

COVER SHEET

SEC Registration Number

C S 2 0 2 0 5 2 2 9 4

Company Name

M R E I T , I N C .

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

1 8 / F , A L L I A N C E G L O B A L T O W E R , 3 6 T H S T . , C O R . 1 1 T H A V E . , U P T O W N B O N I F A C I O , T A G U I G C I T Y

KRIZELLE MARIE F. POBLACION

Contact Person

(632) 8894-6300/6333

Company Telephone Number

1 2 3 1 Month Day Fiscal Year

0 6 0 2 Month Day Annual Meeting

S E C F O R M 1 7 - q

Form Type

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel Concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

PSE Security Code _____
SEC Number CS202052294
File Number _____

MREIT, INC.

(Company's Full Name)

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

(Company's Address)

(02) 88946400

(Company's Telephone Number)

DECEMBER 31

(Fiscal Year Ending)
(Month & Day)

SEC FORM 17-Q (Q3 2023)

(Form Type)

(Amendment Designation, if Applicable)

Period Ended Date

PERMIT TO OFFER SECURITIES FOR SALE

(Secondary License Type, if any)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **30 September 2023**
2. SEC Identification Number: **CS202052294** 3. BIR Tax Identification No. **502-228-971**
4. **MREIT, INC.**
Exact name of issuer as specified in its charter
5. **Taguig City, Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **18th Floor, Alliance Global Tower, 36th Street cor.
11th Avenue, Uptown Bonifacio, Taguig City 1634**
Address of principal office
8. **(02) 88946400**
Registrant's telephone number, including area code
9. Former name, former address and formal fiscal year, if changed since last report:
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class Common	Number of Shares of Stock Outstanding 2,795,821,381¹
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11. Are any or all of these securities listed on a Stock Exchange?

Yes **No**

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

Philippine Stock Exchange Common Shares

12. Check whether the issuer:

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

Yes **No**

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

Yes **No**

¹ MREIT, Inc. has a total of 2,795,821,381 common shares issued and outstanding. 2,532,121,381 common shares are listed in the Philippines Stock Exchange, while the listing application for the 263,700,000 common shares issued in March 2023 is currently pending with the Exchange.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits hereof and incorporated by reference:

- Exhibit 1 - Consolidated Statements of Financial Position as of 30 September 2023
- Exhibit 2 - Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the Nine Months Ended 30 September 2023 and 2022
- Exhibit 3 - Consolidated Statements of Changes in Equity for the Nine Months Ended 30 September 2023 and 2022
- Exhibit 4 - Consolidated Statements of Cash Flows for the Nine Months Ended 30 September 2023 and 2022
- Exhibit 5 - Notes to Interim Financial Information for the Nine Months Ended 30 September 2023

Item 2. Management's Discussion and Analysis of the Financial Condition and Results of Operations

Please refer to Exhibit 6 hereof.

Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

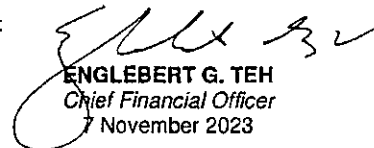
The Company is not in possession of information which have not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MREIT, INC.
Issuer

By:


ENGLEBERT G. TEH
Chief Financial Officer
7 November 2023

MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

EXHIBIT 1

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,748,590,021	P 1,380,526,060
Trade and other receivables	5	273,507,832	263,951,215
Other current assets	7	216,954,501	268,309,116
Total Current Assets		2,239,052,354	1,912,786,391
NON-CURRENT ASSETS			
Trade receivables	5	118,837,353	45,889,816
Investment properties	6	61,713,000,000	56,439,000,000
Other non-current assets	7	127,985,361	92,640,614
Total Non-current Assets		61,959,822,714	56,577,530,430
TOTAL ASSETS		P 64,198,875,068	P 58,490,316,821
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts and other payables	8	P 748,358,008	P 493,988,323
Deposits and other liabilities	9	334,257,202	266,074,302
Total Current Liabilities		1,082,615,210	760,062,625
NON-CURRENT LIABILITIES			
Interest-bearing loan	10	7,205,321,921	7,201,241,354
Deposits and other liabilities	9	1,075,494,702	1,010,783,749
Total Non-current liabilities		8,280,816,623	8,212,025,103
Total Liabilities		9,363,431,833	8,972,087,728
EQUITY			
Capital stock	12	P 2,795,821,381	P 2,532,121,381
Additional paid-in capital	12	52,782,813,885	47,907,466,035
Deficit		(743,192,031)	(921,358,323)
Total Equity		54,835,443,235	49,518,229,093
TOTAL LIABILITIES AND EQUITY		P 64,198,875,068	P 58,490,316,821

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 2

	Notes	2023		2022	
		Year-to-date	Quarter	Year-to-date	Quarter
REVENUES					
Rental income	6	P 2,411,528,920	P 796,038,260	P 2,182,172,698	P 712,810,641
Income from dues - net		<u>695,251,825</u>	<u>240,899,970</u>	<u>529,288,948</u>	<u>204,223,657</u>
		3,106,780,745	1,036,938,230	2,711,461,646	917,034,298
COST OF SERVICES	7, 11	<u>684,804,146</u>	<u>254,184,805</u>	<u>469,181,306</u>	<u>204,672,981</u>
GROSS PROFIT		2,421,976,599	782,753,425	2,242,280,340	712,361,317
OTHER OPERATING EXPENSES		<u>49,974,844</u>	<u>9,536,635</u>	<u>27,774,123</u>	<u>10,367,334</u>
OPERATING PROFIT		<u>2,372,001,755</u>	<u>773,216,790</u>	<u>2,214,506,217</u>	<u>701,993,983</u>
OTHER INCOME (CHARGES) - NET					
Interest expense	9, 10	(231,916,860)	(77,848,796)	(231,461,346)	(77,874,548)
Interest income	4, 7	44,987,169	20,880,298	12,084,149	6,223,036
Others		<u>1,136,017</u>	<u>915,593</u>	<u>454,972</u>	<u>213,391</u>
		(185,793,674)	(56,052,905)	(218,922,225)	(71,436,121)
PROFIT BEFORE TAX		2,186,208,081	717,163,885	1,995,583,992	630,557,862
TAX EXPENSE		(8,751,971)	(4,089,175)	(2,265,090)	(1,186,969)
NET PROFIT		2,177,456,110	713,074,710	1,993,318,902	629,370,893
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		<u>P 2,177,456,110</u>	<u>P 713,074,710</u>	<u>P 1,993,318,902</u>	<u>P 629,370,893</u>
BASIC AND DILUTED EARNINGS PER SHARE	13	<u>P 0.80</u>	<u>P 0.26</u>	<u>P 0.79</u>	<u>P 0.25</u>

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 3

	<u>Note</u>	<u>2023</u>	<u>2022</u>
CAPITAL STOCK			
Balance at beginning of period	12	P 2,532,121,381	P 2,532,121,381
Issuance of shares during the period		<u>263,700,000</u>	<u>-</u>
Balance at end of period		<u>2,795,821,381</u>	<u>2,532,121,381</u>
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period		47,907,466,035	47,907,466,035
Addition during the period	12	<u>4,875,347,850</u>	<u>-</u>
Balance at end of period		<u>52,782,813,885</u>	<u>47,907,466,035</u>
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period		(921,358,323)	1,721,734,662
Net profit during the period		2,177,456,110	1,993,318,902
Dividends declared during the period	12	<u>(1,999,289,818)</u>	<u>(1,847,688,965)</u>
Balance at end of period		<u>(743,192,031)</u>	<u>1,867,364,599</u>
TOTAL EQUITY		<u>P 54,835,443,235</u>	<u>P 52,306,952,015</u>

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 4

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 2,186,208,081	P 1,995,583,992
Adjustments for:			
Interest expense	9, 10	231,916,860	231,461,346
Interest income	4, 7	(44,987,169)	(12,084,149)
Depreciation expense		19,246	19,246
Operating profit before working capital changes		2,373,157,018	2,214,980,435
Increase in trade and other receivables		(82,973,796)	(121,238,564)
Decrease (increase) in other current assets		51,354,615	(203,095,655)
Increase in other non-current assets		(34,502,052)	(20,726,465)
Increase in accounts and other payables		254,369,685	224,748,408
Increase (decrease) in deposits and other liabilities		105,716,132	(73,188,743)
Cash generated from operations		2,667,121,602	2,021,479,416
Interest received		44,594,870	11,503,201
Final tax paid		(8,751,971)	(2,265,090)
Net Cash From Operating Activities		<u>2,702,964,501</u>	<u>2,030,717,527</u>
CASH FLOW FROM AN INVESTING ACTIVITY			
Acquisition of property and equipment		-	(76,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	12	(1,999,289,818)	(1,847,688,965)
Interest paid	10	(200,658,572)	(200,658,572)
Payment for stock issuance cost		(134,952,150)	-
Net Cash Used in Financing Activities		(2,334,900,540)	(2,048,347,537)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		368,063,961	(17,706,993)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>1,380,526,060</u>	<u>1,333,805,607</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 1,748,590,021</u>	<u>P 1,316,098,614</u>

Supplemental Information on Non-cash Investing and Financing Activity —

In 2023, the Company and Megaworld Corporation (the Parent Company) entered into a property-for-share swap transaction where the Parent Company transferred certain real properties to the Company amounting to P5,274.0 million. In exchange for the properties transferred, the Company issued 263,700,000 common shares to the Parent Company which resulted in the recognition of Capital Stock and Additional Paid-in Capital amounting to P263.7 million and P4,875.3 million, respectively (see Notes 6 and 12).

See Notes to Financial Statements.

EXHIBIT 5

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
SELECTED EXPLANATORY NOTES TO
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(With Comparative Figures as of December 31, 2022
and for the nine months ended September 30, 2022)
(Amounts in Philippines Pesos)
(Unaudited)

1. GENERAL INFORMATION

MREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

The Company is a subsidiary of Megaworld Corporation Inc. (MC) or the Parent Company owning 55.63% of the Company's outstanding capital stock.

MC is presently engaged in property-related activities such as project design, construction, and property management. MC's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-oriented and gaming businesses.

On April 7, 2021, majority of the members of the Board of Directors (BOD) and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, including the change in the fiscal year of the Company to begin on the first day of July and end on the last day of June of each year. The SEC and the Bureau of Internal Revenue (BIR) approved the amendments to the Company's Articles of Incorporation and By-Laws on May 19, 2021 and May 20, 2021, respectively.

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

The registered office address and principal place of business of the Company and MC are located at 18th and 30th Floors, respectively, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The registered office of AGI, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to the periods presented, unless otherwise stated.

2.1 *Basis of Preparation of Interim Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The interim financial statements of the Company for the nine months ended September 30, 2023 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the period ended December 31, 2022.

The preparation of interim financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim financial statements are presented in Philippine peso, the functional and presentation currency of the Company, and all values represent absolute amounts except when otherwise indicated.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2023 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

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

Discussed below are the relevant information about these pronouncements. None of these amendments did not have a significant impact on the interim financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates*. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of PAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

(b) *Effective in 2023 that are not Relevant to the Company*

Among the new standards and amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, only PFRS 17, *Insurance Contracts* is not relevant to the Company.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2023, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- (ii) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows and Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last audited financial statements as at and for the period ended December 31, 2022.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	September 30, 2023 <u>(Unaudited)</u>	December 31, 2022 <u>(Audited)</u>
Cash on hand and in bank	P 888,913,663	P 724,400,562
Short-term placements	<u>859,676,358</u>	<u>656,125,498</u>
	<u>P 1,748,590,021</u>	<u>P 1,380,526,060</u>

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

Short-term placements are made for varying periods from 24 to 35 days and earn effective interest of 5.0% to 6.1%.

Interest earned from cash in bank and short-term placements for the nine months ended September 30, 2023 and 2022 amounted to P44.1 million and P11.5 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) – net section in the interim statements of comprehensive income.

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	September 30, 2023 <u>(Unaudited)</u>	December 31, 2022 <u>(Audited)</u>
Current		
Trade receivables:		
Billed	P 136,236,474	P 104,289,531
Accrued	122,427,505	148,321,339
Others	<u>14,843,853</u>	<u>11,340,345</u>
	273,507,832	263,951,215
Non-current –		
Trade receivables –		
Accrued	<u>118,837,353</u>	<u>45,889,816</u>
	<u>P 392,345,185</u>	<u>P 309,841,031</u>

EXHIBIT 5

Accrued receivables pertain to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office, retail, hotel, and parking spaces, including dues. These are noninterest-bearing and are generally collectible on 30-day term.

Other receivables include receivables from business administration and advances to homeowners.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible. In addition, the receivables are secured to the extent of advance rent and security deposits received from lessees which provide credit enhancements.

6. INVESTMENT PROPERTIES

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

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	P 56,439,000,000	P 59,261,000,000
Additions	5,274,000,000	-
Fair value losses	<u>-</u>	<u>(2,822,000,000)</u>
Balance at end of period	<u>P 61,713,000,000</u>	<u>P 56,439,000,000</u>

As of September 30, 2023 and December 31, 2022, the Company has a total of 18 and 14 investment properties, respectively. The Company's investment properties as of September 30, 2023 are as follows:

Located at McKinley Hill, Fort Bonifacio, Taguig City:

- One World Square
- Two World Square
- Three World Square
- 8/10 Upper McKinley Building
- 18/20 Upper McKinley Building
- World Finance Plaza
- One West Campus (80% owned pro indiviso)
- Five West Campus (80% owned pro indiviso)

Located at Eastwood, Quezon City:

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

Located at Iloilo Business Park, Iloilo City:
 Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower
 One Techno Place
 Two Techno Place
 Three Techno Place
 One Global Center
 Two Global Center
 Festive Walk 1B

On March 23, 2023, the SEC issued its confirmation of valuation of the four prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 263,700,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated April 5, 2022 (see Note 11.4). Accordingly, the subject properties were transferred to the Company, and 263,700,000 common shares of the Company were issued in the name of MC on March 31, 2023. Pursuant to the amended Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the four properties beginning January 1, 2023.

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

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

For the nine months ended September 30, 2023 and 2022, rental income from investment properties amounted P2,411.5 million and P2,182.2 million, respectively.

The direct operating costs incurred relating to investment properties, which pertains to repairs and maintenance and real property taxes, amounted to P119.7 million, P49.9 million for the nine months ended September 30, 2023 and, 2022, respectively. All investment properties generate rental income.

The fair values of the investment properties were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 17.3).

EXHIBIT 5

- 7 -

7. OTHER ASSETS

The Company's other assets consist of the following:

	September 30, 2023 <u>(Unaudited)</u>	December 31, 2022 <u>(Audited)</u>
Current:		
Creditable withholding taxes	P 100,847,032	P 78,876,441
Deferred input value added tax (VAT)	65,068,971	32,537,899
Prepaid expenses	<u>51,038,498</u>	<u>156,894,776</u>
	<u>216,954,501</u>	<u>268,309,116</u>
Non-current:		
Deferred charges	54,266,686	56,033,405
Security deposit	20,350,403	19,488,462
Other non-current asset	<u>53,368,272</u>	<u>17,118,747</u>
	<u>127,985,361</u>	<u>92,640,614</u>
	<u>P 344,939,862</u>	<u>P 360,949,730</u>

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 11.2). The related interest income recognized from subsequent amortization of the security deposit is presented as part of Interest income under Other Income (Charges) - net section in the interim statements of comprehensive income.

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

EXHIBIT 5

8. ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accounts payable	11.3	P 625,718,825	P 411,064,691
Output VAT payable		49,637,928	9,406,429
Accrued expenses		37,235,675	53,027,572
Deferred output VAT		17,907,378	4,524,528
Interest payable	10	8,055,636	8,055,636
Withholding taxes payable		8,027,830	6,076,519
Others		1,774,736	1,832,948
		<u>P 748,358,008</u>	<u>P 493,988,323</u>

9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:			
Advance rent	11.1	P 200,554,428	P 152,740,839
Security deposits	11.1	130,337,039	107,491,807
Deferred credits		3,365,735	5,841,656
		<u>334,257,202</u>	<u>266,074,302</u>
Non-current:			
Security deposits	11.1	675,958,718	605,347,267
Advance rent	11.1	328,460,574	327,114,762
Deferred credits		71,075,410	78,321,720
		<u>1,075,494,702</u>	<u>1,010,783,749</u>
		<u>P 1,409,751,904</u>	<u>P 1,276,858,051</u>

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligations under the lease contracts. These are equivalent to three months' rent for office and six months' rent for commercial spaces and will be refunded to the lessee at the end of the lease term. The related accretion of interest amounted to P27.2 million and P26.7 million for the nine months ended September 30, 2023 and 2022, and this is presented as part of Interest expense under Other Income (Charges) - net in the interim statements of comprehensive income.

Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts.

Deferred credits pertain to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method.

10. INTEREST-BEARING LOAN

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

The Company is required to maintain certain financial ratios to comply with its debt covenants with a certain local bank. As of September 30, 2023 and December 31, 2022, the Company is in compliance with such financial covenant obligations.

Total capitalized loan origination costs amounted to P54.4 million. Amortization for the nine months ended September 30, 2023 and 2022 amounted to both P4.1 million, and is presented as part of Interest expense under Other Income (Charges) – net in the interim statements of comprehensive income.

The related interest incurred amounted to P200.7 million for the nine months ended September 30, 2023 and 2022, and this is presented as part of Interest expense under Other Income (Charges) - net in the interim statements of comprehensive income. The related accrual is presented as Interest payable under Accounts and Other Payables in the interim statements of financial position (see Note 8).

11. RELATED PARTY TRANSACTIONS

The Company’s related parties include the Parent Company and related parties under common ownership. A summary of the Company’s transactions and outstanding balances with its related parties is presented below.

Related Party Category	Notes	Amount of Transactions		Outstanding Receivable (Payable)	
		September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Parent Company:					
Property-for-share swap	6, 11.4	P 207,263,800	P -	P -	P -
Rendering of services	11.1	138,974,395	144,535,921	44,747,491	30,071,019
Advance rent	11.1	(211,925)	(2,161,962)	(3,925,470)	(3,713,545)
Security deposits received	11.1	(2,096,467)	(8,979,924)	(29,193,991)	(27,097,524)
Security deposits paid	11.2	77,000,000	22,000,000	20,350,403	35,487,127
Land lease	11.2	19,530,639	-	(19,530,639)	-
Related parties under common ownership					
Advance rent	11.1	-	(96,529)	(8,713,747)	(8,713,745)
Security deposits received	11.1	-	(2,150,640)	(25,128,472)	(25,128,472)
Rendering of services	11.1	95,793,876	95,819,165	75,709,127	54,249,565
Management services	11.3	(170,317,941)	(49,586,136)	(251,893,892)	(146,452,966)
Key management personnel – Compensation					
	11.5	4,102,335	4,102,335	(4,102,335)	-

11.1 Rendering of Services to Related Parties

The Company leases some of its investment properties to the Parent Company and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from 5 to 25 years, with renewal options, and include annual escalation rates of 5% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental income under Revenues section in the interim statements of comprehensive income. The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade Receivables account in the interim statements of financial position (see Note 5). Advanced rentals and security deposits relating to this transaction are presented under the current and non-current portion of Deposits and Other Liabilities account in the interim statements of financial position (see Note 9).

11.2 Land Lease Agreement

In 2021, the Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay MC rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30 2025, and 3% thereafter.

Deposit paid by the Company from the land lease agreement was presented as Security deposit under Other Non-current Assets in the interim statements of financial position (see Note 7). This deposit will be refunded at the end of the lease term at its face value amounting to P77.0 million.

The Company recognized a total of P19.5 million land lease for the nine months ended September 30, 2023 (nil in 2022), which is presented as part of Cost of Services in the interim statements of comprehensive income. The outstanding balance of P19.5 million as of September 30, 2023 is presented as part of Accounts payable under Accounts and Other Payables account in the interim statements of financial position (see Note 8).

11.3 Management Services

The fund management function of the Company is handled by MREIT Fund Managers, Inc., a subsidiary of MC, in exchange for a fee. Management fee is payable annually equivalent to 3.5% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The operations and management of the properties and facilities of the Company are handled by MREIT Property Managers, Inc., a subsidiary of MC, in exchange for a fee. Property management fee is payable quarterly equivalent to 2% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The Company recognized a total of P170.3 million and P49.6 million management fees for the nine months ended September 30, 2023 and 2022, respectively, which is presented as part of Cost of Services in the interim statements of comprehensive income. The outstanding balance of P251.3 million as of September 30, 2023 and P146.5 million as of December 31, 2022 is presented as part of Accounts payable under Accounts and Other Payables account in the interim statements of financial position (see Note 8).

11.4 Property-for-share swap

In line with the Company's investment plan to infuse around 100,000 square meters of additional office gross leasable area in 2022, the BOD approved on April 1, 2022 the subscription of MC to 263,700,000 shares of the Company to be paid by way of transfer of four grade A buildings in PEZA-registered zones (see Note 6). Pursuant to the Amended Deed of Exchange of Property for Shares between the two Companies, all collections of rental fees, security deposits and advanced rent from January 1, 2023 on the covered properties shall be remitted by MC to the Company.

11.5 Key Management Personnel Compensation

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses.

12. EQUITY

12.1 Capital Stock

On October 2, 2020, the Company was incorporated with a total authorized capital stock of P5,000,000,000 divided into 50,000,000 common shares with a P100 par value per share, of which P10,000,000 has been subscribed and paid.

On February 1, 2021, MC has subscribed to and paid for 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000.

On April 7, 2021, majority of the members of the BOD and stockholders of MREIT approved the amendments to the Articles of Incorporation and By-Laws of MREIT, which include, among others, the change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000. On May 19, 2021, the Company obtained approval of the amendments from the SEC (see Note 1).

On May 28, 2021, an individual stockholder subscribed and paid 1,000 common shares of the Company with par value of P1 per share or a total subscription price of P1,000.

On June 2, 2021, on consummation of the Deed of Exchange of Property and Shares in relation to the Property-for-Share Swap transaction with MC, the Company issued 1,282,120,381 common shares at par value of P1 per share (see Notes 1 and 6). In addition, the Company recognized Additional Paid-in Capital (APIC) amounting to P47,920,287,239, less shares issuance costs amounting to P12.8 million.

On June 16, 2021, the Company filed its application with the PSE for the listing of its 2,532,121,381 existing common shares. The listing application was approved by PSE on August 9, 2021 which includes the Secondary Offer Shares of 844,300 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by MC to the public, under the Main Board of the PSE with an offer price of P16.10 per share. The PSE approved the listing application of the Company on August 9, 2021.

Also on June 16, 2021, the Company filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, the common shares of the Company were listed as a REIT company under the Main Board of the PSE.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones. On March 23, 2023, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on March 31, 2023, the Company issued 263,700,000 common shares. On May 22, 2023, the Company filed the application for listing of the additional shares with the PSE, which is still pending as of September 30, 2023. In addition, the Company recognized APIC amounting to P5,010,300,000, less issuance cost amounting to P134,952,150.

As of September 30, 2023, there are 25,096 shareholders of at least one board lot of the listed shares, which closed at P12.30 per share as of that date.

12.2 Dividends

On January 6, 2023, the BOD approved the declaration of cash dividends of P0.2428 per share (P614.8 million) to stockholders on record as of January 24, 2023. The dividends were declared out of the unrestricted earnings for the year ended December 31, 2022. The cash dividends were paid on February 15, 2023.

On May 12, 2023, the BOD approved the declaration of cash dividends of P0.2476 per share (P692.2 million) to stockholders on record as of May 29, 2023. The dividends were declared out of the unrestricted earnings for the period ended March 31, 2023. The cash dividends were paid on June 19, 2023.

On August 8, 2023, the BOD approved the declaration of cash dividends of P0.2476 per share (P692.3 million) to stockholders on record as of August 23, 2023. The dividends were declared out of the unrestricted earnings for the period ended June 30, 2023. The cash dividends were paid on September 14, 2023.

12.3 Distributable Income

The computation of the distributable income of the Company for the nine months ended September 30, 2023 is below.

Net income	P	2,177,456,110
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS	(75,587,003)
Adjustments due to any prescribed accounting standard which result to a loss		<u>33,025,008</u>
Distributable income	P	<u>2,134,894,115</u>

13. EARNINGS PER SHARE

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

	<u>September 30, 2023 (Unaudited)</u>	<u>September 30, 2022 (Unaudited)</u>
Net profit for the period	P 2,177,456,110	P 1,993,318,902
Divided by weighted number of outstanding common shares	<u>2,707,921,381</u>	<u>2,532,121,381</u>
Basic and diluted earnings per share	<u>P 0.80</u>	<u>P 0.79</u>

The Company has no potential dilutive common shares for the nine months ended September 30, 2023 and 2022.

14. COMMITMENTS AND CONTINGENCIES

14.1 Operating Lease Commitments – Company as a Lessor

The Company is a lessor under several operating leases covering real estate properties for office and commercial use (see Note 6). The future minimum lease receivable under these agreements as of September 30, 2023 and 2022 are shown below.

	September 30, 2023 <u>(Unaudited)</u>	September 30, 2022 <u>(Unaudited)</u>
Within one year	P 3,208,971,409	P 3,018,738,129
After one year but not more than two years	3,150,058,112	2,929,805,047
After two years but not more than three years	2,496,126,686	2,206,111,373
After three years but not more than four years	1,653,205,240	1,573,915,614
After four years but not more than five years	920,803,647	830,775,073
More than five years	<u>3,236,833,846</u>	<u>3,116,152,568</u>
	<u>P 14,665,998,940</u>	<u>P 13,675,497,804</u>

The Company is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Company's revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Company may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Company requires security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 9).

14.2 Operating Lease Commitments – Company as a Lessee

The Company entered into a land lease agreement with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years. (see Note 11.2). Variable lease payments will commence on July 1, 2023. The lease agreement do not contain any fixed lease payments. In addition, the lease agreement involves payment for security deposit (see Note 7).

14.3 Others

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations, which are not reflected in the interim financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's interim financial statements.

15. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 16. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed are discussed below and in the succeeding pages.

15.1 Market Risk

As of September 30, 2023 and December 31, 2022, the Company is exposed to market risk through its cash and cash equivalents which are subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

15.2 Credit Risk

The Company's credit risk is attributable to trade and other receivables and other financial assets. The Company maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. In addition, for trade receivables, security deposits and advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the interim statements of financial position (or in the detailed analysis provided in the selected explanatory notes to interim financial statements), as summarized below.

		September 30, 2023	December 31, 2022
	Notes	(Unaudited)	(Audited)
Cash and cash equivalents	4	P 1,748,590,021	P 1,380,526,060
Trade and other receivables	5	392,345,185	309,841,031
Security deposit	7	<u>20,350,403</u>	<u>19,488,462</u>
		<u>P 2,161,285,609</u>	<u>P 1,709,855,553</u>

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

Management considers the ECL on the Company's trade and other receivables to be negligible taking into consideration the counterparties' ability to repay at the reporting date.

Furthermore, the Company considers credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advance rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade and other receivables as of September 30, 2023 and December 31, 2022 is presented below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
As of September 30, 2023 (Unaudited)	P 392,345,185	P 1,335,310,759	P -
As of December 31, 2022 (Audited)	P 309,841,031	P 1,192,694,675	P -

(c) *Security Deposit*

The credit risk for security deposit is considered negligible as the Company has ongoing lease agreement with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity. The security deposit can also be applied against future rental payments in cases of default.

15.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

EXHIBIT 5

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities.

As at September 30, 2023 and December 31, 2022, the Company's financial liabilities have contractual maturities which are presented below.

	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
<u>September 30, 2023 (unaudited)</u>			
Interest-bearing loan	P 266,451,584	P 1,435,595,607	P 7,729,908,471
Security deposits	202,934,739	577,760,053	98,198,665
Accounts payable	625,718,825	-	-
Accrued expenses	<u>37,235,675</u>	<u>-</u>	<u>-</u>
	<u>P 1,132,340,823</u>	<u>P 2,013,355,660</u>	<u>P 7,828,107,136</u>
<u>December 31, 2022 (audited)</u>			
Interest-bearing loan	P 260,116,227	P 1,087,645,108	P 8,234,613,600
Security deposits	188,900,183	535,675,064	73,381,164
Accounts payable	411,064,691	-	-
Accrued expenses	<u>53,027,572</u>	<u>-</u>	<u>-</u>
	<u>P 913,108,673</u>	<u>P 1,623,320,172</u>	<u>P 8,307,994,764</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

16. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1 Carrying Amounts and Fair Value by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the interim statements of financial position are shown below.

	<u>Notes</u>	<u>September 30, 2023 (Unaudited)</u>		<u>December 31, 2022 (Audited)</u>	
		<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i>Financial assets</i>					
Financial assets at amortized cost:					
Cash and cash equivalents	4	P 1,748,590,021	P 1,748,590,021	P 1,380,526,060	P 1,380,526,060
Trade and other receivables	5	392,345,185	392,345,185	309,841,031	309,841,031
Security deposit	7	<u>20,350,403</u>	<u>17,672,328</u>	<u>19,488,462</u>	<u>18,408,488</u>
		<u>P 2,161,285,403</u>	<u>P 2,158,607,534</u>	<u>P 1,709,855,553</u>	<u>P 1,708,755,579</u>
<i>Financial liabilities</i>					
Financial liabilities at amortized cost:					
Interest-bearing loan	10	P 7,205,321,921	P 7,205,321,921	P 7,201,241,354	P 7,201,241,354
Security deposits	9	806,295,757	770,747,223	712,839,074	678,065,572
Accounts payable	8	625,718,825	625,718,825	411,064,691	411,064,691
Accrued expenses	8	37,235,675	37,235,675	53,027,572	53,027,572
Interest payable	8	<u>8,055,636</u>	<u>8,055,636</u>	<u>8,055,636</u>	<u>8,055,636</u>
		<u>P 8,682,627,814</u>	<u>P 8,647,079,280</u>	<u>P 8,386,228,327</u>	<u>P 8,351,454,825</u>

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 15.

16.2 Offsetting of Financial Assets and Financial Liabilities

Except when applicable for the offsetting of rental receivables and rental deposits arising from the normal course of the Company's leasing activities, the Company has not set off financial instruments and do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

17. FAIR VALUE MEASUREMENT AND DISCLOSURE**17.1 Fair Value Hierarchy**

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

17.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Company's financial assets which are not measured at fair value in the interim statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables and security deposit, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits, accrued expenses and due to parent company, which are categorized under Level 3. For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

17.3 Fair Value Measurement of Investment Properties

The fair value of the Company's investment properties are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by Santos Knight Frank, Inc., an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Briefly describing the valuation method used, the approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the Properties. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Company's investment property is its current use.

Fair value as determined by independent appraisers are based on the income approach. Under the income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs and expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. The most significant inputs used in this model are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

EXHIBIT 5

The fair value is sensitive to changes in discount rate, terminal capitalization rate and market rental. A change in these unobservable inputs would have the following impact on fair value:

	<u>Increase</u>	<u>Decrease</u>
Discount rate	Decrease	Increase
Terminal capitalization rate	Decrease	Increase
Increase in market rental	Increase	Decrease

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

Also, there were no transfers into or out of Level 3 fair value hierarchy.

18. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's total liabilities and total equity are presented below.

	September 30, 2023	December 31, 2022
	<u>(Unaudited)</u>	<u>(Audited)</u>
Total liabilities	P 9,363,431,833	P 8,972,087,728
Total equity	54,835,443,235	49,518,229,093

Under REIT Act, the Company is subject to external capital requirement to have a minimum paid-up capital of P300.0 million which was complied with as of the reporting periods presented.

19. OPERATING SEGMENT

The Company has determined that it operates as one operating segment. The Company's only income-generating activity is the lease of its buildings which is the measure used by the Chief Operating Decision Maker in allocating resources.

Management's Discussion and Analysis of Results of Operations and Financial Condition (September 30, 2023)

Results of Operations (Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of Nine Months ending September 30, 2023 versus Nine Months September 30, 2022

In the nine months ended September 30, 2023, the Company saw an increase in net income to Php2,177.5 million from Php1,993.3 million in the same period last year. The increase was mainly driven by the transfer of the four (4) Prime, Grade A office buildings located in PEZA-Registered Zones, in exchange for common shares of the Company.

Revenues

Rental income grew by 11% or Php229 million to Php2,411.5 million in the nine months of 2023 from Php2,182.2 million in the nine months of 2022. Income from dues-net increased by 41% or Php166 million to Php695.3 million from Php529.3 million. Increases in both items are mainly due to the recognition of the related rental income and income from dues-net of the additional assets transferred to the Company.

Cost and Expenses

Cost of services also grew by 46% or Php215.6 million from Php684.8 million during the nine months of 2023 from Php264m in the nine months of 2022. The increase of cost of service in the nine months of 2023 comprises mainly on outside services, repairs and maintenance on the building improvements, supplies and materials, management fees, real property tax and other direct cost with full recognition of expenses from the four (4) office buildings transferred to the Company.

Other operating expenses increased by 80% due to the one-time expense incurred in relation to the confirmation of valuation sought from the SEC for the property for share swap transaction.

Tax Expense

Tax expense increased by 332% to Php8.8 million due to the higher final taxes arising from the higher interest income generated from the Company's rolled over short-term placement.

	September 30, 2023	December 31, 2022
Current Ratio ¹	2.15	2.52
Debt to Equity Ratio ²	0.13	0.15
Net Debt to Equity Ratio ³	0.14	0.13
Return on Assets ⁴	4.00%	-0.30%
Return on Equity ⁵	4.00%	-0.35%

*1 – Current Assets / Current Liabilities

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

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

*4 – Net Profit / Average Total Assets

*5 – Net Profit / Average Equity

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

EXHIBIT 6

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

Material Changes in the Financial Statements

(Increase/decrease of 5% or more)

Statement of Financial Position (September 30, 2023 vs December 31, 2022)

Item	September 30, 2023	Increase/ Decrease	% Change	Causes
Cash and cash equivalents	1,748,590,021	368,063,961	27%	Increased due to undistributed earnings from the Company's operation for the first nine months of 2023
Trade and other receivables	392,345,185	82,504,154	27%	Increase due to assignment of receivables, security deposits and advance rentals arising from the infusion of additional four (4) office assets as part of the Property for Share swap transaction
Other current assets	216,954,501	(51,354,615)	(19%)	Decrease due to the reduction on the balance of various prepayments
Other non-current assets	127,985,361	35,344,747	38%	Increase due to construction in progress for building improvements
Accounts and other payables	748,358,008	254,369,685	51%	Increase due to rise in fund and property management fees, and other payables such as trade, output vat and deferred output vat payable related to the addition of the four (4) office assets during the quarter
Deposits and other liabilities	1,409,751,904	132,893,853	10%	Increase due to assignment of deposits and advance rentals arising from the infusion of additional four (4) office assets
Investment properties	61,713,000,000	5,274,000,000	9%	Increase due to the infusion of additional four (4) office assets as part of the Property for Share
Capital stock	2,795,821,381	263,700,000	10%	

EXHIBIT 6

Additional Paid In Capital	52,782,813,885	4,875,347,850	10%	Swap transaction. The SEC issued its confirmation of valuation for the properties in March 23, 2023 triggering the issuance of new shares and the injection of said assets.
Retained earnings (deficit)	(743,192,031)	178,166,292	(19%)	Movement in retained earnings due to the undistributed net income recognized during the three quarters

Statement of Income (September 30, 2023 vs September 30, 2022)

Item	September 30, 2023 (9 Months)	Increase/ Decrease	% Change	Causes
Rental income	2,411,528,920	229,356,222	11%	Increase in revenue is due to the recognition of additional income coming from the four (4) office assets infused in the beginning of the year.
Income from dues - net	695,251,825	165,962,877	31%	
Cost of services	684,804,145	215,622,839	46%	Increase is mainly due to various building improvements implemented. In addition, outside services and management fees also increased due to the injection of additional properties
Other operating expenses	49,974,844	22,200,721	80%	Increase is primarily due to payment of the fees from SEC and PSE as part of the requirements for the Property for Share Swap transaction
Interest income	44,987,169	32,903,020	272%	Increase due to interest earned from rolled-over short-term placements
Miscellaneous income	1,136,017	681,045	150%	Increase due to collection of penalties and non-recurring rental related income from tenants
Tax income (expenses)	(8,751,972)	(6,486,882)	286%	Increase is due to higher final tax expense alongside with the higher interest income earned from short term placements during the current period

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

MREIT, INC.

Aging of Accounts Receivables
September 30, 2023

EXHIBIT 7

Type of Receivables:	Total	Current/ Not Yet Due	Past Due but not Impaired					Individually Impaired
			< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	
a. Trade receivables	377,501,332	319,156,894	25,762,778	11,728,290	4,452,844	1,886,402	14,514,124	-
b. Other receivable	14,843,853	14,843,853	-	-	-	-	-	-
TOTAL	<u>392,345,185</u>	<u>334,000,747</u>	<u>25,762,778</u>	<u>11,728,290</u>	<u>4,452,844</u>	<u>1,886,402</u>	<u>14,514,124</u>	<u>-</u>

MREIT, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
September 30, 2023

EXHIBIT 8

Ratio	Formula	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Current ratio	Current assets / Current liabilities	2.07	2.52
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	1.87	2.16
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.13	0.15
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.17	1.18
		<u>September 30, 2023</u>	<u>September 30, 2022</u>
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.34	0.31
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	10.43	9.62
Return on equity	Net profit / Average total stockholders' equity	0.04	0.04
Return on assets	Net profit / Average total assets	0.04	0.03
Net profit margin	Net profit / Total revenues	0.70	0.74

Disclosures for REIT Companies¹

(a) Real Estate Transactions for Q3 2023

There were no real estate transactions in the third quarter of 2023.

(b) Schedule of Properties as of 30 September 2023

Property and Location	Purchase Price	Latest Appraisal [*]	Remaining Land Lease Term	Gross Leasable Area ^{***}	Leased Area	Occupancy Rate	Rental Income	Gross Revenue	Cost of Services	Gross Profit
	in Php millions	in Php millions	Years	in sqm	in sqm	%	in Php millions	in Php millions	in Php millions	in Php millions
Eastwood, Quezon City										
1800 Eastwood Avenue	6,749	6,798	47.8	34,738	34,704	100%	260.4	357.4	78.7	278.7
1880 Eastwood Avenue	6,948	7,026	47.8	33,744	26,417	78%	195.6	278.9	66.8	212.1
E-Commerce Plaza	4,188	4,276	47.8	20,940	17,700	85%	134.7	172.9	34.7	138.2
McKinley Hill, Taguig										
One World Square	7,529	7,343	47.8	30,482	27,919	92%	287.1	347.0	76.7	270.3
Two World Square	5,258	5,488	47.8	21,286	21,282	100%	201.2	274.5	57.7	216.7
Three World Square	5,241	4,799	47.8	21,222	21,222	100%	166.5	239.3	59.6	179.7
8/10 Upper McKinley	4,925	4,633	47.8	19,938	19,772	99%	218.6	258.5	41.8	216.6
18/20 Upper McKinley	4,795	4,347	47.8	19,414	19,413	100%	165.6	197.4	33.5	163.9
World Finance Plaza	5,153	5,245	49.2	25,067	22,986	92%	222.0	263.2	46.0	217.2
McKinley West, Taguig										
One West Campus**	1,293	1,697	49.3	9,704	9,657	100%	60.9	73.7	14.9	58.8
Five West Campus**	1,507	1,895	49.3	10,257	10,257	100%	69.5	83.2	16.1	67.1
Iloilo Business Park, Iloilo										
Richmonde Tower	2,062	1,392	47.8	13,124	13,124	100%	84.0	94.9	27.4	67.5
One Techno Place	1,509	1,166	47.8	9,549	9,041	95%	44.4	62.5	19.5	43.0
Two Techno Place	1,465	1,448	49.2	11,100	11,100	100%	62.6	82.2	19.0	63.2
Three Techno Place	1,242	1,227	49.2	9,568	9,305	97%	50.4	68.8	23.5	45.3
One Global Center	1,256	1,251	49.2	10,301	9,957	97%	55.4	77.8	21.3	56.4
Festive Walk 1B	1,473	1,510	49.3	14,703	13,687	93%	76.9	99.7	29.2	70.4
Two Global Center	1,001	1,045	49.3	9,903	9,903	100%	55.6	75.1	18.2	56.9
Total	63,592	62,586		325,037	307,443	95%	2,411.5	3,106.8	684.8	2,422.0

* Latest appraisal for 10 IPO Properties and 4 assets injected last December 2021, issued in 2023.

¹ Pursuant to Section 6.2 of the Amended Listing Rules for REITs

** The purchase price indicated in this report for these properties represent the price of the 80% pro indiviso ownership transferred to the Company pursuant to the Deed of Exchange of Property for Shares dated 5 April 2022.

*** Additional retail spaces identified with a total area of 295 sqm (290 sqm and 5 sqm for Two Techno Place and Three World Square, respectively)

(c) The comparative summary of the Company's financial performance for various time periods can be found in the SEC Form 17-Q and in the Unaudited Financial Statements for the third quarter of 2023.

(d) Reinvestment Plan Progress Report as of 30 September 2023

On 21 July 2023, the Company's Parent and Sponsor, Megaworld Corporation, sold 279,400,000 common shares of MREIT, Inc. in a block sale. On 27 July 2023, Megaworld Corporation filed the corresponding Reinvestment Plan for the proceeds from the block sale. The details are as follows:

Relevant Transaction	Date of Reinvestment Plan	Amount of Funds for Reinvestment	Estimated Date of Full Compliance
Block Sale by Megaworld Corporation of 279,400,000 Common Shares of MREIT, Inc. on 21 July 2023	25 July 2023	Php3.6 billion	Q2 2024

Copies of the Reinvestment Plan Progress Report as of September 30, 2023 are attached as Annex 1.



MEGAWORLD CORPORATION

30th Floor, Alliance Global Tower, 36th Street Corner 11th Avenue, Uptown Bonifacio, Fort Bonifacio, Taguig City, NCR, Fourth District Philippines 1630
Tels (632) 88946300 / 79052800 • www.megaworldcorp.com • Email customerservice@megaworldcorp.com

October 13, 2023

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: **MS. ALEXANDRA D. TOM WONG**
Head, Disclosure Department

Subject: 3rd Quarter 2023 Progress Report on the Use of Proceeds from the Block Sale of 279,400,000 common shares of MREIT, Inc. (MREIT)

Dear Ms. Tom-Wong,

We hereby submit our Progress Report on the Use of Proceeds for the quarter ending September 30, 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

The proceeds are in connection with the Block Sale of 279,400,000 common shares of MREIT, Inc. which was settled on July 27, 2023, with the offer price of P13.00 per share, resulting in net proceeds at Php3,606,018,012.74. Please be advised that as of September 30, 2023, the remaining balance of the proceeds from the block sale amounts to Two Billion Five Hundred Sixty Million Nine Hundred Sixty-Six Thousand Fifty-Seven pesos and forty-four centavos (Php2,560,966,057.44) as indicated below:

Net Proceeds from the Block Sale	3,606,018,012.74
less:	
Disbursement for Reinvestment Plan (Annex A)	(1,045,051,955.30)
<u>Balance of Proceeds from the Block Sale as of Sept. 30, 2023</u>	<u>2,560,966,057.44</u>

Thank you.

Respectfully yours,

FRANCISCO C. CANUTO
Treasurer



ANNEX A: Disbursements from the Proceeds of the Block Sale for the period covering July 1 to September 30, 2023

Project Name	Township/ Location	Investment Type	Product	Disbursement	Disbursing Entity
Davao Projects	Davao City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	60,000,000.00	Davao Park District Holdings, Inc
Bacolod Projects	Bacolod City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	50,000,000.00	Megaworld Bacolod Properties, Inc
Cebu Projects	Cebu City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	100,000,000.00	Oceantown Properties, Inc
ArcoVia City Projects	Arcovia City	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	50,000,000.00	Arcovia Properties, Inc
Bulacan Projects	Bulacan	Investment in Building and its improvements, Land and its developments through the Company and its subsidiaries	Malls, Offices, Land Development and other developments	785,051,955.30	Northwin Properties, Inc
TOTAL				PHP 1,045,051,955.30	



ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI (METRO MANILA) SS

At MAKATI City, Metro Manila, on this 13 OCT 2023 day of _____, 20____, before me personally appeared:

Name	Competent Evidence of Identity	Date and Place Issued
For and on behalf of MEGAWORLD CORPORATION: FRANCISCO C. CANUTO	SSS ID no. 055184143-1	

who made known and represented to me that they are the same persons who executed the foregoing report including the Annex A and this page on which this Acknowledgment is written, and are signed by the parties hereto, and acknowledged to me that the same is their free and voluntary act and deed as well as of the entities respectively represented by them.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 13 OCT 2023 day of _____, 20____.

NOTARY PUBLIC

Doc. No 510 ;
Page No. 103 ;
Book No. 200 ;
Series of 2022.

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

Report of Independent Auditors on Factual Findings

The Board of Directors and Stockholders
Megaworld Corporation
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report (the Report) for the quarter ended September 30, 2023 on the application of proceeds received by Megaworld Corporation (the Company) from the block sale of 279,400,000 common shares of MREIT, Inc. (MREIT) which was settled on July 27, 2023, with the offer price of P13.00 per share (the Block Sale), resulting in a net proceeds estimated at P3.60 billion (the Block Sale Proceeds). The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report accompanied by an external auditor's report. Our engagement was undertaken and our report is issued in accordance with Philippine Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*.

Agreed-upon Procedures

The procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
 - a) The Report;
 - b) Schedule of planned application of proceeds from the Block Sale; and,
 - c) Detailed schedule of utilization of proceeds for the quarter ended September 30, 2023.
2. Compared the total amount of utilization appearing in the Report with the detailed schedule of utilization of proceeds.

3. Compared the schedule of planned application of the Block Sale Proceeds to the Reinvestment Plan. Inquired with the Company's management of the reason for the difference, if any, and requested a copy of the approval by the Board of Directors (BOD) and the PSE, as appropriate, i.e., if it involved reallocation or change in the use of proceeds.
4. Traced to and examined supporting documents such as acknowledgement receipts and approved payment endorsement documents, of disbursements in the detailed schedule of utilization of proceeds and traced the total amount of disbursements per category to the Report.

Results of the Performance of Agreed-Upon Procedures

1. With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules.

We present below the summary of the application of the proceeds from the Block Sale for the quarter ended September 30, 2023, based on the information we obtained from the Company.

<u>Project Name</u>	<u>Township or Location</u>	<u>Products</u>	<u>Disbursing Entity</u>	<u>Amount</u>
Northwin Global City	Bulacan	Malls, Offices, Land Development, and Other Developments	Northwin Properties, Inc	P 785,051,955
Davao Park District	Davao	Malls, Offices, Land Development, and Other Developments	Davao Park District Holdings, Inc.	60,000,000
Bacolod Projects	Bacolod	Malls, Offices, Land Development, and Other Developments	Megaworld Bacolod Properties, Inc.	50,000,000
The Mactan Newtown	Mactan, Cebu	Malls, Offices, Land Development, and Other Developments	Megaworld Oceanside Properties, Inc.	100,000,000
Arcovia City	Pasig	Malls, Offices, Land Development, and Other Developments	Arcovia Properties, Inc.	<u>50,000,000</u>
				<u>P 1,045,051,955</u>

2. With respect to item 2, we noted that the total amount of utilization appearing in the Report is in agreement with the amount in the detailed schedule of utilization of proceeds.
3. With respect to item 3, we noted that the planned application of the Block Sale Proceeds is in agreement with the Reinvestment Plan dated July 25, 2023.



- 3 -

4. With respect to item 4, we traced the utilization of the Block Sale Proceeds for the quarter ended September 30, 2023 to supporting acknowledgment receipts and approved payment endorsement documents.

We noted that the Company granted advances to the following disbursing entities to be used in the projects specified:

<u>Disbursing Entity</u>	<u>Project Name</u>	<u>Township or Location</u>	<u>Amount</u>
Davao Park District Holdings, Inc.	Davao Park District	Davao	P 60,000,000
Megaworld Bacolod Properties, Inc.	Bacolod Projects	Bacolod	50,000,000
Megaworld Oceantown Properties, Inc.	The Mactan Newtown	Mactan, Cebu	100,000,000
Arcovia Properties, Inc.	Arcovia City	Pasig	50,000,000
Northwin Properties, Inc.	Northwin Global City	Bulacan	<u>785,051,955</u>
			<u>P 1,045,051,955</u>

We traced the cash advances granted by the Company to the acknowledgement receipts issued by the entities. Moreover, we agreed the amounts presented in the Report to the accounting records of the Company.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of the Block Sale Proceeds based on the said standards. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

PUNONGBAYAN & ARAULLO

By: **John Endel S. Mata**
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

October 13, 2023


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

T +63 2 8988 2288

SUBSCRIBED AND SWORN to before me, in the City of Makati, on 13 October 2023, the affiant, **John Endel S. Mata**, exhibiting his Professional Regulatory Commission (PRC) License ID registration no. 0121347 valid until July 5, 2025.

IN WITNESS WHEREOF, I set unto my hand and seal on the date and place above written.




ATTY. IRA JENNENA J. BERO, CPA
Notary Public for Makati City
Until December 31, 2024
Notarial Commission No. M-200
Roll/No. 82663
IBP Number: 263/09 01/03/2023, Cebu City
PTR No. 95704/09 01/09/2023, Makati City
MCLE Compliance No. Admitted to the BAR on May 30, 2022
19th Fl., Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City

Doc. No. 434 :
Page No. 88 :
Book No. II;
Series of 2023.