,353,429**	5,325,379,067
Right-of-use assets (see Note 24)	**4,307,663,208**	4,700,055,422
Other noncurrent assets** (see Note 10)	**312,827,117**	257,962,509
	₱10,422,918,935	₱10,922,181,415

**Excluding security deposits, net of allowance*
***Excluding security deposits, net of allowance and deposit to utility companies*

In 2022, the Company recognized provision for impairment loss amounting to ₱27.97 million pertaining to leasehold improvements and building machineries and equipment which may not be recoverable with the approved permanent closure of two non-performing stores in 2023 (see Notes 9 and 19).

In 2022 and 2021, the Company recognized a net provision for impairment loss amounting to nil and ₱6.22 million, respectively, which pertains to estimated unrecoverable security deposits and long outstanding advances to nontrade suppliers (see Note 8 and 10).

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The Company's lease liabilities amounted to ₱5,262.95 million and ₱5,574.95 million as of December 31, 2022 and 2021, respectively (see Note 24).

Estimating Retirement Benefits Obligation
The determination of the Company's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 21 of the financial statements and include, among others, discount rates and future salary increase rates.

Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Company's retirement benefits obligation.

The Company's retirement benefits costs amounted to ₱67.80 million, ₱68.24 million and ₱88.38 million in 2022, 2021 and 2020, respectively. Retirement benefits obligation amounted to ₱470.42 million and ₱536.85 million as of December 31, 2022 and 2021, respectively (see Note 21).

4. **Cash and Cash Equivalents**

This account consists of:

	2022	2021
Cash on hand	**₱209,836,470**	₱135,648,257
Cash in banks	**2,126,827,451**	1,434,909,883
Cash equivalents	**2,825,919,081**	101,193,658
	₱5,162,583,002	₱1,671,751,798

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn annual interest at the respective short-term rates that range from 0.10%–4.50% in 2022, 0.10%–2.00% in 2021 and 0.10%–4.50% in 2020.

Interest income earned from cash and cash equivalents amounted to ₱40.13 million, ₱6.77 million and ₱14.96 million in 2022, 2021 and 2020, respectively (see Note 17).

5. Short-term Investments

This account pertains to money market placements made for varying periods of up to one year depending on the immediate cash requirement of the Company and earn annual interest at the respective short-term investment rates that range from 1.89% to 2.05%, 1.70% to 2.00%, and 2.0% to 5.25% in 2022, 2021 and 2020, respectively.

Short term investments as of December 31, 2022 and 2021 amounted to nil and ₱1,091.64 million, respectively.

Interest income earned from short-term investments amounted to ₱19.63 million, ₱21.43 million and ₱28.34 million in 2022, 2021 and 2020, respectively (see Note 17).

6. Receivables

This account consists of:

	2022	2021
Trade		
Third parties	**₱682,401,888**	₱584,619,138
Rentals	**81,238,183**	39,095,564
Nontrade		
Related parties (see Note 22)	**120,897,945**	21,346,974
Receivable from insurance	**53,681,402**	–
Receivable from SSS	**30,062,455**	23,034,715
Accrued interest receivable	**10,296,471**	4,079,885
Others	**15,173,408**	33,373,205
	993,751,752	705,549,481
Less allowance for expected credit losses	**(38,926,995)**	(35,606,019)
	₱954,824,757	₱669,943,462

Trade receivables from third parties pertain to credit sales mainly from the Company's credit account holders and credit card companies. These are noninterest-bearing and are generally collectible within 30–90 days.

Rentals pertain to receivables from tenants that lease spaces in the Company's stores. These are noninterest-bearing and are collectible within 15 days.

As of December 31, 2022, the Company recognized receivable from insurance pertaining to Insurance claims for the damage in inventory and assets amounting to ₱45.44 million and business interruption claims amounting to ₱8.24 million (see Note 17). As of March 31, 2023, this is already fully collected.

Receivable from Social Security System (SSS) pertains to maternity loans proceeds and are collectible within one (1) year.

Others consist of advances to employees and construction cash bond for store fit-outs and are collectible within the year.

Movements in the allowance for expected credit losses for individually and collectively impaired trade and rentals from third parties follow:

Trade receivables

	2022	2021	2020
At January 1	**₱25,606,019**	₱21,595,332	₱11,612,412
Add provisions (see Note 19)	**5,272,136**	7,376,230	9,982,920
Less write-off	**(1,951,160)**	(3,365,543)	–
At December 31	**₱28,926,995**	₱25,606,019	₱21,595,332

Rentals

	2022	2021	2020
At January 1	**₱10,000,000**	₱10,000,000	₱–
Add provisions (see Note 19)	**–**	–	10,000,000
At December 31	**₱10,000,000**	₱10,000,000	₱10,000,000

The Company has directly written off receivables which are deemed uncollectible amounting to ₱6.24 million, ₱16.07 million and ₱4.31 million in 2022, 2021 and 2020, respectively (see Note 19).

7. **Merchandise Inventories**

The rollforward analysis of this account follows:

	2022	2021	2020
Beginning inventory	**₱4,163,043,783**	₱4,981,620,260	₱4,636,576,270
Add purchases – net	**31,415,449,276**	24,568,611,392	25,276,452,552
Cost of goods available for sale	**35,578,493,059**	29,550,231,652	29,913,028,822
Less cost of merchandise sold (Note 18)	**(29,982,451,133)**	(25,287,751,375)	(24,885,943,294)
Less inventory loss due to typhoon Odette (see Note 17)	**–**	(33,894,600)	–
	5,596,041,926	4,228,585,677	5,027,085,528
Less allowance for shrinkage and decline in inventory values (see Note 3)	**(100,709,146)**	(65,541,894)	(45,465,268)
Ending inventory	**₱5,495,332,780**	₱4,163,043,783	₱4,981,620,260

Net purchases include cost of inventory, freight charges, insurance and customs duties.

In December 2021, various stores in Visayas were hit by typhoon Odette. The cost of the damaged inventories amounted to ₱33.89 million (see Note 17).

The inventories carried at NRV, which is the lower of cost or NRV, amounted to ₱27.42 million and ₱41.33 million as of December 31, 2022 and 2021, respectively. The related costs of the inventories carried at NRV amounted to ₱82.17 million and ₱106.87 million as of December 31, 2022 and 2021, respectively.

The Company recognized provision for decline in inventory values and shrinkage amounting to ₱35.17 million, ₱20.08 million and ₱45.47 million in 2022, 2021 and 2020, respectively. These are lodged under "Others" in the Cost of Sales section in the statements of comprehensive income (see Note 18).

No inventories have been used or pledged as security for the Company's obligations in 2022 and 2021.The Company does not have any purchase commitments as of December 31, 2022 and 2021.

8. **Other Current Assets**

This account consists of:

	2022	2021
Input VAT - net	**₱187,983,257**	172,979,561
Security deposits - current	**124,847,427**	69,694,588
Prepayments	**121,028,920**	127,432,839
Advances to trade suppliers		
Related parties (see Note 22)	**101,031,984**	₱194,523,890
Third parties	**6,296,916**	5,128,128
Supplies	**52,141,333**	52,678,665
Deferred input VAT - current	**39,634,557**	61,011,134
Prepaid income tax	**–**	25,071,986
	632,964,394	708,520,791
Allowance for impairment losses	**(2,591,786)**	(6,265,230)
	₱630,372,608	₱702,255,561

Advances to suppliers pertain to down payments made to suppliers for purchases of merchandise inventories, supplies and other services.

Input VAT pertains to taxes imposed on purchase of goods and services. These are expected to be fully amortized within one year.

Prepayments consist of prepaid insurance and advance rental payments on short-term leases.

Security deposits - current pertains to leases with remaining lease period of one year or less from reporting period.

Supplies pertain to office and store supplies purchased by the Company for general and administrative purposes. These are recognized at cost.

Allowance for impairment losses pertains to estimated unrecoverable security deposits and long-outstanding advances to third party trade suppliers. Movements in the allowance for impairment loss for other current assets follow:

Security deposits

	2022	2021	2020
At January 1	**₱6,223,444**	₱–	₱–
Provision for impairment losses (see Note 19)	–	6,223,444	–
Reclassification (Note 10)	**(3,673,444)**	–	–
At December 31	**₱2,550,000**	₱6,223,444	₱–

Advances to trade suppliers

	2022	**2021**	2020
At January 1	**₱41,786**	₱41,786	₱5,984,803
Write-off	–	–	(5,943,017)
At December 31	**₱41,786**	₱41,786	₱41,786

The Company has directly written off security deposits identified to be unrecoverable amounting to ₱11.55 million, ₱17.44 million and nil in 2022, 2021 and 2020 respectively. This is recognized under operating expenses in the statements of comprehensive income (see Note 19).

9. Property and Equipment

2022

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress (Note 24)	Total
Cost:								
At January 1	₱231,169,293	₱1,533,566,340	₱1,968,887,208	₱1,448,870,378	₱388,423,082	₱3,646,207,888	₱225,940,834	₱9,443,065,023
Additions	787,906	58,175,778	63,943,626	53,421,611	–	69,225,845	409,417,954	654,972,720
Retirements/Disposals	–	(7,553,915)	(20,082,708)	(5,711,273)	(382,621,361)	(39,157,770)	–	(455,127,027)
Reclassifications	–	77,628,765	36,821,829	931,650	(5,801,721)	226,915,836	(336,496,359)	–
At December 31	231,957,199	1,661,816,968	2,049,569,955	1,497,512,366	–	3,903,191,799	298,862,429	9,642,910,716
Less Accumulated Depreciation and Amortization:								
At January 1	–	263,115,196	1,586,927,878	1,139,199,617	338,534,922	789,908,343	–	4,117,685,956
Depreciation and amortization (see Notes 18 and 19)	–	138,514,225	146,757,924	102,851,428	18,795,174	188,296,841	–	595,215,592
Retirements/Disposals	–	(7,488,403)	(19,549,491)	(5,704,442)	(354,037,498)	(5,534,748)	–	(392,314,583)
Reclassifications	–	3,285,804	953,012	–	(3,292,598)	(946,218)	–	–
At December 31	–	397,426,822	1,715,089,323	1,236,346,603	–	971,724,218	–	4,320,586,967
Less: Allowance for impairment loss								
Impairment Losses (see Note 19)	–	3,594,748	–	–	–	24,375,573	–	27,970,321
Net Book Value	₱231,957,199	₱1,260,795,398	₱334,480,632	₱261,165,763	₱-	₱2,907,092,008	₱298,862,429	₱5,294,353,429

2021

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress (Note 24)	Total
Cost:								
At January 1	₱45,000,000	₱989,153,965	₱1,978,811,171	₱1,345,720,931	₱386,280,889	₱2,171,123,080	₱1,722,787,774	₱8,638,877,810
Additions	186,169,293	359,275,201	74,187,455	52,869,786	3,350,625	26,040,851	280,694,574	982,587,785
Retirements	–	(35,327,454)	(122,617,669)	(18,628,345)	(1,208,432)	(618,672)	–	(178,400,572)
Reclassifications	–	220,464,628	38,506,251	68,908,006	–	1,449,662,629	(1,777,541,514)	–
At December 31	231,169,293	1,533,566,340	1,968,887,208	1,448,870,378	388,423,082	3,646,207,888	225,940,834	9,443,065,023
Less Accumulated Depreciation and Amortization:								
At January 1	–	168,343,540	1,529,542,223	1,036,785,450	288,913,552	627,128,055	–	3,650,712,820
Depreciation and amortization (see Notes 18 and 19)	–	104,438,732	161,273,010	118,957,374	50,144,548	171,921,823	–	606,735,487
Retirements	–	(15,392,063)	(105,413,548)	(16,543,207)	(523,178)	(1,890,355)	–	(139,762,351)
Reclassifications	–	5,724,987	1,526,193	–	–	(7,251,180)	–	–
At December 31	–	263,115,196	1,586,927,878	1,139,199,617	338,534,922	789,908,343	–	4,117,685,956
Less: Allowance for impairment loss								
At January 1	–	18,119,395	13,807,376	1,569,386	–	–	–	33,496,157
Write-off	–	(18,119,395)	(13,807,376)	(1,569,386)	–	–	–	(33,496,157)
December 31	–	–	–	–	–	–	–	–
Net Book Value	₱231,169,293	₱1,270,451,144	₱381,959,330	₱309,670,761	₱49,888,160	₱2,856,299,545	₱225,940,834	₱5,325,379,067

In 2022, the Company recognized provision for impairment loss for the immovable property and equipment of two stores approved to be closed in 2023 amounting to ₱27.97 million under “Provision for impairment of nonfinancial assets” in the Operating Expenses section of the statement of comprehensive income (see Note 19).

In December 2021, various stores in Visayas were hit by typhoon Odette. The net book value of the damaged fixed assets amounted to ₱0.49 million. This was included under other income (charges) section of the statement of comprehensive income (see Note 17).

In September 2020, the Company closed two stores and derecognized the related leasehold improvements with a carrying value of ₱322.29 million. This was included under "Loss on stores closure - net" in the Operating Expenses section of the statements of comprehensive income (see Note 19). Additionally, the Company recognized provision for impairment loss for the remaining immovable property and equipment of the closed stores with a carrying amount of ₱33.50 million under "Provision for impairment of nonfinancial assets" in the Operating Expenses section of the statement of comprehensive income (see Note 19). In 2021, the Company completed the sale and disposal of the aforementioned immovable property and equipment and recognized an income of ₱6.33 million recognized in other income (charges) in the statement of comprehensive income. Consequently, the allowance for impairment loss recognized in 2020 was written-off in 2021.

In 2022, Company sold and retired property and equipment from various stores with carrying values of ₱34.72 million and recognized a gain on sale and retirement of ₱14.68 million. In 2021 and 2020, carrying values of retired property and equipment amounted to ₱4.65 million and ₱4.53 million, respectively. These were included under "Others" in the Other (Charges) Income section of the statements of comprehensive income (see Note 17). Construction-in-progress pertains to ongoing construction of building and leasehold improvement on stores, installation and related activities of certain leasehold improvements or other equipment necessary to prepare it for use. These are located in various locations and are transferred to the related property and equipment account once construction is completed and is ready for service.

Borrowing costs from loans payable capitalized to construction in progress amounted to ₱4.32 million and ₱5.02 million in 2022 and 2021, respectively (see Note 13).

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2022 and 2021.

The Company has contractual purchase commitments related to construction-in-progress amounting to ₱765.57 million and ₱289.82 million as of December 31, 2022 and 2021, respectively.

10. **Other Noncurrent Assets**

This account consists of:

	2022	2021
Deposits	**₱229,025,395**	₱290,489,082
Advances to nontrade suppliers		
Third parties	**226,362,463**	101,940,328
Related parties (see Note 22)	**22,450,521**	39,167,965
Deferred input VAT	**34,916,989**	82,226,233
	512,755,368	513,823,608
Less allowance for impairment loss (see Note 19)	**(12,445,692)**	(8,772,248)
	₱500,309,676	₱505,051,360

Deposits consist of the following:

	2022	2021
Security deposits	**₱95,531,108**	₱154,750,728
Deposit to utility companies*	**91,951,451**	92,338,123
Others	**41,542,836**	43,400,231
	₱229,025,395	₱290,489,082

**Deposit to utility companies is presented at cost since the timing and amounts of future cash flows are linked to the termination of the contract which cannot be reasonably and reliably estimated.*

Accretions of the security deposits amounted to ₱1.21 million, ₱0.88 million and ₱7.45 million in 2022, 2021 and 2020, respectively and are presented under "Interest and other income" in the statements of comprehensive income (see Note 17).

Others under "Deposits" pertain to payments made in relation to a lease agreement that has not yet commenced.

Advances to nontrade suppliers pertain to advance payments made for the acquisition of property and equipment and are to be delivered up to six months.

Deferred input VAT arises from purchases of capital goods above ₱1.00 million prior to 2022. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter.

Allowance for impairment losses pertains to long outstanding advances to nontrade suppliers and security deposits. In 2020, allowance for impairment loss amounting to ₱28.17 million as a result of the closure of a non-performing store in 2018 was written-off.

Movements in the allowance for impairment loss for advances to supplier follow:

	2022	2021	2020
At January 1	**₱8,772,248**	₱8,772,248	₱8,772,248
Reclassification (Note 8)	**3,673,444**	–	–
December 31	**₱12,445,692**	₱8,772,248	₱8,772,248

11. **Trade and Other Payables**

This account consists of:

	2022	2021
Trade		
Third parties	**₱3,257,205,865**	₱2,283,372,264
Related parties (see Note 22)	**33,107,812**	23,897,296
Nontrade		
Third parties	**510,371,092**	365,464,453
Related parties (see Note 22)	**44,907,446**	20,532,248
Accrued expenses	**473,731,762**	383,657,912
Credit cash bonds	**241,652,844**	250,884,882
Taxes payable	**61,335,831**	52,356,238
Others	**198,215,335**	156,795,314
	₱4,820,527,987	₱3,536,960,607

Trade payables pertain to payables to third parties and related parties arising mainly from purchases of merchandise inventories. These are generally noninterest-bearing and are normally settled in 30 days.

Nontrade payables consist of purchases of supplies, property and equipment and other services and retention payables to contractors for the Company's store equipment, leasehold improvements and liabilities in line with the Company's operating expenses. These are normally settled within twelve months.

Accrued expenses consist of:

	2022	2021
Suppliers and contractors	**₱146,358,298**	₱129,824,159
Utilities	**115,123,772**	71,923,516
Short-term rentals	**81,189,838**	59,945,719
Marketing-related cost	**21,846,947**	19,066,888
Professional fees	**14,076,720**	6,728,939
Other accruals	**95,136,187**	96,168,691
	₱473,731,762	₱383,657,912

Other accruals pertain to government remittances, retirement benefits and other operating related expenses.

Credit cash bonds pertain to cash bonds received by the Company as security for the unpaid balances of the receivables from credit account holders. This will be refunded if the account holder no longer wants to avail of the Company's credit line. These bonds earn interest annually at a fixed rate ranging from 1%–6% based on accumulated cash bond and purchases volume. Finance cost included in profit or loss pertaining to cash bonds amounted to ₱8.91 million, ₱10.74 million and ₱12.13 million in 2022, 2021 and 2020, respectively. Interest incurred from cash bonds are settled through deduction from the Company's receivables from these credit account holders (see Note 17).

Taxes payable pertains to amount of taxes withheld by the Company on income payments yet to be remitted to the government.

Others include amounts payable to government agencies for mandatory contributions and payments to the SSS, Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), current portion of tenants deposits which pertains to security deposits from tenants for the lease of space in the Company's stores with remaining lease period of one year or less from reporting period and other sundry payables.

12. Contract Liabilities

This account consists of:

	2022	2021
Gift check outstanding	**₱40,017,200**	₱42,395,434
Accrued customer loyalty reward	**39,593,712**	30,129,692
Stored value cards	**25,217,900**	27,368,264
	₱104,828,812	₱99,893,390

These items can only be redeemed from the Company's own stores. These are recognized as revenue upon redemption and are expected to be redeemed within twelve months.

The rollforward analysis of this account follows:

	2022	2021
At January 1	**₱99,893,390**	₱82,133,740
Deferred during the year	**1,869,561,186**	1,494,046,141
Recognized as revenue during the year	**(1,864,625,764)**	(1,476,286,491)
At December 31	**₱104,828,812**	₱99,893,390

13. **Loans Payable**

This account consists of the following:

	2022	2021
Long-term bank loans with nominal interest rates ranging from 4.0%–5.6% per annum	**₱3,000,000,000**	₱500,000,000
Short-term bank loans with floating interest rates ranging from 2.75%- 3.0% per annum	**–**	1,000,000,000
	3,000,000,000	1,500,000,000
Less current portion of loans payable and unamortized debt issue cost	**(130,208,334)**	(1,000,000,000)
	2,869,791,666	500,000,000
Less noncurrent portion unamortized debt issue cost	**(18,913,493)**	(3,330,090)
Noncurrent portion of loans payable	**₱2,850,878,173**	₱496,669,910

Short-term bank loans
The Company availed short-term notes payable from local banks in an aggregate amount of nil and ₱800.00 million in 2022 and 2021, respectively, with floating interest rates ranging from 2.75%–3.00% per annum. These are payable within twelve months after the reporting date and were availed for additional working capital requirements. The Company paid short-term loans in 2022 and 2021 amounting to ₱1,000.00 million and ₱1,300.00 million, respectively.

Outstanding balance of short-term bank loans amounted to nil and ₱1,000.00 million as of December 31, 2022 and 2021, respectively.

Long-term bank loans
On March 30, 2021, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-two equal quarterly installments of ₱15.63 million commencing on June30, 2023 to March 28, 2031. The loan bears a nominal interest rate of 4.0% per annum.

On March 3, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0%-5.6% per annum.

On March 17, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0%-5.6% per annum.

On March 24, 2022, the Company availed an unsecured long-term loan of ₱1,500.00 million payable in twenty equal quarterly installments of ₱75.00 million commencing on June 24, 2024 to March 23, 2029. The loan bears a nominal interest rate of 5.09% per annum.

Long-term bank loans were availed to finance construction of new store buildings.

The Company's long-term debt consists of:

	2022	2021
10-year loan due on March 28, 2031	**₱500,000,000**	₱500,000,000
10-year loan due on March 3, 2032	**500,000,000**	–
10-year loan due on March 3, 2032	**500,000,000**	–
7-year loan due on March 23, 2029	**1,500,000,000**	–
	3,000,000,000	500,000,000
Less unamortized debt issue cost	**(18,913,493)**	(3,330,090)
	₱2,981,086,507	₱496,669,910

The Company has no negative covenants and no prepayment options for its loans payable outstanding as of December 31, 2022 and 2021.

Interest expense from bank loans amounted to ₱121.05 million, ₱53.30 million and ₱21.95 million in 2022, 2021 and 2020, respectively (see Notes 9 and 17).

Borrowing costs from loans payable capitalized to construction in progress amounted to ₱4.32 million and ₱5.02 million in 2022 and 2021, respectively (see Note 9).

The movement of the unamortized debt issue cost follows:

	2022	2021
At January 1	**₱3,330,090**	₱–
Additions	**18,750,000**	3,750,000
Amortization	**(3,166,597)**	(419,910)
At December 31	**₱18,913,493**	₱3,330,090

The repayment schedule of Company's long-term debt is as follows:

	2022	2021
2022	**₱–**	₱–
2023	**130,208,333**	46,875,000
2024	**398,611,111**	62,500,000
2025	**473,611,111**	62,500,000
2026-2032	**1,997,569,445**	328,125,000
	₱3,000,000,000	₱500,000,000

14. **Other Noncurrent Liabilities**

Other noncurrent liabilities pertain to security deposits from tenants for the lease of space in the Company's stores, with remaining lease period of more than one year from the reporting period. These security deposits are refundable to the tenants upon termination of contract.

Other noncurrent liabilities as of December 31, 2022 and 2021 amounted to ₱14.47 million and ₱17.13 million, respectively (see Notes 24 and 27).

15. **Equity**

Capital Stock

The Company's common stock consists of:

	2022		2021	
	No. of shares	**Amount**	No. of shares	Amount
Common stock - ₱1.00 par value				
Authorized	**10,000,000,000**	**₱10,000,000,000**	10,000,000,000	₱10,000,000,000
Issued	**3,429,375,000**	**3,429,375,000**	3,429,375,000	3,429,375,000
Outstanding, beginning of year	**3,355,996,000**	**3,326,802,070**	3,429,375,000	3,429,375,000
Treasury shares acquired during the year	**(73,693,000)**	**(104,577,328)**	(73,379,000)	(102,572,930)
Outstanding, end of year	**3,282,303,000**	**₱3,222,224,742**	3,355,996,000	₱3,326,802,070

The Company was listed on the Main Board of the PSE on November 24, 2015 wherein it offered 905,375,000 shares at an offer price of ₱3.99 per share.

As of December 31, 2022 and 2021, the Company has 21 and 24 existing shareholders, respectively.

Additional Paid-in Capital

The Company recorded additional paid-in capital amounting to ₱2,455.54 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO amounting to ₱251.53 million charged against "Additional paid-in capital" in the statements of financial position.

Treasury Shares

On January 22, 2021, the BOD of the Company has approved the implementation of a share buyback program of up to ₱300.00 million worth of the Company's common shares to be taken from the Company's existing cash (without using the IPO proceeds) and supported by the unrestricted retained earnings.

In 2022 and 2021, the Company bought back from the market 73,693,000 shares and 73,379,000 shares or ₱104.58 million and ₱102.57 million, respectively. As of December 31, 2022 and 2021, the Company repurchased a total of 147,072,000 shares and 73,379,000 shares, respectively, for a total amount of ₱207.15 million and ₱102.57 million, respectively. These treasury shares are recorded at cost.

Stock Option Plan

The BOD and stockholders of the Company have adopted resolutions on July 27, 2015 approving the establishment of a stock option plan to offer up to 103,320,000 shares out of its unissued capital stock to key personnel. The Company has not yet implemented the stock plan as of date of this report.

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. The MESOP shall only be implemented after obtaining the required approval from the Securities and Exchange Commission. An application for the approval of the MESOP was submitted to the Commission on February 17, 2023. As of March 31, 2023, the Commission has not yet approved the MESOP.

Retained Earnings

On May 14, 2020, the BOD approved the declaration of cash dividends amounting to ₱205.76 million or ₱0.06 per share, out of the Company's retained earnings as of December 31, 2019 to stockholders of record as of May 29, 2020 which was paid on June 15, 2020.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2022 and 2021. The Company considers equity as capital excluding remeasurement effects on defined benefit obligation. The Company is not subject to externally imposed capital requirements.

The Company considers the following as capital:

	2022	2021
Capital stock	**₱3,429,375,000**	₱3,429,375,000
Additional paid-in capital	**2,455,542,149**	2,455,542,149
Retained earnings	**3,289,176,015**	2,371,901,941
Treasury stock	**(207,150,258)**	(102,572,930)
	₱8,966,942,906	₱8,154,246,160

16. **Revenue from Contracts with Customers**

All of the Company's net sales and portion of other income are revenue from contracts with customers recognized at a point in time or when it transfers control of a product to a customer.

The Company's revenue from contracts with customers accounted for under PFRS 15 are presented in the statements of comprehensive as follows:

	2022	2021	2020
Net sales	**₱38,101,661,412**	₱31,211,348,935	₱31,286,312,987
Other income (see Note 17):			
Others	**68,100,742**	20,314,671	30,834,628
	₱38,169,762,154	₱31,231,663,606	₱31,317,147,615

The following table disaggregates the Company's net sales by geographical markets and major goods or service lines for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Geographical markets:			
Luzon	**₱12,999,828,695**	₱11,634,257,160	₱11,456,946,134
Visayas	**25,101,832,717**	19,577,091,775	19,829,366,853
Total revenue from contracts with customers from net sales	**₱38,101,661,412**	₱31,211,348,935	₱31,286,312,987
Major goods/service lines:			
Food retail	**₱27,558,361,389**	₱24,376,405,905	₱24,434,738,268
General merchandise	**10,543,300,023**	6,834,943,030	6,851,574,719
Total revenue from contracts with customers from net sales	**₱38,101,661,412**	₱31,211,348,935	₱31,286,312,987

17. **Other Income (Charges)**

Interest and other income

	2022	2021	2020
Gain on lease modification (Note 24)	**₱106,318,492**	₱4,830,438	₱84,463,838
Interest income (see Notes 4 and 5)	**60,965,124**	29,076,640	50,751,483
Gain on insurance claims – net	**53,681,402**	–	104,364,149
Foreign currency exchange gain (loss)	**48,874,026**	2,761,482	(6,164,814)
Scrap sales (see Note 16)	**12,911,655**	16,859,922	4,932,774
Casualty loss from typhoon Odette (see Notes 7 and 9)	–	(34,387,035)	–
Others (Notes 9 and 16)	**68,100,742**	20,314,671	30,834,628
	₱350,851,441	₱39,456,118	₱269,182,058

Casualty loss from typhoon Odette pertains to cost of inventories and net book value of properties damaged last December 16, 2021 amounting to ₱33.89 million and ₱0.49 million, respectively. The Company already filed insurance claims related to these and has received insurance offer for the losses.

Interest income pertains to the interest earned from deposits in banks, cash placements and finance charges earned from short-term installment receivables from guarantors and employees.

Scrap sales pertain to the sale of non-reusable cartons, sacks, containers, and other scrap items from the Company's stores.

Gain on insurance claims pertains to insurance recoveries and reimbursement of losses against insurance coverage for property damages and business interruption claims in relation to the 2021 typhoon casualty losses.

Others include income from various sources such as parking income, lotto operations, penalties and others.

Finance costs

	2022	2021	2020
Finance cost on lease liabilities (see Note 24)	**₱397,857,648**	₱410,445,495	₱478,109,609
Interest expense from bank loans (see Note 13)	**116,726,975**	48,275,142	21,945,833
Interest expense on cash bond (see Note 11)	**8,909,972**	10,735,282	12,127,998
	₱523,494,595	₱469,455,919	₱512,183,440

18. **Cost of Sales**

	2022	2021	2020
Cost of merchandise sold (see Note 7)	**₱29,982,451,133**	₱25,287,751,375	₱24,885,943,294
Others (see Notes 7, 9 and 20)	**70,784,388**	48,606,374	74,230,573
	₱30,053,235,521	₱25,336,357,749	₱24,960,173,867

Others pertain to direct labor, other overhead costs, depreciation and amortization, and provision for decline in inventories values.

Depreciation and amortization charged to cost of sales amounted to ₱0.03 million, ₱0.05 million, and ₱0.15 million in 2022, 2021 and 2020, respectively (see Note 9).

19. **Operating Expenses**

	2022	2021	2020
Personnel cost (see Note 20)	**₱1,708,345,310**	₱1,646,863,783	₱1,983,235,812
Rental (see Notes 22 and 24)	**1,290,582,389**	802,565,292	584,216,674
Light, water and communication	**1,131,136,263**	758,921,442	690,812,973
Depreciation and amortization of property and equipment (see Note 9)	**595,187,972**	606,680,884	497,297,401
Depreciation and amortization of right-of-use assets - net (see Note 24)	**389,328,155**	518,263,490	859,437,309
Contracted services (see Note 22)	**371,486,341**	336,848,942	340,482,025
Taxes and licenses	**342,747,716**	359,305,821	450,029,872
Repairs and maintenance	**277,133,141**	199,703,664	227,485,633
Supplies	**157,127,117**	126,591,620	158,615,888
Commission	**127,736,755**	89,370,431	86,484,112
Subscriptions	**121,883,420**	111,916,552	76,725,647
Advertising	**116,845,642**	106,311,345	108,373,223
Insurance	**107,736,040**	112,398,330	105,559,758
Professional fees	**93,708,383**	89,934,377	85,032,406
Transportation and travel	**40,191,769**	20,442,148	84,235,819
Representation and Entertainment	**32,334,577**	25,243,540	57,571,947
Write-off of assets (see Notes 6 and 8)	**17,789,308**	33,508,900	4,309,328
Provision for (reversal of):			
Impairment of receivables (see Note 6)	**5,272,136**	7,376,230	19,982,920
Impairment of nonfinancial assets (see Notes 8, 9, 10 and 24)	**(45,153,820)**	6,223,444	133,358,471
Loss on stores closure - net	**–**	–	217,449,025
Others	**5,307,221**	4,000,000	4,803,607
	₱6,886,725,835	₱5,962,470,235	₱6,775,499,850

Depreciation and amortization of right-of-use assets recorded in the statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱51.24 million, ₱187.47 million and ₱228.16 million in 2022, 2021 and 2020, respectively (see Note 24).

Write-off of assets pertains to receivables, unrecoverable security deposits and advances to suppliers where there is no reasonable expectation of recovery and long outstanding advances to supplier.

Provision for impairment of nonfinancial assets pertains to provisions for impairment of property and equipment as a result of permanent store closures, right-of-use assets arising from the Company's planned reduction of lease premises, estimated forfeiture of security deposits due to planned reduction of lease premises and long outstanding advances to supplier and nonrefundable deposits relating to lease agreements that were already terminated.

In 2022, the Company recognized provision for impairment of property and equipment related to the pre-terminated leases amounting to ₱27.97 million (see Note 9), net of gain on pretermination of lease contract of ₱73.12 million (see Note 24).

Loss on stores closure in 2020 pertains to loss on retirement of property and equipment as a result of permanent stores closure amounting to ₱322.29 million (see Note 9), net of gain on pre-termination of lease contract amounting to ₱104.84 million (see Note 24).

Others pertain to representation, entertainment, donations and contributions.

20. Personnel Cost

	2022	2021	2020
Salaries and wages	**₱1,412,884,164**	₱1,360,720,226	₱1,603,655,194
Retirement benefits costs (Note 21)	**67,799,324**	68,241,526	88,378,081
Other employee benefits	**269,732,303**	265,731,179	347,405,228
	₱1,750,415,791	₱1,694,692,931	₱2,039,438,503

Personnel cost that were recognized as cost of sales amounted to₱20.55 million,₱19.78 million and ₱20.92 million in 2022, 2021 and 2020, respectively.

Personnel cost that were capitalized as part of construction-in-progress amounted to ₱21.52 million, ₱28.05 million and ₱35.28 million in 2022, 2021 and 2020, respectively (see Note 9).

Other employee benefits consist of the required employer contributions to SSS, PHIC and HDMF, 13th month pay and other incentives.

21. Retirement Benefit Obligation

The Company has an unfunded, noncontributory defined benefit retirement plan. The accounting method and actuarial assumptions used were in accordance with the provisions of PAS 19. Actuarial valuation by an independent actuary was made based on employee data as of valuation dates.

The following tables summarize the components of the retirement benefit costs and the retirement benefit obligation recognized in the statements of financial position for the Company's retirement plan.

The components of net retirement benefit expense (included in "Personnel cost" under "Operating expenses") in the statements of comprehensive income are as follows:

	2022	2021	2020
Current service cost	**₱36,522,861**	₱45,065,091	₱39,054,536
Interest cost	**27,379,278**	22,544,320	27,033,643
Net transferred liabilities	**3,897,185**	–	–
Past service cost: curtailment	**–**	632,115	22,289,902
	₱67,799,324	₱68,241,526	₱88,378,081

The remeasurement effects recognized in other comprehensive income (included in "Equity" under "Remeasurement (losses) gains on defined benefit obligation") in the statements of financial position are as follows:

	2022	2021	2020
Remeasurement(loss) gain due to:			
Changes in financial assumptions	**₱102,814,152**	₱65,655,522	(₱79,088,409)
Experience adjustments	**(2,819,407)**	14,857,116	15,837,781
	₱99,994,745	₱80,512,638	(₱63,250,628)

The rollforward analysis of the retirement benefit obligation follow:

	2022	2021
At January 1	**₱536,848,593**	₱563,608,003
Current service cost	**36,522,861**	45,065,091
Interest cost	**27,379,278**	22,544,320
Net transferred liabilities	**3,897,185**	–
Benefits paid	**(34,235,653)**	(14,488,298)
Past service cost- curtailment	**–**	632,115
Remeasurement gain due to:		
Changes in financial assumptions	**(102,814,152)**	(65,655,522)
Experience adjustments	**2,819,407**	(14,857,116)
At December 31	**₱470,417,519**	₱536,848,593

The benefits paid includes payments in connection with the Company's workforce rationalization and rightsizing program in response to the impact of COVID-19 pandemic.

The principal actuarial assumptions used in determining retirement obligations are as follows:

	2022	2021	2020
Salary increase rate	**4.00%**	4.00%	4.00%
Discount rate	**7.30%**	5.10%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the valuation date are open to subjectivity, assuming if all other assumptions were held constant and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2022		2021	
	Increase (decrease)	**Net retirement benefit liability**	Increase (decrease)	Net retirement benefit liability
Discount Rates	**+1.0%**	**(₱36,055,755)**	+1.0%	(₱49,019,360)
	–1.0%	**42,161,506**	–1.0%	59,707,985
Salary increase rate	**+1.0%**	**₱40,537,877**	+1.0%	₱56,714,745
	–1.0%	**(35,189,203)**	–1.0%	(47,399,337)

The Company does not maintain a fund for its retirement benefit obligation. Shown below is the maturity analysis of the benefit payments as of December 31:

	2022	2021
1 year and less	**₱–**	₱–
More than one year to 5 years	**230,514,015**	213,218,476
More than 5 years to 10 years	**257,225,242**	232,591,469
More than 10 years to 15 years	**326,116,200**	332,044,197
More than 15 years to 20 years	**2,214,632,289**	2,266,652,956
	₱3,028,487,746	₱3,044,507,098

The weighted average duration of the defined benefit obligation is 14 years in 2022 and 2021.

22. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties maybe individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at terms agreed by the parties. Outstanding balances at year end are unsecured, noninterest-bearing and settled in cash usually within one year. There have been no guarantees or collaterals provided or received for any related party receivables or payables.

The significant related party transactions and outstanding balances as of and for the years ended December 31, 2022 and 2021 are as follows:

December 31, 2022

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Advances (see Note 6; a)	**₱84,991,507**	**₱55,932,734**	**Noninterest-bearing and due in 30 days, unsecured**
Entities Under Common Control			
Advances and rental income (see Note 6; c and f)	**152,776,135**	**64,965,211**	**Noninterest-bearing and due in 30 days, not impaired**
Advances to suppliers (see Notes 8 and 10; d)	**1,039,404,940**	**123,482,505**	**Noninterest-bearing and for application within 30 days, not impaired**
Due from related parties		**₱244,380,450**	

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Lease liabilities (see Note 24; b)	**₱2,221,455**	**(₱27,427,889)**	**Noninterest-bearing and payable in 30 days, unsecured**
Rent expense (see Note 11; b)	**1,185,817,559**	**(10,638,049)**	**Noninterest-bearing and for application within 30 days, unsecured**
Management fee (see Note 11; e)	**40,781,093**	**–**	**Noninterest-bearing and payable in 30 days, unsecured**
Entities Under Common Control			
Purchase of goods (see Note 11;d)	**148,124,872**	**(35,361,323)**	**Noninterest-bearing and payable in 30 days, unsecured**
Purchases of services and rent expense (see Note 11; c)	**132,489,365**	**(32,015,886)**	**Noninterest-bearing and payable in 30 days, unsecured**
Due to related parties		**(₱105,443,147)**	

December 31, 2021

	Amount/Volume	Outstanding	Terms and Conditions
Entities Under Common Control			
Advances and rental income (see Note 6; c)	₱72,241,236	₱21,346,974	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (see Notes 8 and 10; d)	652,001,157	233,691,855	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱255,038,829	

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Lease liabilities (see Note 24; b)	₱6,680,102	(₱75,128,391)	Noninterest-bearing and payable in 30 days, unsecured
Rent expense (see Note 11; b)	940,128,962	(9,910,811)	Noninterest-bearing and for application within 30 days, unsecured
Advances (see Note 11; a)	5,972,681	(2,168,547)	Noninterest-bearing and due in 30 days, unsecured
Management fee (see Note 11; e)	57,988,660	–	Noninterest-bearing and payable in 30 days, unsecured
Entities Under Common Control			
Purchase of goods (see Note 11; d)	96,749,984	(23,897,296)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (see Note 11; c)	117,982,206	(8,452,890)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱119,557,935)	

The Company, in the normal course of business, entered into the following transactions with related parties:

a. Advances to VDC pertain to expenses paid by the Company on behalf of VDC and vice versa.
b. Rentals from leases for the Company's store spaces and warehouses. The Company recognized "Lease liabilities" for fixed rent and "Prepayments" under Other Current Assets representing advance payments to the lessor to be applied to the subsequent billing and "Trade and other payables" for variable rent.
c. The Company has receivables and payables pertaining to rental transactions in the Company's stores. These are noninterest-bearing and are collectible within 30 days.
d. The Company has short-term noninterest-bearing receivables and payables in the normal course of business pertaining to the recovery of expenses, sales and purchases of goods and services.
e. The Company entered into an agreement with VDC for legal and other services. Management fee is lodged in "Contracted services" under "Operating expenses" in the statements of comprehensive income.
f. In 2022, the Company sold its used equipment to its affiliates amounting to ₱49.40 million.

The Company has an approval requirement and limits on the amount and extent on any related party transactions which is 10% or higher of the Company's total assets based on its latest audited financial statements.

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱1,175.88 million and ₱662.07 million in 2022 and 2021, respectively, which earn interest based on prevailing market interest rates amounting to ₱7.06 million and ₱8.38 million in 2022 and 2021 respectively.

Compensation of the Company's key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	**₱115,724,245**	₱114,053,170	₱128,968,021
Post-employment benefits	**6,649,482**	6,721,883	8,565,056

There are no amounts due to or due from members of key management as of December 31, 2022 and 2021.

The Company has not recognized any impairment losses on amounts due from related parties in 2022 and 2021. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Income Taxes

Provision for (benefit from) income tax consists of:

	2022	2021	2020
Current			
MCIT/RCIT	**₱279,591,374**	₱28,099,188	₱134,045,862
Final	**9,934,330**	6,432,547	9,840,326
	289,525,704	34,531,735	143,886,188
Deferred	**25,914,581**	(61,442,629)	(239,813,226)
	₱315,440,285	(₱26,910,894)	(₱95,927,038)

The Company's provision for current income tax in 2022, 2021 and 2020 represents regular corporate income tax and minimum corporate income tax, respectively.

The components of the Company's net deferred tax assets (liabilities) are as follows:

	2022	2021
Recognized at profit or loss:		
Lease liabilities (see Note 24)	**₱1,315,738,045**	₱1,393,738,798
Right-of-use assets, including provision for impairment losses (see Note 24)	**(1,078,534,577)**	(1,165,095,622)
Retirement benefit obligation (see Note 21)	**86,255,150**	127,861,604
Provision for decline in value of inventories (see Note 7)	**25,177,287**	16,385,473
Unrealized foreign exchange gain	**(12,066,276)**	–
Contract liability from customer loyalty program (see Note 12)	**9,898,428**	7,532,423
Allowance for impairment of receivables (see Note 6)	**9,731,749**	8,901,505
Allowance for impairment of property and equipment (see Note 9)	**6,992,580**	–

(Forward)

	2022	2021
Unamortized debt issuance cost (see Note 13)	**(₱4,728,373)**	(₱832,522)
Allowance for impairment of advances to suppliers (see Note 10)	**3,759,370**	3,759,369
Excess MCIT	**–**	162,145,050
NOLCO	**–**	37,964,065
Casualty loss from Typhoon Odette (see Note 17)	**–**	7,920,243
	362,223,383	600,280,386
Recognized at other comprehensive income:		
Remeasurement gain on defined benefit obligation	**31,349,230**	6,350,544
	₱393,572,613	₱606,630,930

The Company recognized net deferred tax liability in 2022 amounting to ₱25.00 million and ₱22.88 million in 2021, which pertains to income tax effect of the remeasurements of retirement benefits obligation recognized in OCI.

Details of the Company's excess MCIT over RCIT as of December 31, 2022 and 2021 follow:

Year Incurred	Expiry Date	At December 31, 2021	Addition	Expired	Applied	At December 31, 2022
2020	December 31, 2023	₱100,534,397	₱–	₱–	₱100,534,397	₱–
2021	December 31, 2024	61,610,653	–	–	61,610,653	–
		₱162,145,050	₱–	₱–	₱162,145,050	₱–

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022 and 2021, the Company has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	At December 31, 2021	Addition	Expired	Applied	At December 31, 2022
2020	2021-2025	₱151,336,387	₱–	₱–	₱151,336,387	₱–
2021	2022-2026	519,876	–	–	519,876	–
		₱151,856,263	–	₱–	₱151,856,263	₱–

Republic Act (RA) 11534 or the CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Republic Act (RA) 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, to introduce reforms to the corporate income tax and incentives systems. It took effect last April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations except for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year whose RCIT rate is reduced to 20%;
- Minimum corporate income tax MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of improperly accumulated earnings tax is repealed.

The passage of CREATE Act into law on March 26, 2021 resulted to the measurement of the provision for current and deferred income tax using the revised income tax rate of 25% for the three months ended March 31, 2021. Accordingly, the differences in the amount of current and deferred income tax recognized in the books using the old income tax rate and the amount that should be recorded using the revised income tax rate under CREATE Act as of December 31, 2020, were adjusted in the December 31, 2021 balances of the deferred income tax and other comprehensive income, as follows:

	Using Revised Tax Rate	Using Old Tax Rate	Effect in 2021
Net Income			
2020 MCIT Payable	₱100,534,397	₱134,045,862	(₱33,511,465)
2020 Deferred Tax Assets	449,177,794	551,579,130	102,401,336
			68,889,871
Other Comprehensive Income			
2020 Deferred Tax Assets	13,737,333	16,484,799	(2,747,466)

The reconciliation of statutory income tax rate to effective income tax rate follows:

	2022	2021	2020
Provision for income tax computed at statutory rate	**₱308,178,590**	(₱86,253,031)	(₱163,655,589)
Tax effects of:			
Nondeductible expenses	**15,655,773**	11,869,917	70,792,980
Income subjected to final tax	**(4,953,610)**	(362,793)	(3,064,429)
Nontaxable excess of insurance proceeds on damaged fixed assets	**(3,440,468)**	(21,054,858)	–
Remeasurements to prior period taxes relating to changes in tax rates	–	68,889,871	–
	₱315,440,285	(₱26,910,894)	(₱95,927,038)

24. **Lease Commitments**

Company as a lessee
The Company enters into lease agreements with third parties and related parties for Company's stores, warehouses and corporate office space. The Company also entered into lease arrangements covering various computer equipment used in the operations of the Company. These leases have terms ranging from one to 41 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market conditions.

The Company's obligations under its leases are subject to interest and penalty in cases of default of payment. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of equipment and staff-houses with lease terms of 12 months or less and leases of equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

December 31, 2022

	Land	**Building**	**Total**
Cost			
At January 1, 2022	**₱1,760,106,298**	**₱5,001,943,908**	**₱6,762,050,206**
Lease modification	**–**	**(140,103,125)**	**(140,103,125)**
At December 31, 2022	**1,760,106,298**	**4,861,840,783**	**6,621,947,081**
Accumulated depreciation			
At January 1, 2022	**800,465,064**	**1,161,667,406**	**1,962,132,470**
Depreciation	**59,679,624**	**374,542,598**	**434,222,222**
Lease modification	**–**	**(186,742,771)**	**(186,742,771)**
At December 31, 2022	**860,144,688**	**1,349,467,233**	**2,209,611,921**
Less allowance for impairment losses	**–**	**(104,671,952)**	**(104,671,952)**
Net Book Value	**₱899,961,610**	**₱3,407,701,598**	**₱4,307,633,208**

December 31, 2021

	Land	Building	IT Equipment	Total
Cost				
At January 1, 2021	₱1,776,088,593	₱5,133,348,214	₱90,985,965	₱7,000,422,772
Additions	–	36,484,176	–	36,484,176
Lease modification	–	(114,016,662)	–	(114,016,662)
Asset retirement	(15,982,295)	(53,871,820)	(90,985,965)	(160,840,080)
At December 31, 2021	1,760,106,298	5,001,943,908	–	6,762,050,206
Accumulated depreciation				
At January 1, 2021	539,250,489	867,248,983	85,888,872	1,492,388,344
Depreciation	277,196,870	429,427,633	5,097,093	711,721,596
Lease modification	–	(81,137,390)	–	(81,137,390)
Asset retirement	(15,982,295)	(53,871,820)	(90,985,965)	(160,840,080)
At December 31, 2021	800,465,064	1,161,667,406	–	1,962,132,470
Less allowance for impairment losses	–	(99,862,314)	–	(99,862,314)
Net Book Value	₱959,641,234	₱3,740,414,188	₱–	₱4,700,055,422

In 2020, the Company derecognized right-of-use assets and lease liabilities amounting to ₱806.23 million and ₱911.07 million, respectively, due to the pre-termination of leases on stores closed, resulting to a recognition of gain amounting to ₱104.84 million, which is presented net of the loss on retirement of assets from stores closure (see Notes 9 and 19).

The depreciation expense of right-of-use assets recorded in the statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions and capitalized depreciation expense of right-of-use assets to property and equipment under construction totaling amounting to ₱51.24 million and ₱193.46 million in 2022 and 2021, respectively (see Note 9).

In 2020, the Company had plans of reducing leased premises in some of its stores and noted that this is an indicator of impairment on the right-of-use assets. As a result, the Company assessed the recoverable amount and recognized provision for impairment loss on right-of-use assets amounting to ₱99.86 million.

The Company entered into various agreements to revise existing lease contracts with its lessors which were accounted for by the Company as lease modifications resulting to a gain amounting to ₱106.32 million, ₱4.83 million and ₱84.46 million in 2022, 2021 and 2020, respectively. The Company also recognized a gain on lease termination for its pre-terminated leases in 2022, 2021 and 2020 amounting to ₱73.12 million, nil and ₱104.8 million, respectively, presented as net of the provision for impairment of nonfinancial assets under "Operating expenses" (see Notes 17 and 19).

The following are the amounts recognized in statement of income:

	2022	2021
Variable lease payments (see Note 19)*	**₱1,157,150,033**	₱721,567,507
Finance cost on lease liabilities (see Note 17)	**397,857,648**	410,445,495
Depreciation expense of right-of-use assets - net (see Note 19)	**389,328,155**	518,263,490
Expenses relating to short-term leases (see Note 19)*	**133,432,356**	80,997,785
Gain on lease modification (see Note 17)	**(106,318,492)**	(4,830,438)
Total amount recognized in statement of income	**₱1,971,449,700**	₱1,726,443,839

**Included in "Rental" under "Operating Expenses" in the statement of comprehensive income*

The rollforward analysis of lease liabilities follows:

	2022	2021
At January 1	**₱5,574,955,193**	₱6,021,950,271
Finance cost (see Note 17)	**397,857,648**	418,922,032
Additions	**–**	36,484,176
Payments	**(532,163,609)**	(677,225,703)
Lease modification and waived rentals	**(177,697,054)**	(225,175,583)
At December 31	**₱5,262,952,178**	₱5,574,955,193

In 2022 and 2021, the Company capitalized finance cost on lease liabilities to property and equipment under construction amounting to nil and ₱8.48 million, respectively (see Note 9).

Classification of lease liabilities is as follows:

	2022	2021
Current portion	**₱156,724,371**	₱212,043,486
Noncurrent portion	**5,106,227,807**	5,362,911,707
	₱5,262,952,178	₱5,574,955,193

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
Within one year	**₱530,014,484**	₱596,627,470
More than one year but not more than five years	**2,737,160,622**	2,406,926,886
More than five years	**9,261,481,261**	8,315,514,643
	₱12,528,656,367	₱11,319,068,999

Company as lessor
The Company entered into lease agreements with tenants for the use of space in the Company's stores. These lease agreements have terms ranging from one to four years. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market rate conditions.

Tenants are required to pay for security deposits, subject to adjustment if minimum rent increases; refundable at the end of the lease term, after deducting the amount of damages to the leased premises and unpaid charges, if any. Security deposits amounted to ₱130.85 million and ₱79.55 million as of December 31, 2022 and 2021, respectively (see Notes 11 and 14). Rental income amounted to ₱243.65 million, ₱172.47 million and ₱146.84 million in 2022, 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted lease payments to be received:

	2022	2021
Within one year	**₱97,758,557**	₱27,181,086
More than one year but not more than five years	**106,215,298**	40,974,727
More than five years	**14,925,385**	2,611,655
	₱218,899,240	₱70,767,468

25. **Earnings Per Share**

The following table presents information necessary to calculate EPS on net income:

	2022	2021	2020
Net income (loss)	**₱917,274,074**	(₱318,101,229)	(₱449,591,591)
Weighted-average number of common shares (Note 15)	**3,310,752,027**	3,401,269,747	3,429,375,000
Basic/Diluted Earnings (Loss) Per Share	**₱0.28**	(₱0.09)	(₱0.13)

There are no potentially dilutive common shares as of December 31, 2022, 2021 and 2020.

26. **Segment Reporting**

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8.

The Company's store operation is its only income generating activity and such is the measure used by the CODM in allocating resources.

The Company conducts its operations through the following store formats:

Department Stores
Department stores are engaged in the business of trading goods, commodities, wares and merchandise of any kind, such as clothes, bags, accessories, toys, and household goods.

Supermarket
Supermarkets offer a wide selection of meats, seafoods, fruits and vegetables and organic produce. This format also offers ancillary services such as pharmacy, bakeshop, café and fastfood outlets. A supermarket maybe a stand-alone supermarket or opened together with a department store.

Hypermarkets
Hypermarkets consist of "superstores" which is a combination of supermarket and department store which offer a wide range of product including full grocery lines and general merchandise.

The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% or more to the revenues of the Company.

27. **Financial Instruments**

Fair Value of Financial Instruments
As of December 31, 2022 and 2021, the Company has no financial asset and liability carried at fair value.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) 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
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial Assets
Due to the short-term nature of the transaction, the fair values of cash and cash equivalents, short-term investments, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" approximate the carrying values at yearend.

The fair value of security deposits lodged in "Deposits" under "Other noncurrent assets" is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2022		2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Security deposits, net of allowance for impairment losses (see Note 10)	**₱187,482,557**	**₱173,790,498**	₱247,088,851	₱236,455,754

The fair value of security deposits lodged in "Deposits" under "Other noncurrent assets" were based on the discounted value of future cash flow using applicable interest rates ranging from 1.70%–7.22% for 2022 and 1.61%-5.37% for 2021.

<u>Financial Liabilities</u>
Due to the short-term nature of trade and other payables (excluding statutory payables), loans payable - current portion, current portions of lease liabilities, their carrying values approximate fair value.

The fair value of long-term loans payable and tenant's deposits under "Other noncurrent liabilities" is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2022		2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Noncurrent portion of long-term loans payable (see Note 13)	**₱2,850,878,173**	**₱2,634,236,671**	₱496,669,910	₱467,224,989
Other noncurrent liabilities (see Note 14)	**14,473,976**	**12,079,811**	17,130,032	16,222,069

The fair value of security deposits were determined by discounting future cash flows using the applicable rate of 5.30% to 6.89% for 2022 and 2.69% for 2021.

There were no transfers between levels 1, 2 and 3.

<u>Financial Risk Management Objectives and Policies</u>
The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations.

The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The Company has a total available credit line of up to ₱10,700.00 million and ₱8,200.00 million with various local banks as of December 31, 2022 and 2021, respectively.

The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial liabilities of the Company as of December 31, 2022 and 2021based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2022

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	**₱–**	**₱3,257,205,865**	**₱–**	**₱3,257,205,865**
Related parties	**–**	**33,107,812**	**–**	**33,107,812**
Nontrade				
Third parties	**–**	**510,371,092**	**–**	**510,371,092**
Related parties	**–**	**44,907,447**	**–**	**44,907,447**
Accrued expenses	**–**	**473,731,762**	**–**	**473,731,762**
Credit cash bonds	**–**	**241,652,844**	**–**	**241,652,844**
Others*	**–**	**192,720,915**	**–**	**192,720,915**
Short-term bank loans:				
Principal	**–**	**–**	**–**	**–**
Future interest payments	**–**	**–**	**–**	**–**
Long-term bank loans:				
Principal	**–**	**130,208,333**	**2,869,791,667**	**3,000,000,000**
Future interest payments	**–**	**134,977,683**	**443,692,921**	**578,670,604**
Lease liabilities	**–**	**530,014,484**	**11,998,641,883**	**12,528,656,367**
Other noncurrent liabilities	**–**	**–**	**14,473,976**	**14,473,976**
	₱–	**₱5,548,898,237**	**₱15,326,600,447**	**₱20,875,498,684**

**Excluding statutory payables*

December 31, 2021

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱–	₱2,283,372,264	₱–	₱2,283,372,264
Related parties	–	23,897,296	–	23,897,296
Nontrade				
Third parties	–	365,464,453	–	365,464,453
Related parties	–	20,532,248	–	20,532,248
Accrued expenses	–	383,657,912	–	383,657,912
Credit cash bonds	–	250,884,882	–	250,884,882
Others*	–	152,004,906	–	152,004,906
Short-term bank loans:				
Principal	–	1,000,000,000	–	1,000,000,000
Future interest payments	–	3,875,000	–	3,875,000
Long-term bank loans:				
Principal	–	–	500,000,000	500,000,000
Future interest payments	–	20,000,000	87,551,370	107,551,370
Lease liabilities	–	596,627,470	10,722,441,529	11,319,068,999
Other noncurrent liabilities	–	–	17,130,032	17,130,032
	₱–	₱5,100,316,431	₱11,327,122,931	₱16,427,439,362

**Excluding statutory payables*

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment. The table below shows the exposure of the Company to credit risk:

	2022			
	Maximum exposure to credit risk	**Fair value of collaterals or credit enhancements**	**Net exposure**	**Financial effect of collaterals or credit enhancements**
Receivables:				
Trade				
Third parties	**₱682,401,888**	**₱241,652,844**	**₱440,749,044**	**₱241,652,844**
Rentals	**81,238,183**	**64,497,675**	**16,740,508**	**64,497,675**
Nontrade				
Related parties	**120,897,945**	**–**	**120,897,945**	–
Accrued interest receivable	**10,296,471**	**–**	**10,296,471**	–
Receivable from insurance	**53,681,402**	**–**	**53,681,402**	
Others*	**15,173,408**	**–**	**15,173,408**	–
	₱963,689,297	**₱306,150,519**	**₱657,538,778**	**₱306,150,519**

	2021			
	Maximum exposure to credit risk	Fair value of collaterals or credit enhancements	Net exposure	Financial effect of collaterals or credit enhancements
Receivables:				
Trade				
Third parties	₱584,619,138	₱250,884,882	₱333,734,256	₱250,884,882
Rentals	39,095,564	13,685,869	25,409,695	13,685,869
Nontrade				
Related parties	21,346,974	–	21,346,974	–
Accrued interest receivable	4,079,885	–	4,079,885	–
Others*	33,373,205	–	33,373,205	–
	₱682,514,766	₱264,570,751	₱417,944,015	₱264,570,751

Collaterals or credit enhancements pertain to cash bonds posted by credit account holders to secure payment of credit purchases through the Company's credit facilities. These also pertain to tenants' security deposits which shall be applied against the tenants' last billing.

Other than those disclosed above, the carrying amount of the financial assets represent the maximum exposure of the Company to credit risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate exposure management policy centers on reducing the Company's overall interest expense and exposure to changes in interest rates.

As of December 31, 2022 and 2021, the Company's exposure to interest rate risk arises primarily from its long-term debt from a local bank with interest rate fixed for five years, subject to quarterly repricing at the end of the fifth year. Changes in market interest rates will have no significant impact on the Company's income before income tax and cash flows in 2022 and 2021 as the rate is still fixed.

Impairment of financial assets
The Company has the following financial assets that are subject to the expected credit loss model:

- trade receivables from third party and related parties for sales of inventory;
- rent receivables from third party and related parties for rental of spaces;
- other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include cash and cash equivalents, short-term investments, accrued interest receivables, refundable security deposits and receivable from insurance. These are also subject to the impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Trade and rent receivables
The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and rent receivables. To measure the expected credit losses, trade and rent receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade and rent receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the country in which it sells its goods and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as of December 31, 2022 and 2021:

December 31, 2022
Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.02%	98.84%	
Gross carrying amount	₱653,239,485	₱29,162,403	₱682,401,888
ECL	102,735	28,824,260	28,926,995

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	12.31%	0.00%	
Gross carrying amount	₱81,238,183	₱–	₱81,238,183
ECL	₱10,000,000	–	₱10,000,000

December 31, 2021
Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.01%	92.36%	
Gross carrying amount	₱557,272,079	₱27,347,059	₱584,619,138
ECL	349,760	25,256,259	25,606,019

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	25.58%	0.00%	
Gross carrying amount	₱39,095,564	₱–	₱39,095,564
ECL	₱10,000,000	–	₱10,000,000

The Company recognized provision for impairment loss on trade receivables and rentals amounting to ₱5.27 million, ₱7.38 million and 19.98 in 2021, 2020, and 2019, respectively (see Note 6).

Trade receivables are written off when there is no reasonable expectation of recovery. All of the indicators that there is no reasonable expectation of recovery should be present prior to write off which include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, debtor is experiencing significant financial difficulties, and a failure to make contractual payments for a period of greater than 90 days past due. Provisions are measured using Stage 3 ECL where receivables are considered credit impaired.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

28. **Note to Statements of Cash Flows**

The Company's noncash activities are as follows:

a) In 2021, total cost of inventories and net book value of properties damaged amounting to ₱33.89 million and ₱0.49 million, respectively, were recognized as casualty loss as a result of the typhoon Odette (see Note 17).
b) In 2022, gain on insurance claims pertaining to insurance recoveries and reimbursement of losses against insurance coverage for property damages and business interruption claims in

relation to the 2021 typhoon casualty losses was recognized amounting to ₱54.68 million and presented under “Other income/charges” (see Notes 17)

c) In 2022 and 2021, borrowing costs capitalized to construction in progress amounted to ₱4.32 million and ₱5.02 million, respectively (see Note 9).

d) In 2022 and 2021, depreciation and amortization of right-of-use assets amounting to nil and ₱5.99 million and interest expense on lease liabilities amounting to nil and ₱8.48 million were capitalized to “Construction-in-progress” under “Property and equipment” account (see Note 24).

e) In September 2020, the Company closed non-performing department stores and as a result, the Company retired the related leasehold improvements with a carrying value of ₱322.29 million recognized under “Loss on stores closure - net”, which is net of the ₱104.84 million gain on pre-termination of lease contracts arising from derecognition of right-of-use assets and lease liabilities amounting to ₱806.23 million and ₱911.07 million, respectively (see Notes 9, 19 and 24).

f) The Company entered into various agreements to revise existing lease contracts with its lessors which were accounted for by the Company as lease modifications resulting to a gain amounting to ₱106.32 million, ₱4.83 million and ₱84.46 million in 2022, 2021 and 2020, respectively. The Company also recognized a gain on lease termination for its pre-terminated leases in 2022, 2021 and 2020 amounting to ₱73.12 million, nil and ₱104.8 million, respectively, presented as net of the provision for impairment of nonfinancial assets under “Operating expenses” (see Notes 17 and 19).

g) In 2020, the Company recognized provision for impairment losses amounting to ₱33.50 million pertaining to immovable property and equipment which may not be recoverable due to the closure of non-performing department stores during the year (see Notes 9 and 19). In addition, the Company recognized provision for impairment losses amounting to ₱99.86 million pertaining to right-of-use assets with the Company’s planned reduction of leased premises in 2021.

h) Transfers from advances to suppliers to property and equipment amounted to ₱82.16 million, ₱172.31 million and ₱327.99 million for 2022, 2021 and 2020, respectively.

i) Advance rentals, deposits and deferred charges amounting to ₱4.81 million, ₱4.69 million and ₱ 14.61 million were transferred from noncurrent assets to right-of-use assets in 2022, 2021 and 2020, respectively in accordance with the PFRS 16.

j) In 2022, the Company received ₱49.40 million proceeds from sale of property and equipment and recognized gain on sale and retirement of property and equipment amounting to ₱14.67 million.

The following are the cash flow movements of the Company’s financing liabilities in 2022, 2021 and 2020:

	2022				
	January 1	**Net cash flows**	**Movement in debt issue cost**	**Others**	**December 31**
Lease liabilities	**₱5,574,955,193**	**(₱532,163,609)**	**₱–**	**₱220,160,594**	**₱5,262,952,178**
Loans payable:					
Short-term bank loans	**₱1,000,000,000**	**(₱1,000,000,000)**	**–**	**–**	**–**
Long-term bank loans	**496,669,910**	**2,500,000,000**	**(15,583,403)**	**–**	**2,981,086,507**
Dividends payable	**8,500**	**–**	**–**	**–**	**8,500**
	₱7,071,633,603	**₱967,836,391**	**(₱15,583,403)**	**₱220,160,594**	**₱8,244,047,185**

	2021				
	January 1	Net cash flows	Movement in debt issue cost	Others	December 31
Lease liabilities	₱6,021,950,271	(₱677,225,703)	₱–	₱230,230,625	₱5,574,955,193
Loans payable:					
Short-term bank loans	1,500,000,000	(₱500,000,000)	–	–	₱1,000,000,000
Long-term bank loans	–	496,250,000	419,910	–	496,669,910
Dividends payable	8,500	–	–	–	8,500
	₱7,521,958,771	(₱680,975,703)	₱419,910	₱230,230,625	₱7,071,633,603

	2020				
	January 1	Net cash flows	Dividends declared	Others	December 31
Lease liabilities	₱7,819,087,830	(₱1,001,989,894)	₱–	(₱795,147,665)	₱6,021,950,271
Loans payable:					
Short-term bank loans	–	1,500,000,000	–	–	1,500,000,000
Dividends payable	8,268	(205,762,268)	205,762,500	–	8,500
	₱7,819,096,098	₱292,247,838	₱205,762,500	(₱795,147,665)	₱7,521,958,771

Others include the effect of the additional lease liabilities, accretion of interest, waived rentals and lease modification affecting lease liabilities account.

29. Supplementary Information Required Under BSP Circular No. 1075

Presented below are the supplementary information required by the BSP under Section 4172N of the BSP Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to be disclosed as part of the notes to financial statements based on BSP Circular 1075, Amendments to Regulations on Financial Audit of Non-Bank Financial Institutions (BSFIs).

Money Changing/Foreign Exchange Transactions

	2022			2021		
	No. of Transactions	**Amount in USD**	**Amount in PHP**	No. of Transactions	Amount in USD	Amount in PHP
Foreign currencies bought	**40,807**	**33,064,490**	**₱1,817,261,903**	25,089	22,922,831	₱1,134,635,519
Foreign currencies sold	**618**	**618,050**	**34,013,268**	400	398,500	19,715,935

Quantitative Indicators of Financial Performance

	2022	2021
Return on average equity: $\frac{\text{Net income (loss)}}{\text{Average total equity}}$	**10.64%**	-3.81%
Return on average assets: $\frac{\text{Net income (loss)}}{\text{Average total assets}}$	**4.35%**	-1.56%

30. **Supplementary Information Required Under Revenue Regulations 15-2010**

The Company reported and/or paid the following taxes for 2022:

Value added tax (VAT)

The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and Output VAT declared in the Company's VAT returns filed for 2022 are as follows:

	Net Sales/ Receipts	Output VAT
Sales subject to 12% VAT	₱33,139,515,992	₱3,976,741,919
Zero-rated sales	1,487,407,113	-
VAT-exempt sales	4,408,488,754	-
Total Sales	₱39,035,411,859	₱3,976,741,919

b. The amount of input VAT claimed are broken down as follows:

At January 1, 2022	₱172,979,561
Input VAT on purchases of goods exceeding ₱1 million deferred from prior period	143,237,367
Current year's domestic purchases of goods	3,952,553,252
Current year's capital goods purchases	-
Current year's services rendered by nonresidents	-
Total available input VAT	4,268,770,180
Less: Deductions from input VAT	
Input VAT on purchases of goods exceeding ₱1 million deferred to the succeeding period	82,226,233
Input VAT allocable to exempt sales	33,799,989
Total allowable input tax	4,152,743,958
Less: Input VAT applied to Output VAT	3,976,741,919
Add: VAT withheld on sales to government	11,981,218
At December 31, 2022	₱187,983,257

Taxes and Licenses
The following are taxes, licenses, registration fees and permit fees for the year ended December 31, 2022.

Business tax	₱232,953,365
Real property tax	79,165,440
Documentary stamp tax	17,020,231
Motor vehicle tax	550,308
Others	13,086,694
Total	₱342,776,038

Withholding taxes
The amount of withholding taxes paid and accrued in 2022 consists of the following:

Expanded withholding taxes	₱473,871,676
Tax on compensation and benefits	79,570,581
Final withholding taxes	373,179
Total	₱553,815,436

Tax Assessment and Cases
The Company has no outstanding Final Assessment Notice and/or Formal Letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax.

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6760 Ayala Avenue
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Metro Retail Stores Group, Inc. (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. 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 Supplementary Schedules are the responsibility of the Company'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.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
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BIR Accreditation No. 08-001998-123-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369773, January 3, 2023, Makati City

March 31, 2023

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2022

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash and cash equivalents			
Wealth Development Bank	₱1,175,881,726	₱1,175,881,726	
Land Bank of the Philippines	1,137,828,544	1,137,828,544	
Development Bank of the Philippines	920,142,727	920,142,727	
Philippine National Bank	648,367,545	648,367,545	
Bank of the Philippine Islands	515,956,652	515,956,652	
Security Bank	152,594,603	152,594,603	
Others	611,811,205	611,811,205	
	5,162,583,002	5,162,583,002	₱40,126,984
Short-term Investment			
Various	-	-	19,628,701
Receivables			
Third parties	682,401,888	682,401,888	
Related parties	120,897,945	120,897,945	
Rentals	81,238,183	81,238,183	
Others	109,213,736	109,213,736	
	993,751,752	993,751,752	-
	₱6,156,334,753	₱6,156,334,753	₱59,755,685

SCHEDULE B

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
N/A	N/A	N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2022

	Receivable Balance	Payable Balance	Current Portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

SCHEDULE D

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2022

Long-term Debt			
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	₱3,000,000,000	₱130,208,334	₱2,850,878,173

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

Indebtedness to related parties (Long-term loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

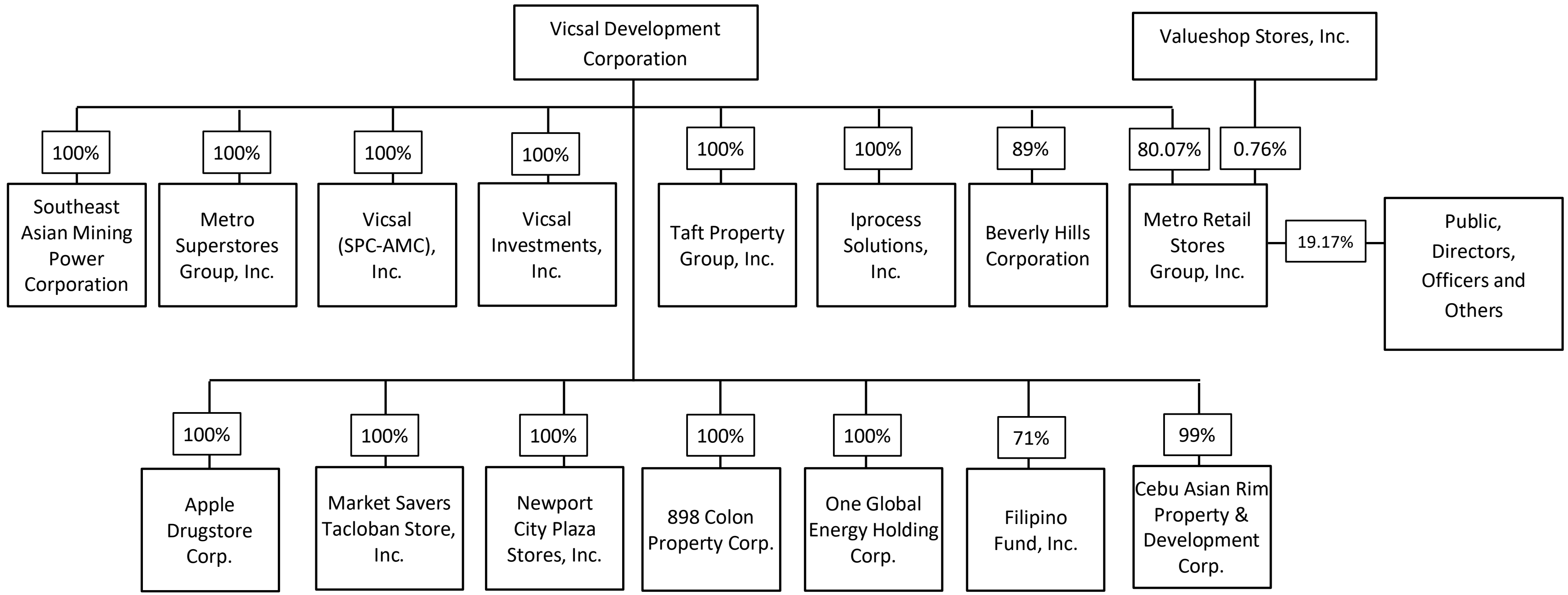
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2022

			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	10,000,000,000	3,282,303,000	136,152,230	2,652,950,871	38,357,011	–
Preferred Shares	–	–	–	–	–	–
	10,000,000,000	3,282,303,000	136,152,230	2,652,950,871	38,357,011	–

**Including treasury shares*

METRO RETAIL STORES GROUP, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2022



METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

Unappropriated Retained Earnings, beginning	₱2,371,901,941
Less: Deferred tax assets that reduced the amount of income tax expense	613,021,758
Unappropriated Retained Earnings as adjusted, beginning	1,758,880,183
Net income during the period closed to Retained Earnings	917,274,074
Add: Non-actual/unrealized income net of tax	
Amount of provisions for deferred tax during the year that increased the amount of tax expense	25,914,581
Net income Actual/Realized	943,188,655
Less:	
Treasury shares	(207,150,258)
Dividend declarations during the period	–
	(207,150,258)
Unappropriated Retained Earnings, as adjusted, ending	₱2,494,918,580

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Metro Retail Stores Group, Inc. (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) 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 PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
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PTR No. 9369773, January 3, 2023, Makati City

March 31, 2023

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2022

Ratio	Formula		2022	2021
Current Ratio	Total current assets divided by total current liabilities		**2.34**	1.71
	Total current assets	₱12,243,113,147		
	Total current liabilities	5,236,024,002		
	Current ratio	2.34		
Acid test ratio	Quick assets (total current assets less merchandise inventories and other current assets) divided by total current liabilities		**1.17**	0.71
	Total current assets	₱12,243,113,147		
	Merchandise inventories	5,495,332,780		
	Other current assets	630,372,608		
	Quick assets	6,117,407,759		
	Total current liabilities	5,236,024,002		
	Acid test ratio	1.17		
Debt-to-equity ratio	Total net debt (debt less cash and cash equivalents) divided by total equity		**(0.24)**	(0.02)
	Debt	₱2,981,086,507		
	Cash and cash equivalents	5,162,583,002		
	Net debt	(2,181,496,495)		
	Total equity	9,060,990,596		
	Debt-to-equity ratio	(0.24)		
Asset-to-equity ratio	Total assets divided by total equity		**2.51**	2.38
	Total assets	₱22,739,012,073		
	Total equity	9,060,990,596		
	Asset-to-equity ratio	2.51		

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2022

Ratio	Formula		2022	2021
Interest rate coverage ratio	EBITDA divided by finance cost		**5.12**	2.60
	Net income	₱917,274,074		
	Provision for income tax	315,440,285		
	Interest and other financing charges	523,494,595		
		1,756,208,954		
	Interest Income	(60,965,124)		
	EBIT	1,695,243,830		
	Depreciation and amortization	984,516,127		
	EBITDA	2,679,759,957		
	Finance costs	523,494,595		
	Interest rate coverage ratio	5.12		
Return on equity	Net income divided by average total equity		**10.64%**	-3.81%
	Net income	₱917,274,074		
	Total equity CY	9,060,990,596		
	Total equity PY	8,173,297,791		
	Average total equity	8,617,144,193		
	Return on equity	10.64%		
Return on assets	Net income divided by average total assets		**4.35%**	-1.56%
	Net income	₱917,274,074		
	Total assets CY	22,739,012,073		
	Total assets PY	19,435,755,516		
	Average total assets	21,087,383,795		
	Return on assets	4.35%		
Net profit margin	Net income divided by revenue		**2.41%**	-1.02%
	Net income	₱917,274,074		
	Revenue	38,101,661,412		
	Net profit margin	2.41%		

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REPORT ON FACTUAL FINDINGS

Joselito G. Orense
Chief Financial Officer
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D Seno and W.O Seno Streets
Guizo, North Reclamation Area
Mandaue City, Cebu
Philippines

Purpose of this Agreed-Upon Procedures Report

We have performed the procedures which were agreed to by Metro Retail Stores Group, Inc. (the Company) and enumerated below with respect to Annual Progress Report for the year ended December 31, 2022. Our report is solely for the purpose of assisting the Company in complying with the requirements of Philippine Stock Exchange Inc. (PSE) relating to the use of proceeds of your Initial Public Offering (IPO), and this may not be suitable for another purpose

Restriction on Use

This agreed-upon procedures report ("AUP Report") is intended solely for the information and use of Company and is not intended to be and should not be used by anyone else.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the Subject Matter on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We are not required to be independent for the purpose of this engagement. We are the independent auditor of the Company and complied with the independence requirements of the Code of Ethics that apply in context of the financial statement audit.

Our firm applies Philippine Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures below, which were agreed upon with the Company in terms of engagement dated March 25, 2022, on the Subject Matter.

We report our findings below:

1. We obtained the Annual Progress Report on Use of Proceeds from the IPO as of December 31, 2022 (the “Progress Report”) and mathematical checked the accuracy of the Progress Report. No exceptions were noted.

2. We compared the proceeds received in the Progress Report to the bank statement and journal voucher noting the date received and amount recorded. No exceptions were noted.

3. We compared the list of disbursements as of December 31, 2022 (the “Disbursements Schedule”) and checked its mathematical accuracy. No exceptions were noted.

4. We compared the disbursements in the Progress Report to the Disbursements Schedule. There were disbursements from the IPO account as of December 31, 2022 amounting to One Hundred Sixty-One Million Ninety-Eight Thousand Four Hundred Fourteen and Two Cents (₱161,098,414.02). No exceptions were noted.

5. On a sample basis, we traced the amounts and dates of additions to the supporting documents such as certificate of time deposits, bank statements, and deposit slips. As a result of the discretionary use of IPO proceeds not yet applied for the capital expenditure purposes, as presented in the IPO Prospectus, the Company earned Eleven Million Seven Hundred Fifty-Four Thousand Fifty-Four and Seventy-Two Cents (₱11,754,054.72) net interests from time deposits which were rolled over together with the principal for another period and thus forms part of the Company’s IPO fund. No exceptions were noted.

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6. On a sample basis, we traced the amounts and dates of the disbursements to the supporting documents such as progress billings, bank statements, invoices, official receipts and check vouchers, and agreed the amounts and dates of the disbursements to the accounting records. The disbursements to IPO fund pertain to capital expenditure for the ongoing construction of the Sta. Rosa Warehouse Project amounting to One Hundred Sixty-One Million Seventy-One Thousand Four Hundred Twenty-Eight and Eighty-Four Cents (₱161,071,428.84). The Company also incurred bank charges amounting to Twenty-Six Thousand Nine Hundred Eighty-Five and Eighteen Cents (₱26,985.18) in relation to pretermination of its time deposits. No exceptions were noted.

Explanatory Paragraph

The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform, and we have not performed any procedures other than those previously listed. We have not performed procedures to test the accuracy or completeness of the information provided to us except as indicated in our procedures. Furthermore, we have not performed any procedures with respect to the preparation of any of the source documents.

This AUP Report relates only to the Annual Progress Report as of December 31, 2022, as specified above and do not extend to the financial statements of the Company, taken as a whole.

We take no responsibility to update this AUP Report for events and circumstances occurring after the AUP Report is issued.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
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PTR No. 9369773, January 3, 2023, Makati City

January 31, 2023

METRO
RETAIL STORES GROUP, INC.

January 27, 2023

THE PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: Ms. Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department

Subject: Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of Metro Retail Stores Group, Inc. ("MRSGI")

Dear Ms. Tom Wong,

We are pleased to submit our Annual Progress Report on the Application of Proceeds for 2022, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that as of December 31, 2022, the remaining balance of the proceeds from the MRSGI common shares IPO amounts to Five Hundred Seventy Seven Million Thirty One Thousand Three Hundred Fifty Pesos and Sixty Centavos (Php 577,031,350.60).

The details of the disbursement for the Calendar Year 2022 are as follows:

Balance of IPO Proceeds as of December 31, 2021		Php		**714,910,841.48**
Add:	Interest Earned			**11,754,054.72**
Less:	Capital Expenditure for Sta. Rosa Project		161,071,428.84	
	Bank Charges		26,985.18	161,098,414.02
Balance of IPO Proceeds as of December 31, 2022		**Php**		**577,031,350.60**

Thank you.

Very truly yours,

JOSELITO G. ORENSE
Treasurer / Chief Financial Officer

→ MRSGI ASM File

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

of METRO RETAIL STORES GROUP, INC.

Held via remote communication under the platform of
Zoom Video Communications
May 6, 2022 (Friday) at 9:00 AM

Stockholders Present

No. of Outstanding and Voting Shares:	**2,659,642,502**
Percentage of Total:	79.91%

Directors Present:

1. Frank S. Gaisano	Chairman of the Board and Chief Executive Officer
2. Manuel C. Alberto	President and Chief Operating Officer
3. Margaret G. Ang	Director
4. Edward S. Gaisano	Director
5. Jack S. Gaisano	Director
6. Guillermo L. Parayno, Jr.	Independent Director
7. Ricardo Nicanor N. Jacinto	Independent Director

Officers Present:

Sherisa P. Nuesa	Senior Adviser to the Board
Arthur Emmanuel	Senior Adviser to the Board
Joselito G. Orense	Treasurer and Chief Financial Officer
Vincent E. Tomaneng	Corporate Secretary and Chief Legal Counsel
Theresa Marie C. Puno-dela Peña	Assistant Corporate Secretary and Compliance Officer

1. Call to Order

Before the start of the program, the Corporate Secretary, Atty. Vincent E. Tomaneng, asked the Zoom Video Communications Host, Mr. Jayson E. Golez, whether the attendees present today at the 2022 Annual Stockholders' Meeting of Metro Retail Stores Group, Inc. ("MRSGI" or the "Corporation") held via remote communication (the "ASM") can clearly hear and/or see the entire proceedings, the speakers and their corresponding presentations. Mr. Golez replied in the affirmative and confirmed the same. The Corporate Secretary then informed the assembly that today's virtual ASM will be recorded pursuant to the existing rules and regulations of the Securities and Exchange Commission.

Thereafter, MRSGI Chairman and Chief Executive Officer, Mr. Frank S. Gaisano, welcomed all the stockholders, investors, officers and guests to the ASM. He then introduced to the body the directors and officers of MRSGI. He stressed that the virtual ASM was necessitated by the continuing presence of the Covid19 pandemic where physical gatherings are still highly discouraged. He then formally called the meeting to order.

2. Proof of Notice of the Meeting, Voting Procedures, and Existence of Quorum

The Corporate Secretary certified that written notices of the date, time, platform, and agenda of the ASM were sent to all stockholders of record as of April 11, 2022 by the following modes of notification to the stockholders in compliance with the SEC Notice dated March 16, 2021:

a. Publication of the Notice of the ASM in the Business Sections of the Philippine Daily Inquirer and the Philippine Star (both newspapers of general circulation in the Philippines) in both print and online format on April 13 and 14, 2022;

b. Disclosure of the ASM Notice on the Philippine Stock Exchange Edge portal; and

c. Posting on the Corporation's website at www.metroretail.com.ph

He also told the body that the stockholders have been duly informed about the guidelines for participating via remote communication and the voting procedures as contained in the Notice of the ASM, and as indicated in the Definitive Information Statement dated April 12, 2022 which was made available to the stockholders through the PSE Edge portal and the Corporation's website.

He then certified that out of the 3,328,092,000 total outstanding common shares of MRSGI as of the record date April 11, 2022, 2,659,642,502 shares or 79.91% thereof are present via remote communication, either personally or represented by proxies. The Corporate Secretary certified that there was a quorum for the transaction of all the matters on the agenda.

3. Chairman's Message

The Chairman and CEO then proceeded to deliver his message. He started by thanking everyone for taking time to attend the 3rd virtual ASM of MRSGI and expressed his heartfelt gratitude and appreciation for the unwavering support given to MRSGI. He then reported to the stockholders, MRSGI's accomplishments for 2021, to wit:

a. MRSGI was able to pare down its net loss and ended the year with a positive operating income and EBITDA mainly due to reduced operating expenses.
b. MRSGI incessantly took steps to ensure the safety of its employees, customers, and business partners by implementing health and safety protocols set by the government, which led to having all 61 stores in 2021 attain 100% compliance with the DTI Safety Seal.
c. MRSGI continued to uphold its commitment to best practices in quality and food safety, with four of its supermarkets re-certified for Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Points (HACCP).
d. MRSGI continued to pursue its expansion plans and managed to open new stores in strategic areas.
e. MRSGI also acquired a property in Sta. Rosa City, Laguna, to serve as a new distribution center, to cater to the growing demand for warehousing and logistics requirements in Luzon.
f. MRSGI continued to invest in its technology infrastructure as part of the omnichannel strategy.
g. MRSGI ramped up its e-commerce and mobile commerce initiatives and established presence through its own online store, Call-Text-Viber service, and partnerships with third-party platforms.

He ended his message by saying that while MRSGI may have gone through setbacks over the past 2 years, its leadership team and the whole Metro family believe that the Corporation can overcome the challenges and adversities that it is facing and rise above them.

4. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 7, 2021

The Chairman proceeded with the approval of the minutes of the Annual Stockholders' Meeting held on May 7, 2021. The Corporate Secretary certified that copies of the said minutes were made available to the stockholders at the Corporation's website at www.metroretail.com.ph.

The Chairman asked the Corporate Secretary if the proposed resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the said agenda item as validated by its Stock and Transfer Agent, *Stock Transfer Service Inc.* ("STSI"). The Chairman then confirmed the shareholders' approval on the matter as follows:

Resolution No. S01-2022

"**RESOLVED**, that the minutes of the previous Annual Stockholders' Meeting of Metro Retail Stores Group, Inc. held last May 7, 2021, be approved as it is hereby approved in toto."

Vote	Number of Votes (One share-One vote)	Percentage of Shares Represented
Approve	**2,659,642,502**	79.91%
Disapprove	0	0%
Abstain	0	0%

5. President's Message

The Corporation's President and Chief Operating Officer, Mr. Manuel C. Alberto, reported on the performance of MRSGI for 2021 as follows:

a. MRSGI trimmed down its net loss by 29.2% to PhP318.1 million from PhP449.6 million in 2020. This was mainly driven by the decline in operating expenses as a result of the Company's continuous efforts in increasing efficiency and economizing its costs.
b. MRSGI's sales from both food retail and general merchandise businesses experienced a slight decline of 0.2% compared to 2020 as its stores still faced low customer traffic. General merchandise business remained challenged as consumers continued to prioritize basic essentials. Also, operations of some of its stores in the Visayas region were disrupted due to typhoon Odette's onslaught in December 2021.
c. In 2021, MRSGI fully reopened its flagship store Metro Ayala Cebu and added four (4) new stores in the Visayas to further strengthen its brand's foothold in the region. MRSGI now has a total of 63 stores, with 2 new stores opened in 2022.
d. The Company continuously upgraded its own e-commerce platform, shopmetro.ph, and pursued partnerships with 3rd party platforms to broaden its online presence.
e. For sustainability efforts, the Company has installed solar panels in some of its stores and plan to add more this year.

MRSGI is optimistic towards recovery as Covid restrictions relaxed, vaccine rollout accelerated, and the economy began to rebound. The Company has seen an improvement in its operations in the past few months and will further demonstrate breakthrough performance as it becomes more agile beyond these challenging times.

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Mr. Alberto then thanked the Corporation's partners, shareholders and customers, our own people – the retail front liners, for their continuing support, hard work and dedication as we head towards recovery and walk towards success.

6. Management Presentations and Approval of the Annual Report and the Audited Financial Statements for CY 2021

The Chairman continued by calling on MRSGI's Treasurer and Chief Financial Officer, Mr. Joselito G. Orense, to present the highlights of the Annual Report and the Audited Financial Statements of MRSGI for 2021.

Mr. Orense started by discussing the financial highlights of MRSGI for the year 2021. He then reported on the results of MRSGI operations for the period ended December 31, 2021. He further reported the statement of financial position as of December 31, 2021. He ended the presentation by sharing the Corporation's key financial ratios for 2021.

The Chairman asked the Corporate Secretary if the proposed resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the said agenda item as validated by STSI. The Chairman then confirmed the shareholders' approval on the matter as follows:

Resolution No. S02-2022

"**RESOLVED**, that the Annual Report and the Audited Financial Statements of Metro Retail Stores Group, Inc. for the period ended December 31, 2021, as audited by the Corporation's external auditor, SyCip Gorres Velayo & Co, be approved as it is hereby approved."

Vote	Number of Votes (One share-One vote)	Percentage of Shares Represented
Approve	**2,659,642,502**	79.91%
Disapprove	0	0%
Abstain	0	0%

7. Appointment of SyCip Gorres Velayo & Co. as External Auditor of the Corporation for the year 2022

The Chairman called on Mr. Guillermo L. Parayno Jr., Chairman of MRSGI's Audit and Risk Committee, to announce the firm nominated as the Corporation's external auditor for the year ending December 31, 2022.

Mr. Parayno then nominated and requested for approval on the appointment of the firm Sycip Gorres Velayo & Co. as MRSGI's external auditor for the year ending December 31, 2022.

The Chairman asked the Corporate Secretary if the resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the said agenda item as validated by STSI. The Chairman then confirmed the shareholders' approval on the matter as follows:

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Resolution No. S03-2022

"**RESOLVED**, to approve the appointment of SyCip Gorres Velayo & Co. as the external auditor of Metro Retail Stores Group, Inc. (the "Corporation") for the year 2022, as endorsed by the Corporation's Audit and Risk Committee."

Vote	Number of Votes (One share-One vote)	Percentage of Shares Represented
Approve	2,659,642,502	79.91%
Disapprove	0	0%
Abstain	0	0%

8. General Ratification and Approval of Previous Acts of the Directors, Committees, Officers, and Management of the Corporation

The Chairman advised the stockholders that the next item on the agenda is the approval and confirmation of all acts, resolutions, and proceedings of the Board of Directors, its Committees, Officers, and Management in the exercise of their duties and responsibilities during the intervening year, subsequent to last year's ASM.

The Chairman asked the Corporate Secretary if the resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the said agenda item as validated by STSI. The Chairman then confirmed the shareholders' approval on the matter as follows:

Resolution No. S04-2022

"**RESOLVED**, to approve all acts and resolutions of the Board of Directors and its Committees, Officers, and Management of Metro Retail Stores Group, Inc., since the last annual stockholders' meeting up to the date of this meeting."

Vote	Number of Votes (One share-One vote)	Percentage of Shares Represented
Approve	2,659,642,502	79.91%
Disapprove	0	0%
Abstain	0	0%

9. Election of Directors

The next item in the agenda was the election of seven (7) members of the Board to fill up the seven (7) seats of the Board of Directors as provided in the Articles of Incorporation of the Corporation, who shall occupy their respective positions for one year and until their successors are duly elected and qualified.

The Chairman requested the Corporate Secretary to read out the names of the nominees for the current year's Board of Directors.

The Corporate Secretary informed the assembly that in accordance with the previously sent Proxy Statement and the Corporation's Amended Manual on Corporate Governance, the following are the individuals pre-screened, and determined to be qualified to be elected as members of the Board in accordance with the Corporation's By-Laws, and named in the Final List of Candidates for Directors submitted by the Nomination and Compensation Committee:

1. Mr. Frank S. Gaisano
2. Mr. Manuel C. Alberto
3. Ms. Margaret G. Ang
4. Mr. Jack S. Gaisano
5. Mr. Edward S. Gaisano
6. Mr. Ricardo Nicanor N. Jacinto
7. Mr. Guillermo L. Parayno, Jr.

The Chairman asked the Corporate Secretary if the proposed resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the said agenda item as validated by STSI, as follows:

	Approve	Disapprove	Abstain
Frank S. Gaisano	**2,656,341,502**	3,926,300	0
% of Shares Voted	79.82%	0.12%	0%
Manuel C. Alberto	**2,658,091,202**	1,551,300	0
% of Shares Voted	79.87%	0.05%	0%
Margaret G. Ang	**2,654,790,202**	5,477,600	0
% of Shares Voted	79.77%	0.16%	0%
Jack S. Gaisano	**2,658,091,202**	1,551,300	0
% of Shares Voted	79.87%	0.05%	0%
Edward S. Gaisano	**2,658,091,202**	1,551,300	0
% of Shares Voted	79.87%	0.05%	0%
Ricardo Nicanor N. Jacinto (Independent Director)	**2,659,642,502**	0	0
% of Shares Voted	79.91%	0%	0%
Guillermo L. Parayno, Jr. (Independent Director)	**2,659,642,502**	0	0
% of Shares Voted	79.91%	0%	0%

Based on the above voting results and there being no other nominees to the Board, the Chairman formally announced and confirmed that all of the above seven (7) individuals are duly elected as Directors of MRSGI for the ensuing year and until their successors are duly elected and qualified, after the following resolution was passed:

Resolution No. S05-2022

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

1) Frank S. Gaisano
2) Manuel C. Alberto
3) Margaret G. Ang
4) Jack S. Gaisano
5) Edward S. Gaisano
6) Ricardo Nicanor N. Jacinto – Independent Director
7) Guillermo L. Parayno, Jr. – Independent Director"

Messrs. Jacinto and Parayno were elected as independent directors in accordance with the rules of the Securities and Exchange Commission on the requirements on nomination and election of independent directors.

10. Other Matters

The Chairman then proceeded to discuss the transaction of other matters. The Corporate Secretary stated that there was nothing of particular importance that the Board has conveyed to discuss. Further, the Corporate Secretary informed the body that there will be no open forum during the ASM as indicated in the Definitive Information Statement. The stockholders may, however, send their questions about the ASM and about the Corporation to its Investor Relations Officer at arnold.leoncio@metroretail.ph. He will reply accordingly.

11. Adjournment

There being no other matters to be discussed, the meeting was thereupon adjourned.

Prepared by:

ATTY. VINCENT E. TOMANENG
Corporate Secretary

Attested By:

MR. FRANK S. GAISANO
Chairman of the Board

MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING

of METRO RETAIL STORES GROUP, INC.

Held via remote communication under the platform of
Zoom Video Communications
February 7, 2023 (Tuesday) at 9:00 AM

Stockholders Present

No. of Outstanding and Voting Shares:	**2,657,662,110**
Percentage of Total:	80.99%

Directors Present:

1. Frank S. Gaisano	Chairman of the Board and Chief Executive Officer
2. Manuel C. Alberto	President and Chief Operating Officer
3. Margaret G. Ang	Director
4. Edward S. Gaisano	Director
5. Jack S. Gaisano	Director
6. Guillermo L. Parayno, Jr.	Independent Director
7. Ricardo Nicanor N. Jacinto	Independent Director

Officers Present:

Sherisa P. Nuesa	Senior Board Adviser
Joselito G. Orense	Treasurer and Chief Financial Officer
Vincent E. Tomaneng	Corporate Secretary and Chief Legal Counsel
Theresa Marie C. Puno-dela Peña	Assistant Corporate Secretary and Compliance Officer
Arnold M. Leoncio	VP - Business Development and Investor Relations
Antonio P. Jacomina, Jr.	VP - Human Relations

1. Call to Order

Before the start of the program, the Corporate Secretary, Atty. Vincent E. Tomaneng, asked the Zoom Video Communications Host, Mr. Jayson E. Golez, whether the attendees present today at the 2023 Special Stockholders' Meeting of Metro Retail Stores Group, Inc. ("MRSGI" or the "Corporation") held via remote communication (the "SSM") can clearly hear and/or see the entire proceedings, the speakers and their corresponding presentations. Mr. Golez replied in the affirmative and confirmed the same. The Corporate Secretary then informed the assembly that today's virtual SSM will be recorded pursuant to the existing rules and regulations of the Securities and Exchange Commission.

Thereafter, MRSGI Chairman and Chief Executive Officer, Mr. Frank S. Gaisano, welcomed all the stockholders, investors, officers and guests to the SSM. He then introduced to the body the directors and officers of MRSGI. He then formally called the meeting to order.

2. Proof of Notice of the Meeting, Voting Procedures, and Existence of Quorum

The Corporate Secretary certified that written notices of the date, time, platform, and agenda of the SSM were sent to all stockholders of record as of January 18, 2023 by the following modes of notification to the stockholders in compliance with the SEC Notice dated February 16, 2022:

a. Publication of the Notice of the SSM in the Business Sections of the Business World and the Manila Times (both newspapers of general circulation in the Philippines) in both print and online format on January 16 and 17, 2023;

b. Disclosure of the SSM Notice on the Philippine Stock Exchange Edge portal; and

c. Posting on the Corporation's website at www.metroretail.com.ph

He also told the body that the stockholders have been duly informed about the guidelines for participating via remote communication and the voting procedures as contained in the Notice of the SSM, and as indicated in the Definitive Information Statement dated January 17, 2023 which was made available to the stockholders through the PSE Edge portal and the Corporation's website.

He then certified that out of the 3,281,446,000 total outstanding common shares of MRSGI as of the record date January 18, 2023, 2,657,662,110 shares or 80.99% thereof are present via remote communication, either personally or represented by proxies. The Corporate Secretary certified that there was a quorum for the transaction of all the matters on the agenda.

3. Ratification of the MRSGI Executive Stock Option Plan

The Chairman informed the stockholders that the sole agenda for this SSM is the ratification of the MRSGI Executive Stock Option Plan ("MESOP"). According to the Chairman, the MESOP is designed to inculcate among the leaders and key managers of MRSGI a sense of ownership over the business and will help build a corporate culture anchored on meritocracy and results-based performance. The MESOP is a tool for performance awards based on merit and will certainly help in attracting and retaining talents. The MESOP will motivate and inspire the leaders to deliver better results in terms of enhanced revenues and net income, increasing market share, share price appreciation, and cash dividend distribution, which will benefit all stockholders of the Company. He then called MRSGI's Treasurer and Chief Finance Officer, Mr. Joselito G. Orense, to present the keypoints of the MESOP.

Mr. Orense then proceeded to present the salient features of the MESOP as contained in Annex "A" hereof consisting of 5 pages. After the presentation, the Chairman asked the Corporate Secretary if the proposed resolution has been approved by the shareholders. The Corporate Secretary disclosed the number of votes in favor of the ratification of the MESOP as validated by the Stock and Transfer Agent, *Stock Transfer Service Inc*. The Chairman then confirmed the shareholders' approval on the matter as follows:

Resolution No. S01-2023

"**RESOLVED**, that the MRSGI Executive Stock Option Plan ("MESOP"), as approved by the Board of Directors on December 23, 2022, is hereby ratified by the stockholders owning at least 2/3 of total outstanding capital stock of the Corporation."

Vote	Number of Votes (One share-One vote)	Percentage of Shares Represented
Approve	**2,652,228,810**	80.83%
Disapprove	5,433,300	0.17%
Abstain	0	0%

The Corporate Secretary also relayed to the stockholders a particular query received from a minority shareholder, to wit:

Minority Stockholder Query: "What would be the benefit of the MESOP to the minority stockholders?"

MRSGI Reply (through its Investor Relations Officer): "The MESOP aims to encourage exemplary professional leaders and managers to build their careers with MRSGI and foster commitment and affiliation with the Company. It is also a tool for attracting and retaining talents needed by the business and the Company in sustaining its growth objectives and building adequate organizational capability.

A Company with exemplary and loyal leaders, highly motivated and committed to the Company, will result in a better-performing Company especially in terms of share price appreciation and cash dividend distribution, which will benefit all stockholders of the Company, including the minority stockholders."

4. Other Matters

The Chairman then proceeded to discuss the transaction of other matters. The Corporate Secretary stated that there was nothing of particular importance that the Board has conveyed to discuss. Further, the Corporate Secretary informed the body that there will be no open forum during the SSM as indicated in the Definitive Information Statement. The stockholders may, however, send their questions about the SSM and the MESOP to MRSGI's Vice President for Business Development and Investor Relations at arnold.leoncio@metroretail.ph. He will reply accordingly.

5. Adjournment

There being no other matters to be discussed, the meeting was thereupon adjourned.

Prepared by:

ATTY. VINCENT E. TOMANENG
Corporate Secretary

Attested By:

MR. FRANK S. GAISANO
Chairman of the Board

METRO
RETAIL STORES GROUP, INC.

Executive Stock Option Plan

Nature of the Plan

1. Part of MRSGI's long-term Reward System to promote a corporate culture that is values-based, performance-driven, results-oriented and upholds Meritocracy.
2. A privilege and not a right or an entitlement; neither a benefit nor a guaranteed incentive.
3. Discretionary and viable form of reward, and dispensed/ awarded by owners/ majority shareholders of MRSGI.
4. Take the nature and form or a Restricted Stock Option Plan, with provisions limiting the scope of ownership and transaction of awarded shares as provided in the provisions of the plan.

Objectives of the Plan

1. Instill amongst its Executives and Corporate Talents the entrepreneurial mindset, marked by innovation and calculated risk-taking.
2. Inculcate among the leaders and key managers a sense of belonging and ownership over the business.
3. Build a corporate culture anchored on meritocracy.
4. Tool for attracting and retaining corporate talents.
5. Encourage exemplary professional managers to build their careers and personal equity with MRSGI and foster commitment and affiliation.
6. Help executives build personal equity in MRSGI and align this to company growth.

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Conditions for Participation

1. Individuals eligible to participate
   - Executives, Managers, and Employees of the Group
   - Continuous employment is a pre-requisite for qualification

2. Selection of participants
   - Sole discretion over the selection of participants by the Chairman
   - Consider the position and responsibilities, the nature and value of services and accomplishments, present and potential contribution to the success of the Company

3. Subscription price
   - Market price or at a discount to the market price, not to exceed 15% of the market price
   - Subject to the performance of the Company, and prevailing market conditions
   - Exercise price to be fixed at the option grant date, and valid for the duration of the option period

   Subscription price cannot be lower than the par value of shares

METRO

Restrictions (Parameters) of the Options

1. Vesting
   - Option may be exercised in accordance with the vesting percentage and vesting schedule

2. Option period
   - An option shall lapse automatically (to the extent not yet exercised) upon the occurrence of any of the following circumstances, whichever comes first:
     a. The end of the option expiration date, defined as the end of the 5th year period from the date the option is granted in writing
     b. The date the Option Holder ceases to be an employee of the Company
     c. The date of the effectivity of the Company's dissolution
     d. The date on which the Option Holder commits any of the prohibited acts

METRO

Exercise of the Options

1. Date of exercise: Option Holder may exercise in whole or in part his vested option provided that an option that is exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the Option Expiration Date.
2. Method of exercise: Option Holder (or heirs or legal representative) shall exercise option in whole or in part by completing, signing, and submitting the Option Exercise Form.
3. Settlement: Payment in cash or check for the full amount of the subscribed shares based on the stipulated Subscription Price.
4. Allotment: Company shall issue and allot shares subscribed and shall issue the certificate of stock of fully paid and issued shares to Option Holder within thirty (30) days of receipt of full payment for the subscribed shares.
5. Holding period: Six (6) month holding period (not to sell the exercised/subscribed shares) shall apply from the date the exercised shares have been fully paid
6. Right of first refusal: MRSGI shall have the right of first refusal to buy back the exercised shares from the Option Holder

METRO

Grant and Acceptance of Options

1. Restriction of grant: No Option shall be granted thirty (30) calendar days immediately preceding the date of announcement of the Company's financial results. In the event that an announcement of any matter of an exceptional nature involving unpublished price-sensitive information is made, Option may only be granted on or after the third (3rd) Market Trading Day after the date or which such statement is released.
2. Share options allotment: Chairman shall recommend the Participants using the BOD-approved parameters.
   - Chairman shall determine the number of Share Options to be offered a Participant; grant size may typically represent anywhere from 2 to 5 months equivalent of his annual guaranteed cash compensation.
   - Chairman shall consider the position, responsibilities, nature and value of his services and accomplishments, his present and potential contribution to the long-term success of the Company and such other factors that the Chairman may deem relevant.
3. Grant: Offer of grant of option to a Participant shall be through an Option Offer Letter.
4. Acceptance: Participant shall signify acceptance of the offer within thirty (30) calendar days from receipt of option offer letter or such shorter period as may be specified in the offer letter by completing, signing and submitting the Award Agreement and accompanied by the payment of PHP1,000.00 as offer acceptance consideration.
5. Voting and dividend rights: Shall vest upon issuance of the exercised/subscribed shares.

METRO

Termination of Eligibility for Options

1. Voluntary resignation: Non-vested option shares immediately terminate and Participant shall forfeit any rights or interest to non-vested Stock Options. Should Participant have exercisable vested stock option prior to resignation, such options can be exercised up to the effectivity date of resignation.
2. Termination for just cause: Right to exercise options and rights over vested or non-vested stock options shall terminate immediately.
3. Involuntary separation / Not for cause / Redundancy: All Stock Options, whether vested or non-vested then unexercised and outstanding shall become fully exercisable on a one-time basis. Participant has the right to exercise within 90 days following such separation.
4. Retirement and permanent disability: If termination of employment due to (compulsory) retirement at age 60 or Permanent Disability, all Stock Options whether vested or non-vested then unexercised and outstanding shall become fully exercisable as of the date of termination. Participant has the right to exercise such Stock Options at any time up to the maximum of two (2) years following such termination due to Retirement and Permanent Disability.
5. Death: If termination is due to death, all Stock Options whether vested or non-vested, then unexercised and outstanding shall become fully exercisable as of the date of termination. Participant's legal heirs, designated beneficiary (ies), estate or any other legal representative shall have the right to exercise such Stock Options at any time within one (1) year of such Participant's death.

METRO

Capital Stock Subject to the Plan

1. Term: The plan shall take effect upon approval by the SEC, and shall terminate after the end of 5 years from the option grant date. Thereafter, no further awards shall be granted.
2. Maximum number of shares: 1% of the total outstanding stock of the Company as of December 20, 2022, or 32,832,230 common shares, to be sourced from its treasury shares for the MESOP.
3. Computation of available shares: If an option shall expire for any reason without having been exercised in full, such shares covered thereby shall be added to the shares otherwise available for option grants under the plans.
4. Change of common stock: In the event of a change in the corporate structure or capitalization affecting the Company' shares, corresponding adjustments shall be made as may be warranted in the aggregate number and kind of shares for which options may be granted, the number and kind of shares and the price per share subject to the outstanding options, and the method of exercise of options under the plan.

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