COVER SHEET

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S.E.C. Registration Number

MEGAWIDE CONSTRUCTION
CORPORATION

(Company's Full Name)

20 N. DOMINGO STREET, BARANGAY
VALENCIA, QUEZON CITY

(Business Address: No. Street City / Town / Province)

TEODULO ANTONIO SAN JUAN JR.
Contact Person

(02) 8655-1111
Company Telephone Number

1 2 - 3 1
Month *Day*
Fiscal Year

1 7 - Q
FORM TYPE

0 9 3 0
Month *Day*
Annual Meeting

Secondary License Type, if Applicable

S E C
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

20 N. Domingo Street,
Barangay Valencia
Quezon City
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-Q
Form Type

September 30, 2023
Period Ended Date

_

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

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	**September 30, 2023**
2.	SEC Identification Number	**CS200411461**
3.	BIR Tax Identification No.	**232-715-069-000**
4.	Exact Name of Issuer as Specified in its Charter	**Megawide Construction Corporation**
5.	Province, Country or other Jurisdiction of Incorporation or Organization	**Philippines**
6.	Industry Classification Code (SEC use only)	
7.	Address of Principal Office	**No. 20 N. Domingo Street, Barangay Valencia, Quezon City**
	Postal Code	**1112**
8.	Issuer's Telephone Number, including Area Code	**(02) 655-1111**
9.	Former Name, Former Address and Fiscal Year, if Changed since Last Report	**Not Applicable**

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

Title of Each Class	Number of Shares Issued and Outstanding	Amount of Debt Outstanding (Php)
MWIDE (Common)	2,399,426,127	0
MWP2B (Preferred)	17,405,880	0
MWP3 (Preferred)	5,000,000	0
MWP4 (Preferred)	40,000,000	0
MWP5 (Preferred)	15,000,000	0

11. Are any or all these securities listed on a stock exchange?

Yes [✓] No [ ]

If yes, state the name of such stock exchange and classes of securities listed therein:

The Philippine Stock Exchange, Inc.	**- Common Shares (MWIDE)** **- Preferred Shares (MWP2A, and MWP2B, MWP4, MWP5)**

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder of 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 (or for such shorter period that the registrant was required to file such reports):

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I –FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation ("Megawide") as of September 30, 2023 with comparative figures as of December 31, 2022 and September 30, 2022, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

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

A. RESULTS OF OPERATIONS

Review of results for the nine (9) months ended September 30, 2023 as compared with the results for the nine (9) months ended September 30, 2022. The net income related to the disposal group is presented separately in the Results of Discontinued Operations.

Results of Continuing Operations

Revenues increased by 47% or P5.0 billion

Consolidated revenues for the period amounted to P15.6 billion, 47% or P5.0 billion higher than the same period last year.

Construction revenues amounted to P15.2 billion and contributed 98% to the consolidated revenues. The construction segment has maintained its momentum in delivering projects on time at the start of the year. With a healthy orderbook, the Company is in the position to work on its order book, which are expected to be completed within two to three years, from various projects such as Suntrust Home Developers' Suncity West Side City project, 8990 Holdings, Inc.'s Urban Deca Ortigas and Cubao, Megaworld's Gentry Manor, and the DOTr's Malolos Clark Railway Phase 1 Project – a joint venture project with Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd.

Landport operations meanwhile delivered revenue of P339.7 million from office towers and commercial spaces and contributed 2% to the total consolidated revenues. Office occupancy rates has slowly caught up at 65% from 69% last year despite the challenging market conditions. Commercial occupancy remained healthy at 80% while average passenger spending was maintained at the record pace of P36.

The Company remains optimistic of the prospects amid pressure on non-traditional POGO operations, with the Team extensively exploring alternative schemes for more stable tenancy and longer-term visibility. Amid this predicament, PITX continued to serve as a transportation convergence point to serve commuters, through additional long-haul trips across the country and as a strategic base for the EDSA carousel, resulting in high passenger throughput.

Meanwhile, revenue from newly consolidated real estate operations amounted to P36.5 million for the period, representing the two (2) months' share in the performance of recently acquired PH1 World Developers, Inc. The segment is expected to contribute more significantly to consolidated revenues in the next two years as recently launched projects steadily increase construction completion.

Direct Costs increased by 50% or P4.5 billion

Direct costs amounted to P13.6 billion and were higher by 50% or P4.5 billion. The movement was mainly related to rising prices of raw materials, services and higher labor costs.

Gross Profit increased by 28% or P418.8 million

Consolidated gross profit amounted to P1.9 billion in the nine-month period, translating to a consolidated gross profit margin of 12%. The construction business contributed P1.8 billion or 95% of the Group's gross profit. Terminal operations, on the other hand, contributed P82.7 million or 4% of the Group's gross profit while Real estate operations, accounted for the balance at P13.7 million.

Other Operating Expenses increased by 42% or P310.3 million

Other Operating Expenses during the period amounted to P1.1 billion. The increase of P310.3 million is mainly due to increase in fixed costs in support of the Company growth plans for various infrastructure and development projects that it will be undertaking such as the execution of P18-billion CP104 of the Metro Manila Subway System Project, awarded to the Company, together with its Japanese consortium partners, in May 2022. Other businesses under development are the different locations for its transport-centric development (TCDs) expansion.

Finance Costs increased by 50% or P529.9 million

Finance costs amounted to P1.6 billion, higher by P529.9 million year-on-year, attributed largely to the series of policy interest rate hikes and the Company's refinancing program. In August 2022, the Company raised a total of P4 billion from its maiden Series A and B Bonds maturing on February 17, 2026 and August 17, 2027, respectively.

Finance Income increased by 126% or P441.0 million

Finance income amounted to P789.9 million, P441.0 million higher year-on-year coming mainly from interest income earned from money market placements during the period.

Others - net decreased by 19% or P62.1 million
Others - net generated an income of P262.8 million, traced mainly to ancillary services and common area charges offered at PITX.

Tax Expense decreased by P32.2 million or 69%
Total tax expense decreased due to the lower taxable income for the period.

Net Loss From Discontinued Operations decrease by 100% or P789 million
In 2023, operations from airport business and its ancillary, airport merchandising, where no longer being consolidated by the Group after the airport subsidiary GMCAC divested of a combined 33 & 1/3% share to Aboitiz InfraCapital in September 2022. The Company, however, continues to own 33 & 1/3% plus 1 share of GMCAC.

Consolidated Net Income increased by 134% or P1.3 billion
Consolidated net income for the nine-month period amounted to P332.5 million, reversing the consolidated net loss of P970.4 million in the same period last year. The improvement is largely a result of the strategic divestment from the airport segment, which closed in December 2022.

B. FINANCIAL CONDITION

Review of financial conditions as of September 30, 2023 as compared with financial conditions as of December 31, 2022. The Group reclassified the assets and liabilities of discontinued operations to Non-current Assets Held for Sale and Non-current Liabilities Held for Sale accounts in the interim condensed statement of financial position as of September 30, 2023 and December 31, 2022.

ASSETS

Current Assets decreased by 7% or by P3.6 billion

The following discussion provides a detailed analysis of the decrease in current assets:

Cash and Cash Equivalents decreased by 69% or P10.8 billion
The decrease in cash and cash equivalents was mainly due to the retirement of preferred shares, acquisition of PH1 World Developers, as well as payment of interest cost and dividends and other working capital requirements.

Trade and Other Receivables increased by 29% or by P5.3 billion
The increase in contract receivables is related to milestone payment contractual arrangement with customers, special payment arrangements to key clients and timing difference in collections as substantial portion of work accomplishment has been billed towards the end of the quarter and hence are being reviewed by the client whereas some recently billed receivables are not yet due.

Construction Materials increased by 56% or by P1.2 billion
The increase in inventory levels during the period was due to the new projects started during the period, maintenance of buffer inventory levels at site, and consolidation of construction materials balance at PH1 World Developers following the acquisition of 100% of its outstanding capital stock in July 2023.

Contract Assets decreased by 2% or P99.9 million

The decrease in contract assets is attributed to timing difference on actual billing for portion of work in-progress completed during the period, which can be billed and evaluated by the client upon completion of the said scope or activity.

Other Current Assets increased by 9% or by P813.2 million

The increase was mainly due to advances made to its suppliers and subcontractors for its new projects to lock in prices for steel required for the structural construction and increase in prepaid taxes related to the excess of creditable withholding tax payments over the current tax due.

Non-Current Asset Held for Sale remains at P2.9 billion

Total noncurrent assets held for sale pertains to the fair value of investment in GMCAC representing the Company's remaining 33 & 1/3% plus 1 share.

Non-Current Assets amounted to P17 billion

The following discussion provides a detailed analysis of the decrease in non-current assets:

Financial Assets at Fair Value Through Other Comprehensive Income (FVTOC) remains at P4 million

FVTOC which represents shares of stocks held to unconsolidated entity and golf shares with no published market value references remains at P4 million for both periods.

Investments in Associates increased by 28% or by P64.1 million

The increase is due to additional investment in data center business and investments made for the real estate acquisition. Meanwhile, share in the net profit taken up on the Group's investment in various joint ventures and associates also contributed to the increase.

Property, Plant and Equipment increased by 12% or by P822.5 million

The Group recognized depreciation charges on property, plant and equipment amounting to P993.8 million and procured certain pre-cast equipment to expand capacity of construction support and service units as well as various specialized equipment to support specification requirement of the ongoing projects. The increase is also due to the balance of Property, Plant and Equipment of PH1 World Developers which was acquired as a result of the acquisition of 100% of its outstanding capital stock.

Investment Properties increased by 0.3% or by P16.2 million

There are no material movements as the Company is operating at normal levels consistent with December 31, 2022.

Deferred tax assets increased by 16% or P110.5 million

The increase was mainly due to temporary difference arising from net operating loss carry over (NOLCO).

Other Non-Current Assets decreased by P3.4 billion

The increase in Other Non-Current Assets was mainly due to Goodwill recognized which resulted from the acquisition of 100% of the outstanding capital stock of PH1 World Developers Inc..

LIABILITIES AND EQUITY

Current Liabilities increased by 17% or P4.0 billion

The following discussion provides a detailed analysis of the decrease in current liabilities:

Interest-Bearing Loans and Borrowings-Current increased by 9% or P1.4 billion
The increase is due to availments for working capital, which was offset by the repayments of short-term loans and lease liabilities.

Trade and Other Payables increased by 34% or P1.8 billion
The increase was due to volume and timing of purchases and payments to suppliers and subcontractors. The increase is also due to the balance of Trade and Other Payables of PH1 World Developers which was assumed as a result of the acquisition of 100% of its outstanding capital stock.

Contract liabilities – current increased by 17% or P610.1 million
The increase is mainly related to downpayment from newly awarded projects such as Landers Aseana, My Enso Loft, Hotel 101 and Lumbangan Solar Power Plant.

Other Current Liabilities increased by 56% or by P172.7 million
The increase of P253.1 million is mainly due to the increase in tax liabilities of the Group including output VAT.

Non-Current Liabilities decreased by 0.2% or P37.6 million
The following discussion provides a detailed analysis of the increase in non-current liabilities:

Loans and Borrowings-Non-Current decreased by 2% or P254.5 million
The noncurrent portion of finance lease payables and corporate note were reclassified to current loans based on scheduled payments within one year horizon.

Exchangeable notes amounted to P7.8 billion
In 2022, the Parent Company issued Exchangeable notes in favor of AIC. The notes will mature on October 30, 2024 (exercise date) and are expected to be exchanged by AIC for the remaining 33 and 1/3% plus 1 share of GMCAC's outstanding capital stock currently held by the Parent Company.

Contract liabilities –noncurrent increased by 10% or P138.9 million
The increase is mainly related to downpayments received for newly awarded contracts.

Other non-current liabilities increased by 13% or P78.1 million
The increase is mainly related to deposits and advances received from tenants to be applied on future rentals due on the lease of the Group's investment properties.

Equity attributable to Parent decreased by 16% or by P3.1 billion
The decrease in equity was mainly due to total dividend payments of P2.3 billion to preferred stock and common stock shareholder and retirement of preferred shares amounting to P2.6 billion. The decrease was offset by the total comprehensive income amounting to P353.8 million and issuance of Series 5 preferred shares amounting to P1.5 billion.

C. MATERIAL EVENTS AND UNCERTAINTIES

There are no other material changes in Megawide's financial position by five percent (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 impact or change reported financial information and condition of Megawide.

Other than the impact of COVID to the business which is disclosed in Note 1.3 to the consolidated financial statements, there are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

Megawide has capital commitment on unutilized preferred shares amounting to P1,545.2 million for various PPP projects. Other than that, there are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's statements of cash flows for the period indicated:

(Amounts in P Millions)	**For six (9) months ended September 30**	
Cash Flow	**2023** UNAUDITED	**2022** UNAUDITED
Net cash from (used in) operating activities	(P3,475)	(P3,231)
Net cash from (used in) investing activities	(P3,406)	(P1,410)
Net cash from (used in) financing activities	(P3,948)	P2,574

Indebtedness

As of September 30, 2023 Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

E. RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risks are discussed in the quarterly financial statements, Exhibit 1.

F. KEY PERFORMANCE INDICATORS

Megawide's top KPIs are as follows:

Amounts in PhP Billion, except Ratios and Earnings per Share	September 30, 2023	September 30, 2022
Current Ratio[1]	1.80	1.58
Net Debt to Equity Ratio[2]	1.45	1.37
Book Value Per Share[3]	3.40	3.71
Earnings / (loss) per Share[4]	0.02	(0.41)
Gross Profit Margin[5]	0.12	0.17

The KPIs were chosen to provide management with a measure of Megawide's sustainability on financial strength (Current Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit Margin).

PART II–OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

[1] *Current Assets/Current Liabilities*
[2] *Interest bearing loans and borrowings less cash and cash equivalents and financial assets valued through profit or loss/Stockholder's Equity*
[3] *Total Equity/Issued and Outstanding Shares*
[4] *Net Profit/Issued and Outstanding Shares*
[5] *Gross Profit / Revenue*

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in SAN JUAN CITY on NOV 13 2023.

By:

EDGAR B. SAAVEDRA
President and Chief Executive Officer

RAMON H. DIAZ
Chief Financial Officer

SUBSCRIBED AND SWORN TO before me in SAN JUAN CITY on NOV 13 2023, affiants exhibiting to me their respective valid IDs, as follows:

Name	Competent Evidence of Identity	Date Issued/Date of Expiration	Place Issued
Edgar B. Saavedra	Philippine Passport No. P6875140B	Expiring on: May 26, 2031	DFA Manila
Ramon H. Diaz	Philippine Passport No. P5852124B	Expiring on: November 24, 2030	DFA NCR West

Doc. No. 155;
Page No. 32;
Book No. 6;
Series of 2023.

ATTY. FRA ANGELICA S. ALEJANDRO NOTARY PUBLIC PASIG PATEROS SAN JUAN PHILS. ROLL NO. 77312

FRA ANGELICA S. ALEJANDRO
Appointment No. 109 (2023-2024)
Notary Public for and in the Cities of
Pasig and San Juan and in the Municipality of Pateros
Until December 2024
11/F Santolan Town Plaza, 276 Santolan Road, San Juan City
Roll of Attorneys No. 77312
PTR No. 1673663 / 01-06-2023 / San Juan City
IBP O.R. No. 275028 / 01-07-2023 / RSM

MEGAWIDE

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megawide Construction Corporation and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group for the year ended December 31, 2022, in accordance with Philippine Standards on Auditing Performed by the Independent Auditor of the Entity, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such review. The financial statements as of and for the period ended September 30, 2023 and 2022 were not audited as allowed under the applicable rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

ENGR. EDGAR B. SAAVEDRA
President
195-661-064-000

RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000

MEGAWIDE

SUBSCRIBED AND SWORN TO before me this NOV 13 2023 at SAN JUAN CITY affiants exhibiting to me their valid Tax Identification Numbers stated above.

NOV 13 2023
Signed this __th day of November 2023.

Doc. No. 154;
Page No. 36;
Book No. 6;
Series of 2023.

ATTY. FRA ANGELICA S. ALEJANDRO
NOTARY PUBLIC
PASIG
PATEROS
SAN JUAN
PHILS.
ROLL NO. 77312

FRA ANGELICA S. ALEJANDRO
Appointment No. 109 (2023-2024)
Notary Public for and in the Cities of
Pasig and San Juan and in the Municipality of Pate
Until December 2024
11/F Santolan Town Plaza, 276 Santolan Road, San Juan C
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PTR No. 1673663 / 01-06-2023 / San Juan Cit
IBP O.R. No. 275028 / 01-07-2023 / RSM

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

	Notes		September 30, 2023 (Unaudited)		December 31, 2022 (Audited)
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	4	**P**	**4,931,406,487**	P	15,758,197,239
Trade and other receivables - net	5		**23,694,201,922**		18,360,999,611
Construction materials			**3,308,721,824**		2,126,166,237
Contract assets - net	6		**5,006,449,260**		5,106,307,785
Other current assets	9		**10,376,495,390**		9,563,285,300
			47,317,274,883		50,914,956,172
Non-current asset classified as held for sale	7		**2,879,769,625**		2,879,769,625
Total Current Assets			**50,197,044,508**		53,794,725,797
NON-CURRENT ASSETS					
Financial assets at fair value through other comprehensive income	27		**3,544,472**		3,544,472
Investments in associates	8		**295,445,596**		231,295,805
Property, plant and equipment - net	11		**7,556,492,153**		6,734,023,493
Investment properties - net	12		**4,715,229,553**		4,699,071,474
Deferred tax assets - net			**799,799,319**		689,304,708
Other non-current assets	9		**3,702,895,396**		300,790,305
Total Non-current Assets			**17,073,406,489**		12,658,030,257
TOTAL ASSETS		**P**	**67,270,450,997**	P	66,452,756,054

	Notes		September 30, 2023 (Unaudited)		December 31, 2022 (Audited)
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15	**P**	**16,064,451,326**	P	14,707,801,548
Trade and other payables	14		**7,145,661,502**		5,332,737,951
Contract liabilities	16		**4,200,401,532**		3,590,333,090
Other current liabilities	17		**479,257,718**		306,528,558
Total Current Liabilities			**27,889,772,078**		23,937,401,147
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15		**12,816,672,480**		13,071,219,958
Exchangeable notes	7		**7,763,200,000**		7,763,200,000
Contract liabilities	16		**1,544,053,026**		1,405,179,227
Post-employment defined benefit obligation			**239,089,539**		237,400,671
Other non-current liabilities	17		**447,836,250**		371,474,463
Total Non-current Liabilities			**22,810,851,295**		22,848,474,319
Total Liabilities			**50,700,623,373**		46,785,875,466
EQUITY	20				
Equity attributable to shareholders of the Parent Company:					
Capital stock			**2,543,052,137**		2,528,052,137
Additional paid-in capital			**18,460,789,667**		16,987,855,617
Deposits for future stock subscription			**2,250,000**		2,250,000
Treasury shares		**(**	**11,237,703,576)**	(	8,615,690,576)
Revaluation reserves - net			**170,262,376**		149,758,638
Retained earnings			**6,629,386,894**		8,612,106,239
Total equity attributable to shareholders of the Parent Company			**16,568,037,498**		19,664,332,055
Non-controlling interests			**1,790,126**		2,548,533
Total Equity			**16,569,827,624**		19,666,880,588
TOTAL LIABILITIES AND EQUITY		**P**	**67,270,450,997**	P	66,452,756,054

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023 Year-to-date	2023 Quarter	2022 Year-to-date	2022 Quarter	2021 Year-to-date	2021 Quarter
CONTINUING OPERATIONS							
REVENUES	18						
Construction operations		P 15,182,521,781	P 4,213,401,063	P 10,318,699,776	P 3,247,148,033	P 10,556,039,345	P 3,571,626,373
Landport operations		339,734,241	148,688,965	276,261,698	25,857,909	513,819,528	153,768,062
Real estate operations		36,524,867	36,524,867	-	-	-	-
		15,558,780,889	4,398,614,895	10,594,961,474	3,273,005,942	11,069,858,873	3,725,394,435
DIRECT COSTS	19						
Cost of construction operations		13,345,175,713	3,732,630,755	8,824,616,079	2,853,042,928	8,948,293,186	3,013,942,891
Costs of landport operations		257,010,482	86,900,041	255,377,872	64,518,745	230,258,173	69,202,196
Costs of real estate operations		22,803,559	22,803,559	-	-	-	-
		13,624,989,754	3,842,334,355	9,079,993,951	2,917,561,673	9,178,551,359	3,083,145,087
GROSS PROFIT		1,933,791,135	556,280,540	1,514,967,523	355,444,269	1,891,307,514	642,249,348
INCOME AND EXPENSES							
Other operating expenses		(1,057,535,313)	(345,962,151)	(747,282,371)	(305,301,440)	(737,363,554)	(238,662,365)
Finance costs		(1,581,946,996)	(535,536,035)	(1,052,063,593)	(392,306,732)	(1,112,191,762)	(421,846,619)
Finance income		789,886,752	184,780,588	348,873,445	125,187,677	345,820,766	118,064,201
Others - net		262,754,353	107,101,353	324,853,289	183,527,461	344,085,651	82,561,281
		(1,586,841,204)	(589,616,245)	(1,125,619,230)	(388,893,034)	(1,159,648,899)	(459,883,502)
INCOME BEFORE TAX		346,949,931	(33,335,705)	389,348,293	(33,448,765)	731,658,615	182,365,846
TAX EXPENSE		14,400,799	(3,274,236)	46,555,635	(28,716,096)	172,257,381	45,231,722
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		332,549,132	(30,061,469)	342,792,658	(4,732,669)	559,401,234	137,134,124
DISCONTINUED OPERATIONS							
LOSS BEFORE TAX		-	-	(1,260,712,708)	(461,925,564)	(989,440,129)	(521,301,837)
TAX EXPENSE		-	-	52,501,743	62,623,245	79,586,968	72,607,984
NET LOSS FROM DISCONTINUED OPERATIONS		-	-	(1,313,214,451)	(524,548,809)	(1,069,027,097)	(593,909,821)
NET INCOME (LOSS)		P 332,549,132	(P 30,061,469)	(P 970,421,793)	(P 529,281,478)	(P 509,625,863)	(P 456,775,697)

	Notes	2023 Year-to-date	2023 Quarter	2022 Year-to-date	2022 Quarter	2021 Year-to-date	2021 Quarter
Net Income (Loss) Attributable To:	24						
Shareholders of the Parent Company:							
Continuing operations		**P 333,307,539**	**(P 29,852,176)**	P 342,792,658	(P 4,732,669)	P 559,401,235	P 137,134,124
Discontinued operations		-	-	(788,043,696)	(314,842,448)	(640,204,875)	(356,047,654)
		333,307,539	**(29,852,176)**	(445,251,038)	(319,575,117)	(80,803,640)	(218,913,530)
Non-controlling interests:							
Continuing operations		**(758,407)**	**(209,293)**	-	-	-	-
Discontinued operations		-	-	(525,170,755)	(209,706,361)	(428,822,223)	(619,782,279)
		(758,407)	**(209,293)**	(525,170,755)	(209,706,361)	(428,822,223)	(619,782,279)
		P 332,549,132	**(P 30,061,469)**	(P 970,421,793)	(P 529,281,478)	(P 509,625,863)	(P 838,695,809)
Earnings (Loss) per Share:	24						
Continuing operations		**P 0.02**	**P 0.02**	(P 0.02)	(P 0.02)	P 0.09	P 0.09
Discontinued operations		-	-	(0.39)	(0.39)	(0.32)	(0.32)
		P 0.02	**P 0.02**	(P 0.41)	(P 0.41)	(P 0.23)	(P 0.23)

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	2023		2022		2021	
	Year-to-date	**Quarter**	Year-to-date	Quarter	Year-to-date	Quarter
NET INCOME (LOSS)	**P 332,549,132**	**(P 30,061,469)**	(P 970,421,793)	(P 529,281,478)	(P 509,625,863)	(P 456,775,697)
OTHER COMPREHENSIVE INCOME (LOSS)						
Item that will not be reclassified subsequently to profit or loss						
Foreign currency translation adjustment	**20,503,738**	**19,170,879**	(2,620,113)	21,072,252	(230,028)	124,860.00
Tax expense	**-**	**-**	-	-	(79,036.00)	-
Other Comprehensive Income (Loss) – net of tax	**20,503,738**	**19,170,879**	(2,620,113)	21,072,252	(309,064)	124,860
TOTAL COMPREHENSIVE INCOME (LOSS)	**P 353,052,870**	**(P 10,890,590)**	(P 973,041,906)	(P 508,209,226)	(P 509,934,927)	(P 456,650,837)
Total Comprehensive Income (Loss) Attributable To:						
Shareholders of the Parent Company:						
Continuing operations	**P 353,811,277**	**(P 10,681,297)**	P 340,172,545	P 16,339,583	P 559,092,171	P 137,258,984
Discontinued operations	**-**	**-**	(788,043,696)	(314,842,448)	(640,204,875)	(356,047,654)
	353,811,277	**(10,681,297)**	(447,871,151)	(298,502,865)	(81,112,704)	(218,788,670)
Non-controlling interests:						
Continuing operations	**(758,407)**	**(209,293)**	-	-	-	-
Discontinued operations	**-**	**-**	(525,170,755)	(209,706,361)	(428,822,223)	(237,862,167)
	(758,407)	**(209,293)**	(525,170,755)	(209,706,361)	(428,822,223)	(237,862,167)
	P 353,052,870	**(P 10,890,590)**	(P 973,041,906)	(P 508,209,226)	(P 509,934,927)	(P 456,650,837)

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company (Note 20)										
	Common Stock	Preferred Stock	Deposit for future stock subscription	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total
Balance at January 1, 2023	P 2,399,426,127	P 128,626,010	P 2,250,000	(P 8,615,690,576)	P 16,987,855,617	P 149,758,638	-	P 8,612,106,239	P 19,664,332,055	P 2,548,533	P 19,666,880,588
Declaration of cash dividends	-	-	-	-	-	-	-	(2,316,026,884)	(2,316,026,884)	-	(2,316,026,884)
Issuance of preferred shares (Series 5)	-	15,000,000	-	-	1,472,934,050	-	-	-	1,487,934,050	-	1,487,934,050
Retirement of preferred shares (Series 2A)	-	-	-	(2,622,013,000)	-	-	-	-	(2,622,013,000)	-	(2,622,013,000)
Total comprehensive income for the year	-	-	-	-	-	20,503,738	-	333,307,539	353,811,277	(758,407)	353,052,870
Balance at September 30, 2023	**P 2,399,426,127**	**P 143,626,010**	**P 2,250,000**	**(P 11,237,703,576)**	**P 18,460,789,667**	**P 170,262,376**	**-**	**P 6,629,386,894**	**P 16,568,037,498**	**P 1,790,126**	**P 16,569,827,624**
Balance at January 1, 2022	P 2,399,426,127	P 128,626,010	P -	(P 8,615,690,576)	P 16,987,855,617	P 94,011,896	(P 22,474,837)	P 5,555,676,962	P 16,527,431,199	P 2,673,476,480	P 19,200,907,679
Declaration of cash dividends	-	-	-	-	-	-	-	(380,472,071)	(380,472,071)	-	(380,472,071)
Total comprehensive loss for the year	-	-	-	-	-	(2,620,112)	-	(445,251,039)	(447,871,151)	(525,170,755)	(973,041,906)
Balance at September 30, 2022	P 2,399,426,127	P 128,626,010	P -	(P 8,615,690,576)	P 16,987,855,617	P 91,391,784	(P 22,474,837)	P 4,729,953,852	P 15,699,087,977	P 2,148,305,725	P 17,847,393,702
Balance at January 1, 2021	P 2,399,426,127	P 87,001,010	P -	(P 4,615,690,576)	P 13,057,711,509	(P 8,950,923)	(P 22,474,837)	P 6,404,291,624	P 17,301,313,934	P 3,221,153,930	P 20,522,467,864
Declaration of cash dividends	-	-	-	-	-	-	-	(379,222,070)	(379,222,070)	-	(379,222,070)
Subscription of preferred shares	-	1,625,000	-	-	-	-	-	-	1,625,000	-	1,625,000
Total comprehensive loss for the year	-	-	-	-	-	(277,450)	-	(80,803,640)	(81,081,090)	(428,853,837)	(509,934,927)
Balance at September 30, 2021	P 2,399,426,127	P 88,626,010	P -	(P 4,615,690,576)	P 13,057,711,509	(P 9,228,373)	(P 22,474,837)	P 5,944,265,914	P 16,842,635,774	P 2,792,300,093	P 19,634,935,867

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 346,949,931	(P 923,390,869)	(P 257,781,514)
Adjustments for:				
Depreciation and amortization	11, 12, 13	1,106,366,751	1,321,147,391	1,214,522,451
Finance costs		1,581,946,996	1,052,164,286	2,063,062,240
Finance income		(789,886,752)	(350,671,221)	(351,934,499)
Unrealized mark-to-market gain (loss) in interest rate swap		-	43,247,266	31,036,478
Equity in net losses (gains) on associates and joint ventures	8	(2,458,791)	18,463,133	54,805,637
Gain on disposals of property, plant and equipment	11	(8,321,632)	(1,426,939)	(8,698,160)
Gain on loan modification		-	-	(207,829,510)
Operating profit before working capital changes		2,234,596,503	1,159,533,047	2,537,183,123
Increase in trade and other receivables		(4,846,309,185)	(1,132,129,271)	(934,888,061)
Increase in construction materials		(1,182,555,587)	(654,880,431)	(60,890,221)
Decrease (increase) in contract assets		99,858,525	(556,747,189)	(287,426,151)
Increase in other current assets		(677,349,509)	(2,811,939,589)	(1,300,988,108)
Decrease (increase) in other non-current assets		256,637,924	6,335,534	(225,764,645)
Increase (decrease) in contract liabilities		552,636,028	(272,104,728)	1,282,353,963
Increase in trade and other payables		59,539,553	1,088,570,367	396,331,449
Increase (decrease) in other liabilities		25,904,333	(48,073,189)	209,430,248
Increase in post-employment defined benefit obligation		1,688,868	5,127,776	4,818,712
Cash generated from (used in) operations		(3,475,352,547)	(3,216,307,673)	1,620,160,309
Cash paid for income taxes		-	(14,265,462)	(251,844,349)
Net Cash From (Used in) Operating Activities		(3,475,352,547)	(3,230,573,135)	1,368,315,960
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	9, 11	(326,682,267)	(835,826,503)	(674,269,375)
Additions to concession assets		-	(491,440,496)	(449,363,439)
Increase (decrease) in investment in trust fund		-	(163,541,216)	109,693,640
Proceeds from sale of property, plant and equipment	11	88,757,440	81,861,301	27,933,775
Interest received		323,497,364	7,239,183	19,125,462
Acquisitions of investment properties	12	(34,727,755)	(8,521,062)	(11,348,703)
Increase in other non-current assets	9	(3,395,155,534)	-	-
Acquisition of investment in associates	8	(61,691,000)	-	-
Net Cash Used in Investing Activities		(3,406,001,752)	(1,410,228,793)	(978,228,640)
Balance carried forward		(P 6,881,354,299)	(P 4,640,801,928)	P 390,087,320

	Notes	2023	2022	2021
Balance brought forward		(P 6,881,354,299)	(P 4,640,801,928)	P 390,087,320
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	15, 28	3,060,000,000	16,514,412,802	2,049,287,015
Retirement of preferred shares	20	(2,622,013,000)	-	-
Repayment of loans and borrowings	15, 28	(1,978,873,737)	(12,308,942,473)	(1,272,167,724)
Interest paid		(1,579,110,661)	(1,070,641,574)	(1,502,158,431)
Dividends paid	20	(2,316,026,884)	(380,472,071)	(379,222,070)
Proceeds from issuance of preferred shares	20	1,487,934,050	-	1,625,000
Net Cash From (Used in) Financing Activities		(3,948,090,232)	2,754,356,684	(1,102,636,210)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents		2,653,779	16,175,369	(5,151,754)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,826,790,752)	(1,870,269,875)	(717,700,644)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,758,197,239	5,846,088,030	7,226,149,912
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 4,931,406,487	P 3,975,818,155	P 6,508,449,268

Supplemental Information on Non-cash Investing and Financing Activities –

In 2023, 2022 and 2021, the Group recognized right-of-use assets and lease liabilities amounting to P10.8 million, P113.0 million and P187.3 million, respectively (see Note 13).

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND 2021
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)
(Unaudited)

1. GENERAL INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Philippine Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE. Moreover, the Parent Company also made follow-on offerings in 2020 and 2021 (see Note 19.1).

The Parent Company remains a subsidiary of Citicore Holding Investment, Inc. (Citicore) which owns and controls 35.41% of the issued and outstanding capital stock of the Parent Company as of September 30, 2023 and December 31, 2022 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore. Moreover, Citicore also appoints majority of the board members and remains as the single largest stockholder controlling the Board of Directors (BOD).

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds effective ownership interest as of September 30, 2023 and December 31, 2022 in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as "the Group"), which are all incorporated in the Philippines:

Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	Percentage of Ownership
Subsidiaries:		
Megawatt Clean Energy, Inc. (MCEI)	a	70%
Megawide Land, Inc. (MLI)	b	100%
Megawide Cold Logistics, Inc. (MCLI)	b	60%
Megawide Construction (BVI) Corporation (MCBVI)	c	100%
Megawide Construction DMCC (DMCC)	c	100%
Megawide Infrastructure DMCC (MW Infrastructure)	c	100%
MWM Terminals, Inc. (MWMTI)	d	100%
Megawide Terminals, Inc. (MTI) *(formerly WM Property Management, Inc.)*	e	100%
Megawide International Limited (MIL)	f	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	f	100%
Cebu2World Development, Inc. (CDI)	g	100%
Wide-Horizons, Inc. (WHI)	h	100%
Tiger Legend Holdings Limited (TLH)	i	100%
Megawide OneMobility Corporation (MOMC)	j	80%
Tunnel Prefab Corporation (TPC)	k	90%
PH1 World Developers, Inc. (PH1)	l	100%
Accounted for as asset acquisition –		
Altria East Land, Inc. (Altria)	m	100%
Associates:		
Megawide World Citi Consortium, Inc. (MWCCI)	n	51%
Citicore Megawide Consortium, Inc. (CMCI)	n	10%
GMR Megawide Cebu Airport Corporation (GMCAC)	o	33%
Evolution Data Centres Philippines, Inc. (EDC)	p	49%
Joint Operations:		
Megawide GISPL Construction Joint Venture (MGCJV)	q	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	r	50%
HDEC- Megawide-Dongah JV (HMDJV)	s	35%

a) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of September 30, 2023, MCEI has not yet started operations.

b) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

MLI has a 60% ownership interest in MCLI, a company incorporated in the Philippines and was established to engage in cold and dry storage business. The registered office address of MCLI, which is also its principal place of business, is located at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City. As of September 30, 2023, MCLI has not yet started operations.

c) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. In 2018, MCBVI has commenced business operations.

MCBVI has wholly owned subsidiaries, DMCC and MW Infrastructure. DMCC, which was registered on December 10, 2017, is involved in infrastructure works. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai UAE. MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No. JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

d) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTI. The joint venture undertakes the development and implementation of the Parañaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr. In November 2018, MWMTI commenced its commercial operations.

e) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million. MTI owns 49% interest over MWMTI.

MTI (previously WM Property Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at 20 N. Domingo St. Brgy. Valencia, Quezon City.

f) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019. MIL has a 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St. #24-03/04 Manulife Tower Singapore. MIL has not commenced operations as of September 30, 2023.

g) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust.

h) WHI

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of September 30, 2023, WHI has not yet started commercial operations.

i) TLH

TLH was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. TLH's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. TLH has not commenced operations as of September 30, 2023.

j) MOMC

MOMC, whose registered address is at 20 N. Domingo Street, Brgy. Valencia, Quezon City, was incorporated in the Philippines and registered with SEC on March 11, 2015 to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale. In 2022, the Parent Company subscribed to primary shares of MOMC equivalent to 80% ownership interest for a total consideration of P2.4 million. As of the acquisition date, MOMC has net liabilities of P13.8 million. MOMC has not yet started commercial operations as of September 30, 2023.

k) TPC

TPC, whose registered office is at No. 4 Velasquez Street, Sitio Bangiad, Barangay San Juan, 1920, Taytay, Rizal, was incorporated on August 31, 2022 to engage in the business of producing, manufacturing, fabricating, construction, procuring, furnishing, purchasing and/or selling precast concrete materials, items, and systems, formworks materials and systems, construction equipment, and other construction and building supplies for tunnels, highways, horizontal and vertical developments, infrastructure works, and any other construction projects. TPC has not yet started commercial operations as of September 30, 2023.

l) PH1

PH1 World Developers (formerly MySpace, Inc.) was established in 2014 and aims to deliver quality developments through innovation and engineering technology. Its projects in the vertical space include

- "The Hive" project located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal
- "My Enso Lofts" located at Timog Ave., District 4, Quezon City
- "Modan Lofts Ortigas Hills" in Ortigas Avenue Extension
- "One Lancaster Park" in Imus, Cavite

Its projects in the horizontal space include Ph1 World Landscapes in San Jose Del Monte, Bulacan.

m) Altria

Altria, whose registered office is at Coastal Road Bangiad San Juan, Taytay, Rizal, was incorporated in the Philippines and registered with the SEC on April 16, 2010 to own, use, develop, improve, subdivide, sell, exchange, lease and hold investment or otherwise, real estate of all kinds such as land and building. Altria has not yet started commercial operations as of September 30, 2023.

n) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates despite the percentage of the Parent Company's ownership interest over these entities (see Note 8.1).

Significant assets of MWCCI pertain to its receivables from the Department of Health (DOH) from the Build-Operate-Transfer Agreement [see Note 8.1(a)]. MWCCI has undertaken measures to recover compensation costs from DOH. However, based on management's assessment as of December 31, 2022, there is no reasonable expectation of recovery of costs incurred relative to the MPOC Project. Accordingly, the Group has written off its investment in MWCCI in 2022 [see Note 8.1(a)].

o) GMCAC

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 9) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL) or GMR, and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors).

GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

In 2022, the Parent Company sold a portion of its ownership interest in GMCAC that resulted in the loss of the Group's controlling interest in GMCAC. After the sale transaction, Group's ownership interest in GMCAC was reduced to 33.3% as of December 31, 2022 and September 30, 2023. The remaining ownership interest in GMCAC is classified and presented as Non-current Asset Classified as Held for Sale in the 2023 interim condensed statement of financial position (see Note 7).

p) EDC

EDC, whose registered office is at Unit 53J, Shang Salcedo Place, H.V. dela Costa corner Tordesillas Sts., Salcedo Village, Makati, was incorporated on December 9, 2021 to perform and provide computer programming and consultancy services and engage in the creation and development of technological services.

In 2023, the Parent Company subscribed to 616,910 new shares from EDC with at subscription price of P61.7 million. The subscription resulted to 49% ownership of EDC.

q) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group (see Note 8.4).

r) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GISPL with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GISPL both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project (see Note 8.4). MGJCVI began to operate in 2018.

s) HMDJV

HMDJV is an unincorporated joint venture formed on October 27, 2020, by the Parent Company owning 35% and Hyundai Engineering & Construction Co., Ltd. And Dong-Ah Geological Engineering Company Ltd. Owning 57.5%, and 7.5% interest, respectively, and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges, and stations of Malolos- Clark Railway Project (MCRP). HMDJV began to operate in 2021.

1.3 Continuing Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these consolidated financial statements. In 2022 and 2023, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels.

As a result, overall continuing impact of the COVID-19 pandemic to the Group is continuously improving and Group's operations is slowly going back to its pre-pandemic levels. Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

1.4 Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group as of and for the nine months ended September 30, 2023 (including the consolidated financial statements as of December 31, 2022 and interim condensed consolidated financial statements for the nine months ended September 30, 2023 and 2022) were authorized for issue by the Parent Company's BOD on November 14, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2022.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The preparation of interim condensed consolidated financial statements in accordance with 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. There were no changes in estimates of amounts reported in prior financial years that have material effect in the current interim period.

(b) Presentation of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Group opted to present a separate interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These interim condensed consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim condensed consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Group

The Group 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 Noncurrent
PAS 1 (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.

(i) PAS 1 (Amendments) *Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent*. 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 (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 Subsequent to 2023 but not Adopted Early

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

(i) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

(c) Effective in 2023 that is not Relevant to the Group

- PFRS 17, *Insurance Contracts*
- Amendment to PFRS 17, *Insurance Contracts*

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 Business Segments

Continuing Operations

(a) *Construction Operations* – principally refers to general construction business, including constructing and sale of precast items and concrete production and rental of construction equipment.

(b) *Landport Operations* – principally relates to the development and implementation of the PITX Project.

(c) *Real Estate Operations* – principally relates to buying, selling, leasing, developing and managing real estate properties.

Discontinued Operations

(d) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. The Group also has merchandising operations of food and non-food items. As a result of the sale and deconsolidation of GMCAC and GMI, the Group's airport operations segment has been discontinued in 2023 while the airport operations for 2022 are presented as discontinuing operations (see Note 7).

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations for the nine months ended September 30, 2023, 2022 and 2021 and financial position of the Group's business segments as of September 30, 2023 and December 31, 2022 and 2021 (amounts in thousands).

	Continuing Operations											
	Construction			Landport			Real Estate			Total		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Results of operations												
Sales to external customers	**P 15,182,522**	P 10,318,700	P 10,556,039	**P 339,734**	P 276,262	P 513,820	**P 36,525**	P -	P -	**P 15,558,781**	P 10,594,962	P 11,069,859
Intersegment sales	**8,357**	524,431	17,234	**-**	-	-	**-**	-	-	**8,357**	524,431	17,234
Segment revenues	**15,190,879**	10,843,131	10,573,273	**339,734**	276,262	513,820	**36,525**	-	-	**15,567,138**	11,119,393	11,087,093
Cost and other operating expenses:												
Cost of construction, airport and landport operations excluding depreciation and amortization	**12,533,748**	8,402,489	8,045,035	**85,067**	83,984	65,886	**22,804**	-	-	**12,641,619**	8,486,473	8,110,921
Depreciation and amortization	**905,176**	966,014	968,636	**180,619**	179,147	173,606	**4,124**	-	-	**1,089,919**	1,145,161	1,142,242
Interest income	**(788,265)**	(348,859)	(345,648)	**(170)**	(15)	(172)	**(1,445)**	-	-	**(789,880)**	(348,874)	(345,820)
Interest expense	**1,397,926**	944,904	987,681	**178,502**	106,793	117,323	**362**	-	-	**1,576,790**	1,051,697	1,105,004
Material non-cash items												
Equity share in profit or loss and joint ventures	**(2,459)**	(1,675)	7,839	**-**	-	-	**-**	**-**	**-**	**(2,459)**	(1,675)	7.839
Others - net	**(16,836)**	(157,053)	(808,954)	**(99,951)**	(78,213)	(145,758)	**(12,837)**	-	-	**(129,624)**	(235,266)	(954,712)
Tax expense (income)	**48,118**	73,572	141,492	**(24,819)**	(31,949)	29,746	**35**	-	-	**23,334**	(41,623)	171,238
Other expenses	**668,081**	490,318	468,443	**106,351**	118,526	166,050	**50,118**	-	-	**824,550**	608,844	634,493
	14,745,489	10,369,710	9,464,524	**425,599**	378,273	406,681	**63,162**	-	-	**15,234,250**	10,747,983	9,871,205
Segment Net Profit (Loss)	**P 445,390**	P 473,421	P 1,108,749	**(P 85,865)**	(P 102,011)	P 107,139	**(P 26,637)**	P -	P -	**P 332,888**	P 371,410	P 1,215,888
Consolidated Statements of Financial Position												
Total Segment Assets	**P 58,613,372**	P 61,577,831	P 49,988,040	**P 6,501,822**	P 6,638,544	P 6,727,959	**P 4,576,123**	P -	P -	**P 69,691,317**	P 68,216,375	P 55,715,999
Total Segment Liabilities	**P 42,323,901**	P 42,283,646	P 32,351,079	**P 4,948,494**	P 4,978,471	P 4,826,617	**P 2,926,596**	P -	P -	**P 50,198,991**	P 47,262,117	P 37,177,696
Capital Expenditures	**P 161,881**	P 946,624	P 631,034	**P 6,946**	P -	P 80,688	**P 4,874**	P -	P -	**P 173,701**	P 946,624	P 711,722
Investment in associates and joint ventures accounted for by the equity method	**P 295,446**	P 231,296	P 813,793	**P -**	P -	P -	**P -**	P -	P -	**P 295,446**	P 231,296	P 813,793

3.4 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its interim condensed consolidated financial statements (amounts in thousands).

	Nine Months Ended September 30 (Unaudited)		
	2023	2022	2021
Revenues			
Segment revenues	**P 15,558,781**	P 10,594,962	P 11,069,859
Intersegment sales	**8,357**	524,431	17,234
Revenues as reported in the interim condensed consolidated statements of income	**P 15,567,138**	P 11,119,393	P 11,087,093
Profit or loss			
Segment net profit (loss)	**P 332,888**	P 371,410	P 1,215,888
Other unallocated loss(income)	**(339)**	(28,617)	(656,487)
Net profit (loss) as reported in the in the interim condensed consolidated statements of income	**P 332,549**	P 342,793	P 559,401

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Total segment assets	**P 69,691,317**	P 68,216,375
Elimination of intercompany accounts	**(16,027,624)**	(10,579,021)
Other unallocated assets	**13,606,758**	8,815,402
Total assets as reported in the interim condensed consolidated statements of financial position	**P 67,270,451**	P 66,452,756
Liabilities		
Total segment liabilities	**P 50,198,991**	P 47,262,117
Elimination of intercompany accounts	**(4,536,900)**	(3,948,773)
Other unallocated liabilities	**5,038,533**	3,472,532
Total liabilities as reported in the interim condensed consolidated statements of financial position	**P 50,700,623**	P 46,785,875

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**P 6,697,180**	P 6,075,392
Cash in banks	**4,180,514,234**	15,066,921,254
Short-term placements	**744,195,073**	685,200,593
	P4,931,406,487	P15,758,197,239

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 0.7% to 6.0% in 2023, 2022 and 2021.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Contract receivables:			
Third parties		**P 6,374,230,044**	P 3,178,047,746
Related parties	21.1	**1,750,572,620**	1,875,612,784
		8,124,802,664	5,053,660,530
Retention receivables:			
Third parties		**2,673,103,783**	1,913,812,064
Related parties	21.1	**750,041,302**	736,905,666
		3,423,145,085	2,650,717,730
Advances to:			
Related parties	21.4	**6,755,212,523**	6,375,326,547
Officers and employees	21.3	**100,953,682**	98,591,371
		6,856,166,205	6,473,917,918
Balance carried forward		**P 18,404,113,954**	P 14,178,296,178

	Note	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Balance brought forward		**P 18,404,113,954**	P 14,178,296,178
Rental receivables:			
Lease receivable – per contract		**971,252,609**	905,481,286
Lease receivable – effect of straight-line method		**363,312,362**	415,637,728
		1,334,564,971	1,321,119,014
Accrued interest receivables	21.4	**2,474,003,982**	1,944,838,291
Other receivables	21.2	**1,726,762,963**	1,143,588,790
		23,939,445,870	18,587,842,273
Allowance for impairment		**(245,243,948)**	(226,842,662)
		P 23,694,201,922	P 18,360,999,611

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Rental receivables include those uncollected from third party tenants of the Group, and the related rent receivables arising from the difference between the cash basis rent income and the straight-line rent income of all lease contracts with fixed payments as of the end of the reporting period.

Trade and other receivables, except advances to related parties, do not bear any interest.

All receivables, except Advances to officers and employees, are subject to credit risk exposure. These receivables are evaluated by the Group for impairment and assessed that no additional expected credit loss (ECL) should be provided for the periods presented.

All of the Group's trade and other receivables have been reviewed for impairment using the provision matrix as determined by the management. The total impairment losses recognized by the Group are presented in the succeeding paragraphs.

The total allowance for impairment for contract and retention receivables provided by the Group amounted to P245.2 million and P226.8 million as of September 30, 2023 and December 31, 2022, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2023 and 2022 is shown below.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of the period	**P 226,842,662**	P 231,765,011
Effect of disposal of subsidiaries	-	(19,893,294)
Additional ECL for the year	**18,401,286**	14,970,945
Balance at end of the period	**P 245,243,948**	P 226,842,662

6. CONTRACT ASSETS

The balance of contract assets presented in the interim condensed consolidated statements of financial position as of September 30, 2023 and December 31, 2022 is P5.0 billion and P5.1 billion, respectively, which is net of allowance for impairment amounting to P1,087.4 million.

The significant changes in the contract assets balances during the reporting periods are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of the period	**P 5,106,307,785**	P 5,065,871,418
Increase as a result of changes in measurement of progress	**8,583,007,594**	9,681,091,164
Decrease as a result of reversal to trade receivables	**(7,595,450,817)**	(7,644,882,227)
Write-off	-	(908,357,268)
	6,093,864,562	6,193,723,087
Allowance for Impairment	**(1,087,415,302)**	(1,087,415,302)
Balance at end of the period	**P 5,006,449,260**	P 5,106,307,785

A reconciliation of the allowance for impairment is shown below.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**P1,087,415,302**	P 288,166,560
Impairment loss for the year	**-**	799,248,742
Balance at end of year	**P1,087,415,302**	P 1,087,415,302

Contract assets pertains to the gross amount due from customers for contract works of all contracts in progress which are not yet billed. Contract assets in 2023 and 2022 also include the cost of the landport area of the PITX Project amounting to P635.8 million and P597.5 million, respectively which is to be recovered through the Grantor payments.

The Group satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month are complete.

The Group recognizes contract assets, due to timing difference of billings and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Changes in the contract assets are recognized by the Group when a right to receive payment is already established.

In 2022, the Group wrote-off certain contract assets amounting to P908.4 million related to costs incurred on three big projects that management decided to discontinue due to irreconcilable claims and lack of reasonable expectation that such costs will be recovered. The onset of COVID suspended non-essential construction activities and affected a number of projects in the Group's order book. To maintain strong business relationships, the Group constantly reached out and negotiated with these three customers as early as late 2020, when the impact of COVID through higher input costs and delayed supply chain affected the pricing and performance for these projects. While the Group continued to hold several discussion and negotiations in 2021 and 2022, it became apparent to management in 2022 that the presented claims from these projects can no longer be collected and decided that progress on the remaining works can no longer be continued to manage the financial impact to the Group. The Group, however, is of the opinion that it has complied with all the provisions of the contracts and, after exhausting all means available, has sufficient grounds to terminate the contracts.

In addition to the contract assets which was written off, the Group also provided an additional allowance for impairment for certain projects which have doubtful recoverability. The impairment losses is presented as part of Impairment losses on receivables and contract assets under Income and Expenses section in the 2022 consolidated statement of income.

7. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

7.1 Non-current Asset Classified as Held for Sale

On September 2, 2022 (Execution date), the Parent Company, GMR Airports International BV (GAIBV) and Aboitiz InfraCapital, Inc. (AIC) executed a Share Subscription and Transfer Agreement (the Agreement) for AIC to acquire shares in GMCAC. Subject to the fullfillment of the conditions precedent under the Agreement, the following would occur on December 16, 2022 (Closing date):

1. For a total amount of P9,473.6 million, AIC shall own 33 and 1/3% minus 1 share of the outstanding capital stock of GMCAC. The Parent Company will retain 33 and 1/3% plus 1 share, while GAIBV will retain 33 and 1/3%; and,

2. The Parent Company and GAIBV shall issue Exchangeable Notes (Notes) in favor of AIC in the total amount of P15,526.4 million. The Notes will mature on October 30, 2024 (Exercise date) and will be exchanged by AIC for the rest of the 66 and 2/3% plus 1 share of GMCAC's outstanding capital stock currently held by the Parent Company and GAIBV.

   On the Exercise date, the Parent Company and GAIBV shall assign, transfer and convey the remaining GMCAC shares to AIC in exchange for the full discharge of the Notes. The Notes is unsecured and non-interest-bearing. At least 10 business days prior to the Exercise date, the Parent Company and GAIBV may exercise the option to pay the Notes in cash and they shall have no obligation to assign, transfer and convey the remaining GMCAC shares. In the event that the Parent Company and GAIBV exercise the cash option, they shall pay the principal amount of the Notes, plus a cash option interest of 19% per annum on the principal amount calculated from the Execution date to the Exercise date. The accrual of the cash option interest and the obligation to pay shall only arise upon exercise of the cash option.

Prior to the closing date, GMCAC converted its shareholders' loans totalling to P2,040.0 million, of which P1,224.0 million came from the Parent Company, to common stock of GMCAC. In addition, GMCAC issued 555.4 million primary shares to AIC. The issuance of primary shares to AIC resulted to the reduction in the Parent Company's ownership interest in GMCAC from 60.0% to 55.8%.

The transaction closed on December 16, 2022 wherein:

- AIC paid cash amounting to P6,623.6 million to the Parent Company for 1,781.4 million common shares, equivalent to 22.5% of the outstanding capital stock of GMCAC; and,

- the Parent Company issued the Notes for a cash consideration of P7,763.2 million, which will be exchanged by AIC for the rest of the Parent Company's remaining 2,643.3 million common shares, equivalent to 33.3% of the outstanding capital stock of GMCAC, on the Exercise date.

At closing date, the Parent Company retained 33.3% ownership interest in GMCAC.

As a result of the preceding transactions, the Group lost its control over GMCAC. Accordingly, the remaining ownership interest was remeasured at fair value at the date of sale which amounted to P2,879.8 million. The fair value was determined using the discounted cash flow method. The related remeasurement gain amounting to P568.8 million is presented as part of as part of Gain on deconsolidation of subsidiaries under Others – Net from discontinued operations in the 2022 consolidated statement of income.

Relative to management's intention to sell the remaining shares held in GMCAC, as evidenced by the issuance of the Notes, the remaining ownership interest in GMCAC amounting to P2,879.8 million is presented as Non-current Asset classified as Held for Sale in the 2022 consolidated statement of financial position. No cost to sell was recognized as the expenses incurred in relation to the issuance of the Notes was shouldered by AIC. On the other hand, the Notes amounting to P7,763.2 million is presented as Exchangeable Notes under the Non-current Liabilities section in the 2022 statement of consolidated financial position.

The fair values of the identifiable assets and liabilities of GMCAC as at the Closing Date were as follows:

Assets:	
Cash and cash equivalents	P 230,051,713
Trade and other receivables – net	865,264,321
Concession assets – net	31,760,874,551
Property and equipment – net	215,513,796
Investment in subsidiaries and joint ventures	1,737,804,166
Investment in trust fund	26,266,008
Deferred input VAT	1,741,663,880
Refundable security and bond deposits	710,829,793
Other assets	528,501,802
	37,816,770,030
Liabilities:	
Interest-bearing loans and borrowings	25,702,185,130
Trade and other payables	2,261,189,055
Retirement obligation	21,689,826
Deferred tax liabilities	970,422,069
Other liabilities	221,975,078
	29,177,461,158
Fair value of net assets	**P 8,639,308,872**

The gain on deconsolidation of a subsidiary is determined as follows:

Cash consideration received	P 6,623,600,000
Fair value of remaining ownership interest	2,879,769,625
	9,503,369,625
Less:	
Carrying amount of net assets sold	6,182,052,349
Carrying amount of non-controlling interest	(2,670,649,101)
	3,511,403,248
Gain on deconsolidation of a subsidiary	5,423,202,187
Gain on remeasurement of remaining ownership interest	568,764,190
	P 5,991,966,377

The gain on deconsolidation of a subsidiary amounting to P5,992.0 million is presented as part of Gain on deconsolidation of subsidiaries under Others – net from discontinued operations in the 2022 consolidated statement of income.

In addition to the above transaction, in 2022, the Group sold its shareholdings in GMI to GMCAC, wherein the Group recognized a gain on deconsolidation of a subsidiary amounting to P577.1 million which represents the excess of the cash consideration received amounting to P613.2 million over the carrying value of GMI's net assets as of the date of sale amounting to P36.1 million.

The total gain amounting to P6,569.1 million is presented as Gain on deconsolidation of subsidiaries under Others – net from discontinued operations in the 2022 consolidated statement of income.

7.2 Discontinued Operations

The net loss related to the operations of GMCAC and GMI is presented separately in the consolidated statements of income consolidated statements of comprehensive income as Net Loss from Discontinued Operations. The analysis of the revenue and expenses of the discontinued operations is as follows:

	2023	2022	2021
Airport operations revenue	**P -**	P 223,688,291	P 113,938,106
Trading operations revenue	-	18,587,311	1,144,222
	-	242,275,602	115,082,328
Cost of airport operations	-	(116,745,042)	(84,009,072)
Cost of trading operations	-	(11,685,906)	(2,014,082)
	-	(128,430,948)	(86,023,154)
Gross profit	-	113,844,654	29,059,174
Other operating expenses	-	(116,392,289)	(120,584,093)
Operating loss	-	(2,547,635)	(91,524,919)
Other income (charges) – net	-	(337,394,466)	(322,511,147)
Profit (loss) before tax	-	(339,942,101)	(414,036,066)
Tax income	-	11,571,317	63,513,561
Net income (loss)	**P -**	(P 328,370,784)	(P 350,522,505)

In 2021, other comprehensive income from discontinued operations amounted to P79,036 (nil in 2023 and 2022).

8. INVESTMENTS IN ASSOCIATES

The carrying values of Investments in Associates and Joint Ventures account are shown below.

	Note	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Investments in:			
Associates	8.1	**P 295,445,596**	P 231,295,805

These associates are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospects of the business or the recoverable amount from the net assets of these associates and joint ventures.

8.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

		September 30, 2023 (Unaudited)		December 31, 2022 (Audited)
Acquisition costs:				
CMCI	P	**200,000,000**	P	200,000,000
EDC		**61,691,000**		-
		261,691,000		200,000,000
Equity in net profit (losses):				
Balance at beginning of period		**31,295,805**		9,330,545
Equity in net profit (loss) for the year		**2,458,791**		4,572,378
Effect of write-off of investment in MWCCI		**-**		17,392,882
Balance at end of period		**33,754,596**		31,295,805
	P	**295,445,596**	P	231,295,805

These associates do not have any other comprehensive income or loss both in 2023 and 2022.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office address, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The Parent Company has 51% ownership interest in MWCCI.

MWCCI sent a Notice of termination of its BOT Agreement with the DOH, which was accepted by DOH in 2016. MWCCI has undertaken measures to recover compensation costs from DOH. However, based on management's assessment, as of December 31, 2022, there is no reasonable expectation of recovery of costs incurred relative to the MPOC Project. Accordingly, the Group wrote-off its investment in MWCCI in 2022.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest. CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered office address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

(c) *EDC*

The Parent Company owns 49% interest in EDC. The rights and powers of the Parent Company over the management and control of EDC are exercised through a seat in the BOD of EDC. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment is not material to the interim condensed consolidated financial statements.

The Parent Company did not receive any dividends from its associates in both reporting periods.

8.2 Interest in Joint Ventures

GMCAC has 42% interest in MTRGC and SSPPC, which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

In 2022, as a result of the sale and deconsolidation of GMCAC, the carrying amount of the investment in joint ventures amounting to P27.4 million was derecognized from the Group's consolidated statement of financial position.

8.3 Interest in Joint Operations

As discussed in Note 1.2, MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu. MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. The Parent Company's interests in MGCJV, MGCJVI and HMDJV are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV, MGCJVI and HMDJV.

As of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023, 2022, and 2021 the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income is as follows:

	Before Elimination	**Elimination**	**After Elimination**
September 30, 2023 (Unaudited)			
Assets:			
Cash and cash equivalents	P 946,780,886	P -	P 946,780,886
Trade and other receivables	1,135,313,339	-	1,135,313,339
Other current assets	364,610,222	-	364,610,222
Property, plant, and equipment – net	81,307,486	-	81,307,486
	P 2,528,011,933	**P -**	**P 2,528,011,933**

	Before Elimination	Elimination	After Elimination
Liabilities:			
Trade and other payables	P 2,462,233,015	P -	P 2,462,233,015
Due to related parties	28,743,665	-	28,743,665
Other liabilities	190,445,368	-	190,445,368
	P 2,681,422,048	**P -**	**P 2,681,422,048**
Revenues and Expenses:			
Contract revenues	P 2,391,601,880	(P 175,669,991)	P 2,215,931,889
Contract costs	(1,706,867,516)	175,669,991	(1,531,197,525)
Other operating expenses	(9,884,303)	-	(9,884,303)
Finance cost	(25,101,624)	-	(25,101,624)
	P 649,748,437	**P -**	**P 649,748,437**

	Before Elimination	Elimination	After Elimination
December 31, 2022 (Audited)			
Assets:			
Cash and cash equivalents	P 839,332,137	P -	P 839,332,137
Trade and other receivables	900,463,755	(31,658,362)	868,805,393
Other current assets	1,363,930,141	-	1,363,930,141
Property, plant, and equipment – net	98,397,517	-	98,397,517
	P 3,202,123,550	**(P 31,658,362)**	**P 3,170,465,188**
Liabilities:			
Trade and other payables	P 1,333,719,347	P -	P 1,333,719,347
Due to related parties	1,291,021	-	1,291,021
Other liabilities	204,126,853	-	204,126,853
	P 1,539,137,221	P -	P 1,539,137,221
September 30, 2022			
Revenues and Expenses:			
Contract revenues	P 1,208,868,974	(P 328,466,368)	P 759,017,788
Contract costs	(1,100,085,024)	300,796,244	(636,883,145)
Other operating income - net	12,604,501	-	(15,976,018)
Finance income	36,464,257	-	22,553,018
	P 157,852,708	(P 27,670,124)	P 136,810,918
September 30, 2021			
Revenues and Expenses:			
Contract revenues	P 343,564,161	P -	P 343,564,161
Contract costs	(181,009,762)	-	(181,009,762)
Other operating expenses	(122,696,503)	-	(122,696,503)
Finance cost	9,157,314	-	9,157,314
	P 49,015,210	P -	P 49,015,210

9. OTHER ASSETS

This account is composed of the following:

	Notes	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Current:			
Advances to contractors and suppliers	9.1	**P 7,392,292,798**	P 7,165,831,527
Prepaid taxes	9.4	**1,264,099,103**	825,300,844
Input value-added tax (VAT)	9.2	**647,194,758**	601,721,836
Deferred fulfilment costs	9.5	**313,100,077**	306,350,738
Refundable security and bond deposits		**180,401,881**	179,839,066
Deferred input VAT	9.2	**434,552,128**	393,356,994
Prepaid insurance		**67,170,416**	64,343,994
Prepaid subscription		**7,715,169**	4,363,721
Prepaid rent		**21,840,930**	14,731,784
Miscellaneous		**48,128,130**	7,444,796
		10,376,495,390	9,563,285,300
Non-current:			
Deferred input VAT	9.2	**22,113,363**	38,050,273
Deposits for condominium units	9.3	**202,537,468**	192,537,467
Refundable security deposits		**38,586,455**	36,946,522
Computer software license – net	9.6	**44,498,147**	33,251,614
Goodwill	9.7	**3,395,155,534**	-
Miscellaneous		**4,429**	4,429
		3,702,895,396	300,790,305
		P 14,079,390,786	P 9,864,075,605

9.1 Advances to Contractors and Suppliers

Current portion of advances to contractors and suppliers pertain to down payments made by the Group based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable by the Group either in a pro-rata basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied as payments to the subcontractors for the Group's construction operations. This also includes materials and supplies provided by the Group to subcontractors which will be deducted from the progress billings of the subcontractors upon installation. The risk of loss on these materials and supplies are borne by the subcontractors.

The impairment of the current portion of advances to contractors and suppliers was assessed by determining the financial position of the contractors and suppliers and their capability to comply the agreed performance obligation. Despite the impact of COVID-19 pandemic, the Group assessed that the advances could be recouped from the contractors and suppliers through the work rendered and offsetting any unrecouped portion against the outstanding liability to the contractors and suppliers from another project or within the Group.

On the other hand, non-current portion of these advances relate to the down payments made by the Group for the construction of airport terminal building and acquisitions of property, plant and equipment.

9.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to input VAT related to purchase of services which remains unpaid as of reporting date, and unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium incurred in 2021 and prior years. Beginning January 1, 2022, deferred input VAT arising from the purchase of capital goods exceeding P1.0 million need not be amortized. The related input VAT on purchase of capital goods exceeding P1.0 million shall be allowed as credit against output tax outright pursuant to Republic Act (R.A.) No. 10963, known as the *Tax Reform for Acceleration and Inclusion (TRAIN) Law*.

Non-current portion of deferred input VAT represents GMCAC's deferred input VAT arising mainly from the acquisition of goods and equipment and payment of services in relation to the construction activities in the airport. In 2022, as a result of the sale and deconsolidation of GMCAC, the deferred input VAT relating to GMCAC was derecognized from the Group's consolidated statement of financial position.

9.3 Deposits for Condominium Units

Deposits for condominium units represent initial down payments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

9.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

9.5 Deferred Fulfilment Costs

Deferred fulfilment cost pertains to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligations of the Group in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

The movement of deferred fulfilment costs is shown below:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of the period	**P 634,955,943**	P 743,947,850
Additions	**6,749,339**	2,654,723
Amortization	**-**	(111,646,630)
	641,705,282	634,955,943
Allowance for impairment	**(328,605,205)**	(328,605,205)
Balance at end of the period	**P 313,100,077**	P 306,350,738

As of December 31, 2022, based on the Group's assessment, certain deferred fulfilment costs related to specific construction contracts have doubtful recoverability. Accordingly, the Group recognized impairment losses amounting to P328.6 million which is presented as part of Impairment losses on receivables and other assets under Income and Expenses section in the 2022 consolidated statement of income.

9.6 Computer Software License

This account pertains to licenses on computer programs and software used by the Group. For the period ended September 30, 2023 and December 31, 2022, the Group recognized total additions amounting to P35.7 million and P25.1 million, respectively.

9.7 Goodwill

This account resulted from the acquisition by Megawide of 100% of the outstanding capital stock of PH1 World Developers Inc. from Citicore Holdings Investment Inc. and is accounted for under PFRS 3, Business Combination.

10. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of R.A. No. 6957, *An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*, as amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

In 2022, as a result of the sale and deconsolidation of GMCAC, the carrying amount of the Concession Assets amounting to P31,014.0 million was derecognized from the Group's consolidated statement of financial position.

11. PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2023, and December 31, 2022, the property, plant and equipment is composed of building, construction equipment, improvements, and right-of-use assets totalling P7,556.5 million and P6,734.0 million, respectively.

For the periods ended September 30, 2023 and December 31, 2022, the Group recognized additions to property, plant and equipment totalling to P291.0 million and P1,197.7 million, respectively, and sold certain property, plant and equipment for P88.8 million and P105.3 million, respectively. As a result of sale, the Group recognized gains amounting to P8.3 million and P3.4 million for the periods ended September 30, 2023 and December 31, 2022, respectively.

There are no restrictions on title, and property, plant and equipment pledged as security liabilities, except for right-of-use assets with carrying amount of P561.7 million and P625.3 million as of September 30, 2023 and December 31, 2022, respectively.

There is no contractual commitment to acquire property and equipment.

There were no items of property, plant and equipment that were impaired or retired, lost or given up as of September 30, 2023 and December 31, 2022.

12. INVESTMENT PROPERTIES

As of September 30, 2023, and December 31, 2022, the investment properties are composed of land, commercial area and construction in progress totalling P4,715.2 million and P4,699.0 million, respectively.

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred costs necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas.

Investment properties include parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P796.7 million and P776.0 million as of September 30, 2023 and December 31, 2022, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

No contractual obligations to purchase, construct, or develop investment property, or for repairs and maintenance or enhancements has been agreed with.

For the period ended September 30, 2023 and December 31, 2022, the Group recognized total additions amounting to P34.7 million and P327.6 million, respectively. There were no disposals of investment properties in 2023 and 2022.

As of September 30, 2023 and December 31, 2022, the investment properties has a fair value amounting to P3,581.2 million which was recognized under the Level 3 fair value hierarchy (see Note 27.6).

13. LEASES

The Group has leases for construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each right-of-use asset and lease liability from leases are reflected on the interim condensed consolidated statements of financial position as part of property, plant and equipment and interest-bearing loans and borrowings, respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Further, the Group must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the interim condensed consolidated statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
September 30, 2023						
Transportation equipment	204	1 – 5 years	2 years	-	49	-
Precast and construction equipment	168	1 – 5 years	3 years	-	54	-
Parcel of land	1	4 years	3 years	-	-	-
December 31, 2022:						
Transportation equipment	204	1 – 5 years	2 years	-	49	-
Precast and construction equipment	168	1 – 5 years	3 years	-	54	-
Parcel of land	1	4 years	3 years	-	-	-

The lease contracts of the Group (as a lessee) do not have any variable payment arrangement in all periods presented. Moreover, the Group has no finance lease arrangement on any of its lease contracts as a lessor.

Certain Investment Property, Construction Equipment and Concession Assets of the Group are being leased out to customers. In managing risk, the Group ensures that assets are well maintained, preventive maintenance schedule are on track and appropriate insurance cover are in place.

13.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at June 30, 2023 and December 31, 2022 and the movements during the period are shown below.

	Land	Precast and Construction Equipment	Transportation Equipment	Total
Balance as of January 1, 2023	P 33,981,877	P 483,852,652	P 107,498,352	P 625,332,881
Additions	-	5,049,808	5,800,022	10,849,830
Disposals	-	-	-	-
Depreciation and amortization	(8,495,469)	(50,384,193)	(15,645,762)	(74,525,424)
Balance at September 30, 2023 (Unaudited)	**P 25,486,408**	**P 438,518,267**	**P 97,652,612**	**P 561,657,287**
Balance as of January 1, 2022	P 50,972,815	P 456,854,097	P 127,136,254	P 634,963,166
Additions	-	101,437,500	11,529,405	112,966,905
Disposals	-	-	(3,405,389)	(3,405,389)
Depreciation and amortization	(16,990,938)	(74,348,945)	(27,761,918)	(119,191,801)
Balance at December 31, 2022 (Audited)	P 33,981,877	P 483,852,652	P 107,498,352	P 625,332,881

13.2 Lease Liabilities

Lease liabilities presented in the interim condensed consolidated statements of financial position are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current	**P 125,038,919**	P 182,832,962
Non-current	**23,062,580**	98,986,265
	P 148,101,499	P 281,819,227

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As of September 30, 2023 and December 31, 2022, the Group has not committed to any leases which had not commenced.

13.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating to short-term leases and low-value assets amounted to P89.1 million and P38.7 million in 2023 and 2022, respectively, and is presented as part of Other Operating Expenses in the interim condensed consolidated statements of income. There are no low-value assets that were not recognized as lease liabilities for the periods presented.

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P144.1 million and P284.9 million for the period ended September 30, 2023 and December 31, 2022, respectively.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as at September 30, 2023 and December 31, 2022.

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
September 30, 2023						
Lease payments	P 107,686,744	P 39,757,916	P 8,667,704	P 2,957,511	P 4,216,138	P 163,286,013
Finance charges	(12,365,619)	(1,618,847)	(668,310)	(231,150)	(300,588)	(15,184,514)
Net present value	**P 95,321,125**	**P 38,139,069**	**P 7,999,394**	**P 2,726,361**	**P 3,915,550**	**P 148,101,499**
December 31, 2022						
Lease payments	P 203,589,207	P 74,683,304	P 25,054,940	P 11,370,394	P 1,147,381	P 315,845,226
Finance charges	(20,756,245)	(8,273,456)	(4,005,684)	(927,204)	(63,410)	(34,025,999)
Net present value	P 182,832,962	P 66,409,848	P 21,049,256	P 10,443,190	P 1,083,971	P 281,819,227

14. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Trade payables		**P 3,513,646,752**	P 2,945,348,221
Retention payable		**2,952,624,014**	1,989,492,062
Accrued expenses		**66,150,145**	83,040,832
Interest payable	14.2(c)	**169,175,700**	166,339,365
Security deposits		**177,797,492**	66,767,236
Due to related parties	20.4	**194,915,475**	51,046,821
Others		**71,351,924**	30,703,414
		P 7,145,661,502	P 5,332,737,951

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance with agreed performance obligations and completion of contracted projects. The amount withheld ranges from 5% to 10% of the amount billed by the subcontractors. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include mainly unpaid utilities, while others accrued and other non-trade payables.

Others include accrued salaries and other non-trade payables.

15. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Current:			
Bank loans	15.2	**P15,939,412,407**	P14,524,968,586
Lease liabilities	13.2	**125,038,919**	182,832,962
		16,064,451,326	14,707,801,548
Non-current:			
Bonds payable	15.3	**3,950,359,900**	3,940,233,693
Bank loans	15.2	**3,441,750,000**	3,588,000,000
Notes payable	15.1	**5,401,500,000**	5,444,000,000
Lease liabilities	13.2	**23,062,580**	98,986,265
		12,816,672,480	13,071,219,958
		P28,881,123,806	P27,779,021,506

15.1 Notes Payable

(a) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury (PDST) Fixing rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

As at December 31, 2021, Tranches A and B have matured already, leaving Tranche C outstanding, with a carrying value of P69.8 million. In 2022, Tranche C was settled in full.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect. In September 2017, the request was granted by the bank.

As of September 30, 2023 and December 31, 2022, the Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

(c) 2020 Various Notes Facility

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes will be issued in five tranches as follows:

	Principal
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	350,000,000
	P 5,000,000,000

These 4.5-year corporate notes bear a fixed interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

As of September 30, 2023, and December 31, 2022, the Parent Company has complied with all the debt covenants set forth in the facility agreement.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million. All of the three tranches of the third corporate note remained outstanding, with a carrying value of P3,521.5 million and P3,600.0 million as at September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023, and December 31, 2022, the carrying amount of all the corporate notes are P5,401.5 million and P5,444.0 million, respectively.

15.2 Bank Loans

(a) OLSA for PITX project

In 2015, the MWMTI entered into an OLSA with a local universal bank for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600.0 million making the total principal loan to P3,900.0 million.

In 2017, the MWMTI made its first drawdown amounting to P825.0 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075.0 million. The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 3.55% in 2023, 2022 and 2021.

As of September 30, 2023, and December 31, 2022, the total carrying value of these bank loans amounted to P3,441.8 million and P3,724.5 million, respectively.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25. MWMTI has complied with affirmative and negative covenants.

(b) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P15,229.8 million and P14,525.0 million as of September 30, 2023 and December 31, 2022, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.75% to 7.0% in 2023 and 2022. Total interest on these bank loans is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the interim condensed consolidated statements of income. The unpaid portion of these interest is presented as part of Interest payable under Trade and Other Payables account in the interim condensed consolidated statements of financial position.

15.3 Bonds Payable

On August 17, 2022, the Parent Company listed fixed-rate bonds in the total amount of P4,000.0 million, inclusive of the P1,000.0 million oversubscription option, with the Philippine Dealing & Exchange Corp. The Fixed-Rate Bonds consists of Series A (P1.6 billion maturing in three years and six months from issue date at rate of 6.9506%) and Series B (P2.4 billion maturing in five years from issue date a rate of 7.9663%).

The net proceeds of the fixed-rate bonds shall be used by the Parent Company primarily to refinance its short-term debts, fund its capital expenditures and other general corporate requirements. The bonds require the Parent Company to maintain a debt-to equity ratio of not more than 2.33 and a debt service coverage ratio of not less than 1.10. As of September 30, 2023, the Parent Company is in compliance with these covenants.

Bond issue cost capitalized as part of the bonds amounted to P64.6 million. As of September 30, 2023 amortization amounted to P15.0 million while its net carrying value amounted to P49.6 million.

15.4 *Omnibus Loan and Security Agreement*

On May 10, 2023, the Parent Company as share security grantor, subordinated loan security grantor, and sponsor executed an Omnibus Loan and Security Agreement with its wholly-owned subsidiary, Cebu2World Development, Inc. (CDI) as borrower, mortgagor, grantor, and assignor, Philippine National Bank and Land Bank of the Philippines as lenders, PNB Capital and Investment Corporation as mandated lead arranger and bookrunner, Land Bank of the Philippines as co-lead arranger and bookrunner, and Philippine National Bank acting through its Trust Banking Group as facility agent and security trustee.

Under the omnibus loan, the Parent Company agreed to create a security interest over its present and future shares of stock and its entire ownership interest in CDI in consideration for CDI's availment of financing to undertake the mixed-used development of the Carbon Market in Cebu City.

The financing includes the availment of a term loan facility in the aggregate amount of up to 60% of the Project's cost or P3,000.0 million, whichever is lower.

The project is a joint venture undertaking by and between CDI and the City of Cebu.

16. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P 4,995,512,317**	P 5,759,391,320
Increase due to billings excluding amount recognized as revenue during the period	**3,341,888,692**	3,608,178,155
Revenue recognized that was included in contract liability at the beginning of the period	**(2,675,843,509)**	(4,541,087,798)
Effect of financing component	**82,897,058**	169,030,640
Balance at end of period	**P 5,744,454,558**	P 4,995,512,317

These are presented and classified in the interim condensed consolidated statements of financial position as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current	**P 4,200,401,532**	P 3,590,333,090
Non-current	**1,544,053,026**	1,405,179,227
	P 5,744,454,558	P 4,995,512,317

17. OTHER LIABILITIES

The details of this account are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Deferred output VAT	**P 177,897,006**	P 118,719,439
Withholding taxes	**48,330,120**	53,705,510
Government liabilities	**59,383,219**	26,619,984
Deferred revenue	**99,459,645**	99,459,645
Output VAT	**85,022,835**	-
Others	**9,164,893**	8,023,980
	479,257,718	306,528,558
Non-current:		
Security deposits	**235,332,559**	186,164,653
Unearned rent income	**212,503,691**	185,309,810
	447,836,250	371,474,463
	P 927,093,968	P 678,003,021

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or application against future billing within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

18. REVENUES

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

As a result of the sale of a portion of the Group's interest in GMCAC, the airport operations and trading operations were derecognized from the Group's consolidated statements of income.

A summary of additional disaggregation from the segment revenues are shown below.

	Note	Point in time	Over time	Short-term	Long-term	Total
September 30, 2023:						
Construction operations:	18.1					
Contract revenues		P -	P14,093,139,493	P -	P14,093,139,493	P14,093,139,493
Sale of precast		-	344,244,653	344,244,653	-	344,244,653
Sale of ready mix concrete		-	474,178,586	474,178,586	-	474,178,586
Equipment rental		-	270,959,049	270,959,049	-	270,959,049
		-	15,182,521,781	1,089,382,288	14,093,139,493	15,182,521,781
Landport operations:	18.2					
Rental revenue – effect of straight-line method		-	(52,325,367)	-	(52,325,367)	(52,325,367)
Rental revenue – per contract		-	333,458,459	-	333,458,459	333,458,459
Construction revenue		-	58,601,149	-	58,601,149	58,601,149
		-	339,734,241	-	339,734,241	339,734,241
Real Estate operations:	18.3					
Real estate revenue		-	36,524,867	-	36,524,867	36,524,867
		P -	**P15,558,780,889**	**P 1,089,382,288**	**P 14,469,398,601**	**P15,558,780,889**
September 30, 2022:						
Construction operations:	18.1					
Contract revenues		P -	P 9,598,334,857	P -	P9,598,334,857	P 9,598,334,857
Sale of precast		-	392,303,843	392,303,843	-	392,303,843
Sale of ready mix concrete		-	247,376,586	247,376,586	-	247,376,586
Equipment rental		-	80,684,490	80,684,490	-	80,684,490
		-	10,318,699,776	720,364,919	9,598,334,857	10,318,699,776
Landport operations:						
Rental revenue – effect of straight-line method	18.2	-	(15,857,188)	-	(15,857,188)	(15,857,188)
Rental revenue – per contract		-	292,118,886	-	292,118,886	292,118,886
		-	276,261,698	-	276,261,698	276,261,698
		P -	P10,594,961,474	P 720,364,919	P9,874,596,555	P10,594,961,474
September 30, 2021:						
Construction operations:	18.1					
Contract revenues		P -	P9,854,395,883	P -	P9,854,395,883	P 9,854,395,883
Sale of precast		-	453,778,040	453,778,040	-	453,778,040
Sale of ready mix concrete		-	82,262,660	82,262,660	-	82,262,660
Equipment rental		-	165,602,762	165,602,762	-	165,602,762
		-	10,556,039,345	701,643,462	9,854,395,883	10,556,039,345
Landport operations:	18.2					
Rental revenue – effect of straight-line method		-	100,109,470	-	100,109,470	100,109,470
Rental revenue – per contract		-	413,710,058	-	413,710,058	413,710,058
		-	513,819,528	-	513,819,528	513,819,528
		P -	P11,069,858,873	P 701,643,462	P 10,368,215,411	P11,069,858,873

There are no variable considerations arising from the Group's contracts with customers in all periods presented.

18.1 Construction Operation Revenues

The details of this account for the period ended September 30 are composed of the revenues from:

	2023 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Completed contracts	**P 974,077,511**	P1,488,006,516	P 783,927,088
Contracts in progress	**14,208,444,270**	8,830,693,260	9,772,112,257
	P15,182,521,781	P10,318,699,776	P10,556,039,345

About 4%, 10%, and 5% of the contract revenues for 2023, 2022 and 2021, respectively, were earned from contracts with an associate and certain related parties under common ownership.

18.2 Landport Operations Revenue

The details of this account for the period ended September 30 are composed of the revenues from:

	2023 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Rental revenue – per contract	**P 333,458,459**	P 292,118,886	P 413,710,058
Rental revenue – effect of straight-line method	**(52,325,367)**	(15,857,188)	100,109,470
Contract revenue	**58,601,149**	-	-
	P 339,734,241	P 276,261,698	P 513,819,528

18.3 Real Estate Operations Revenue

Real estate sales comprise of residential condominium units sold in 2023 amounting to P36.5 million.

19. DIRECT COSTS

19.1 Cost of Construction Operations

The following is the breakdown of this account for the period ended September 30:

	2023 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Materials	**P 4,918,475,885**	P3,270,228,985	P3,316,364,774
Outside services	**4,815,257,044**	3,045,022,806	3,218,418,001
Salaries and employee benefits	**1,179,741,182**	1,247,417,397	1,162,060,568
Depreciation and amortization	**841,965,785**	891,452,450	893,892,745
Project overhead	**1,589,735,817**	370,494,441	357,557,098
	P 13,345,175,713	P 8,824,616,079	P8,948,293,186

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

19.2 Costs of Landport Operations

The following is the breakdown of this account for the period ended September 30:

	2023 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Cost of terminal operations	**P 58,601,148**	P 53,248,431	P 56,791,991
Depreciation	**171,943,418**	171,394,051	164,371,728
Miscellaneous	**26,465,916**	30,735,390	9,094,454
	P 257,010,482	P 255,377,872	P 230,258,173

19.3 Cost of Real Estate Operations

Costs of real estate sales comprise of actual costs of P22.8 million for the period ended September 30, 2023.

20. EQUITY

20.1 Capital Stock

Capital stock as of September 30, 2023 and December 31, 2022 and 2021 consists of:

	Shares			Amount		
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	December 31, 2021 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)	December 31, 2021 (Audited)
Common shares – P1 par value						
Authorized	**4,930,000,000**	4,930,000,000	4,930,000,000	**P 4,930,000,000**	P4,930,000,000	P 4,930,000,000
Subscribed and paid in:	**2,399,426,127**	2,399,426,127	2,399,426,127	**P 2,399,426,127**	P2,399,426,127	P 2,399,426,127
Less:						
Treasury shares						
Balance at beginning of period	**386,016,410**	386,016,410	386,016,410	**P 4,615,690,576**	P4,615,690,576	P 4,615,690,576
Reacquisition	**-**	-	-	**-**	-	-
Balance at end of period	**386,016,410**	386,016,410	386,016,410	**P 4,615,690,576**	P4,615,690,576	P 4,615,690,576
Issued and outstanding	**2,013,409,717**	2,013,409,717	2,013,409,717			
Preferred shares – P1 par value						
Authorized						
Balance at beginning of period	**150,000,000**	150,000,000	124,000,000	**P 150,000,000**	P 150,000,000	P 124,000,000
Increase during the period	**36,000,000**	-	26,000,000	**36,000,000**	-	26,000,000
Balance at end of period	**186,000,000**	150,000,000	150,000,000	**P 186,000,000**	P 150,000,000	P 150,000,000
Subscribed and paid in:						
Balance at beginning of period:						
Series 1	**40,000,000**	40,000,000	40,000,000	**P 40,000,000**	P 40,000,000	P 40,000,000
Series 2A	**26,220,130**	26,220,130	26,220,130	**26,220,130**	26,220,130	26,220,130
Series 2B	**17,405,880**	17,405,880	17,405,880	**17,405,880**	17,405,880	17,405,880
Series 3	**20,000,000**	20,000,000	13,500,000	**20,000,000**	20,000,000	13,500,000
Series 4	**40,000,000**	40,000,000	-	**40,000,000**	40,000,000	-
Issuance during the period:						
Series 2A	**-**	-	-	**-**	-	-
Series 2B	**-**	-	-	**-**	-	-
Series 3	**9,000,000**	-	6,500,000	9,000,000	-	6,500,000
Series 4	**-**	-	40,000,000	**-**	-	40,000,000
Series 5	**15,000,000**	-	-	**15,000,000**	-	-
	167,626,010	143,626,010	143,626,010	167,626,010	143,626,010	143,626,010

Less: Subscription receivable						
Balance at beginning of period	**15,000,000**	15,000,000	10,125,000	**15,000,000**	15,000,000	10,125,000
Subscription – Series 3	**-**	-	4,875,000	**6,750,000**	-	4,875,000
Balance at end of period	**15,000,000**	15,000,000	15,000,000	**21,750,000**	15,000,000	15,000,000
Balance at end of period	**143,626,010**	128,626,010	128,626,010	**P 145,876,010**	P 128,626,010	P 128,626,010
Less: Treasury shares						
Redemption of Series 1 preferred shares	**40,000,000**	40,000,000	40,000,000	**P4,000,000,000**	P4,000,000,000	P 4,000,000,000
Redemption of Series 2A preferred shares	**26,220,130**	-	-	**2,622,013,000**	-	-
Issued and outstanding	**77,405,880**	88,626,010	88,626,010			

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares
Both common and preferred shares have a par value of P1.00 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted in a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted in an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 as of December 31, 2017.

On September 22, 2020, the SEC has approved the increase of the authorized capital stock of the Parent Company to P5,054,000,000, divided into the following classes:

1. 4,930,000,000 voting common shares with the P1 par value; and
2. 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the P1 par value

The Preferred Shares shall be issued in series, sub-series or in tranches as the BOD may determine, and authority is hereby expressly granted to the BOD, to establish and designate the series, sub-series or tranches of the Preferred Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Preferred shares of stock shall be cumulative, non-voting, non-participating, non-convertible, perpetual; Provided, that no share will be issued below par value. The preferred shares shall have the following features, rights and privileges:

a. The issue value of shares shall be determined by the BOD at the time of the issuance of the shares;

b. The BOD shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the BOD as of issue date, payable on a date to be set by the BOD in accordance with Philippine laws, rules and regulations;
c. Preferred shares shall be non-convertible into common shares;
d. Preference over holders of common stock in the distribution of the corporate assets in the event of dissolution and liquidation of the corporation and in the payment of the dividend at the rate specified at the time of issuance;
e. Preferred shares shall be cumulative;
f. Preferred shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares;
g. Holders of preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and,
h. The preferred shares may be redeemed by the corporation at the sole option of the BOD at the price to be determined by the BOD.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with Citicore whereby Citicore subscribed to 13.5 million preferred shares of the Parent Company at P1.00 each and paid 25% of such subscription in cash amounting to P3.4 million.

On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, preferred shares of 26,220,130 and 17,405,880 for Series 2A and 2B, respectively, were subscribed and listed in the PSE. As a result, the Parent Company recognized additional paid in capital amounting to P4,281.4 million, arising from the excess of subscription price over par value of the issuance of Series 2A and 2B preferred shares. The Parent Company also recognized issuance-related costs amounting to P37.1 million which was charged against the additional paid in capital recorded from the issuance of Series 2A and 2B preferred shares.

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Parent Company's authorized capital stock on preferred shares by 26.0 million shares , to a total of 150.0 million cumulative, non-voting,non-participating, non-convertible, perpetual preferred shares at a par value of P1.00 per share, thereby increasing the Parent Company's total authorized capital stock to P5,080.0 million. At the same date, the BOD approved the offer and sale of up to 40.0 million preferred shares from the unissued authorized capital stock of the Company and the issuance of 6.5 million shares to Citicore. On September 9, 2021, the SEC has approved the increase in preferred capital stock.

On July 23, 2021, the Parent Company filed with the SEC a registration statement and preliminary prospectus relating to its offer and sale of up to 40.0 million Series 4 preferred shares with a par value of P1.00 per share, composed of a base offer of 30.0 million shares and an oversubscription option of up to 10.0 million shares, at an offer price of P100.00 per share. On September 30, 2021, the SEC has approved the Parent Company's offer and sale of Series 4 preferred shares. As a result, the Parent Company recognized additional paid-in capital amounting to P3,930.1 million, arising from the excess of subscription price over par value related to the issuance of Series 4 preferred shares. Transaction costs from the issuance amounting to P29.9 million was charged against the additional paid in capital relating to this issuance. The proceeds from such issuance were used for the redemption of the outstanding Series 1 preferred shares as discussed in the succeeding paragraphs.

On September 10, 2021, Citicore subscribed to additional 6.5 million preferred shares at a price of P1.00 per share and paid P1.6 million in cash representing the 25% of such subscription. As of December 31, 2021, Citicore has subscribed to a total of 20.0 million preferred shares at a par value of P1.00 per share, and has paid 25% of such subscription. On October 19, 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000.0 million. The cost of the redemption was considered temporarily as part of treasury shares until such time that the SEC will approve the decrease in authorized capital stock of the Parent Company to reflect such redemption wherein the redemption price will be charged against the paid-up capital arising from the original issuance. The details of the redemption are as follows:

Ex- date	November 4, 2021
Record date	November 9, 2021
Redemption date	December 3, 2021

On November 4, 2022 and December 20, 2022, the Parent Company's BOD and stockholders, respectively, has approved the following increase in its authorized capital stock:

	Common Shares		Preferred Shares	
	Number of shares	Amount	Number of shares	Amount
FROM –				
Authorized – P1 par value	**4,930,000,000**	P 4,930,000,000	**150,000,000**	P 150,000,000
TO –				
Authorized – P1 par value	**4,930,000,000**	P 4,930,000,000	**186,000,000**	P 186,000,000

Common shares – Voting
Preferred shares – Cumulative, non-voting, non-participating, non-convertible, perpetual

On December 23, 2022, the Parent Company received deposits from Citicore amounting to P2.3 million equivalent to 25% of the subscription price of 9.0 million shares of stock of the Parent Company at par value of P1.00 per share. The deposit is presented as Deposit for Future Stock Subscription under Equity section.

On February 15, 2023, the Parent Company's application for the increase in authorized capital stock was approved by the SEC.

20.2 Dividends

20.2.1 Common Shares Dividends

On February 6, 2023, the Parent Company's BOD declared cash dividends for common shares at P0.50 per share or a total of P1,006.7 million. The cash dividends are payable on March 24, 2023, to all common stockholders of record as of March 6, 2023. The dividends shall be paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2022.

On May 12, 2023, the Parent Company's BOD declared cash dividends for common shares at P0.50 per share or a total of P1,006.7 million. The cash dividends are payable on June 16, 2023, to all common stockholders of record as of May 26, 2023. The dividends shall be paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2022.

20.2.2 Series 1 Preferred Shares

In 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million per year) to holders of Series 1 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2021. In 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares.

The dividends on Series 1 preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.03% per annum from listing date.

The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2021:				
Series 1 Preferred Shares:				
Approval dates	January 11, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 8, 2021	May 18, 2021	August 9, 2021	November 9, 2021
Payment dates	March 1, 2021	June 3, 2021	September 3, 2021	December 3, 2021

20.2.3 Series 2A and Series 2B Preferred Shares

The Parent Company's BOD approved the declaration of cash dividends of P1.2 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million (total of P124.5 million and P100.1 million per year) to holders of Series 2A and Series 2B preferred shares, respectively, in both 2023 and 2022, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2022 and 2021.

The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2023:				
Series 2A Preferred Shares:				
Approval dates	February 6, 2023	April 26, 2023	n/a	n/a
Record dates	February 20, 2023	May 12, 2023	n/a	n/a
Payment dates	February 27, 2023	May 29, 2023	n/a	n/a
Series 2B Preferred Shares:				
Approval dates	February 6, 2023	April 26, 2023	August 1, 2023	n/a
Record dates	February 20, 2023	May 12, 2023	August 16, 2023	n/a
Payment dates	February 27, 2023	May 29, 2023	August 29, 2023	n/a
2022:				
Series 2A Preferred Shares:				
Approval dates	January 18, 2022	April 21, 2022	n/a	n/a
Record dates	February 4, 2022	May 9, 2022	n/a	n/a
Payment dates	February 28, 2022	May 27, 2022	n/a	n/a
Series 2B Preferred Shares:				
Approval dates	January 18, 2022	April 21, 2022	June 22, 2022	October 19, 2022
Record dates	February 4, 2022	May 9, 2022	August 8, 2022	November 7, 2022
Payment dates	February 28, 2022	May 27, 2022	August 30, 2022	November 28, 2022
2021				
Series 2A Preferred Shares:				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29,2021
Series 2B Preferred Shares:				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29, 2021

20.2.4 Series 4 Preferred Shares

The Parent Company's BOD approved the declaration of cash dividends of P1.3 per share or equivalent to P53.0 million per quarter (total of P212.0 million per year) to holders of Series 4 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2022.

The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2023:				
Series 4 Preferred Shares:				
Approval dates	March 21, 2023	July 12, 2023	n/a	n/a
Record dates	April 11, 2023	July 26, 2023	n/a	n/a
Payment dates	April 29, 2023	July 31, 2023	n/a	n/a
2022:				
Series 4 Preferred Shares:				
Approval dates	March 22, 2022	June 23, 2022	September 23, 2022	December 21, 2022
Record dates	April 6, 2022	July 8, 2022	October 10, 2022	January 9, 2023
Payment dates	April 29, 2022	July 29, 2022	October 29, 2022	January 30, 2023
2021:				
Series 4 Preferred Shares:				
Approval dates	-	-	-	December 23, 2021
Record dates	-	-	-	January 10, 2022
Payment dates	-	-	-	January 29, 2022

20.2.5 *Series 5 Preferred Shares*

The Parent Company's BOD approved the declaration of cash dividends of P1.98 per share or equivalent to P29.6 million per quarter (total of P118.6 million per year) to holders of Series 5 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2022.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2023:				
Series 5 Preferred Shares:				
Approval dates	n/a	July 12, 2023	September 11, 2023	n/a
Record dates	n/a	July 17, 2023	September 26, 2023	n/a
Payment dates	n/a	July 17, 2023	October 17, 2023	n/a

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

20.3 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million. On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2019 and 2018 amounted to P457.8 million and P827.1 million, respectively, which is equivalent to 26.1 million and 48.8 million shares, respectively.

On March 3, 2020, the Parent Company's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares. There are no buyback transactions in 2023 and 2022.

On October 19, 2021, the Parent Company's BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2022, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000 million.

On April 26, 2023, the Board of Directors of Megawide Construction Corporation approved the redemption of its Series 2A Preferred Shares with stock symbol MWP2A, on May 29, 2023, at a redemption price of P100.00 per share, increasing the treasury shares by P2,622.0 million.

20.4 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

The Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2022.

21. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint ventures, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties for the nine months ended September 30, 2023 is as follows:

Related Party Category	Notes	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash granted	5, 21.4	P 169,578,457	P 3,258,673,566	Interest-bearing	Unsecured; Unimpaired
Cash obtained	14, 21.4	(170,000,000)	(170,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4	170,500,000	1,150,061,161	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 21.2	40,179	251,384	Normal credit terms	Unsecured; Unimpaired

Shareholder:					
Revenue from services	5, 18.1, 21.1	20,532	682,513,033	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(148,118)	889,795	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 18.1, 21.1	168,490,739	997,247,698	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	172,624	9,352,420	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 21.4	(5,084,525)	(24, 915,475)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 21.2	40,179	384,107	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 18.1, 21.1	514,162,629	19,355,787	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	17,117	303,738	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	13, 21.4	(19,325,804)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	5, 21.2	5,307,179	34,500,387	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 18.1, 21.1	14,430,814	801,497,404	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	210,265,895	3,485,993,004	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 21.4	1,721,017	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4	244,159,895	1,222,417,099	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	21.6	-	4,677,017	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 21.3	2,362,311	100,953,682	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	21.6	63,178,989	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties for the nine months ended September 30, 2022 is as follows:

Related Party Category	Notes	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash granted	5, 21.4	(P 200,000)	P 3,089,095,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4	177,085,838	898,429,228	On demand; Noninterest-bearing	Unsecured; Unimpaired
Reint income	5, 21.2	40,179	214,955	Normal credit terms	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 18.1, 21.1	-	997,247,698	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(7,999,750)	34,179,296	On demand; Noninterest-bearing	Unsecured; Unimpaired

Cash obtained	14, 21.4	P -	(P 20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 21.2	40,179	326,786	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 18.1, 21.1	631,587,506	118,126,891	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(334,734)	286,621	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	5, 21.2	8,079,834	34,182,384	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 21.1	441,106,738	810,590,144	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	1,616,645	3,288,398,891	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4	177,085,838	898,429,228	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	21.6	-	4,691,732	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 21.3	28,240,290	98,799,878	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	21.6	210,024,462	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties for December 31, 2022 is as follows:

Related Party Category	Notes	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash advance granted	5, 21.4	(P 200,000)	P 3,089,095,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4	220,500,000	958,248,661	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 18.1, 21.1	-	997,248,017	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(32,999,250)	9,179,796	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	13, 21.4	10,000,000	(30,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 21.2	57,321	343,929	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 18.1, 21.1	819,482,059	69,836,004	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(334,734)	286,620	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 21.4	19,325,804	(19,325,804)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholder:					
Revenue from services	5, 18.1, 21.1	254,814,248	613,013,120	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	1,037,914	1,037,914	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Parties Under Common Ownership:							
Rent income	5, 21.2	P	10,719,541	P	29,193,207	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 18.1, 21.1		728,155,948		932,421,309	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 21.4	(	11,055,137)		3,275,727,109	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 21.4		1,721,017	(	1,721,017)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 21.4		259,728,269		978,257,203	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		(	14,715)		4,677,017	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 21.3		12,793,296		98,591,371	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	21.6		302,992,110		-	On demand	Unsecured; Unimpaired

21.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P697.1 million, P1,072.8 m million and P438.2 million in 2023, 2022 and 2021, respectively, and is recorded as part of Construction Operation Revenues account in the interim condensed consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the interim condensed consolidated statements of financial position (see Note 5).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no impairment losses was required to be recognized for the period ended September 30, 2023 and December 31, 2022.

21.2 Rental of Building

The Parent Company leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P5.4 million, P8.2 million, and P0.1 million in 2023, 2022 and 2021, respectively, from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the interim condensed consolidated statements of income. Rent income from the above related parties are based on normal terms similar to terms that would be available to non-related parties. The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the interim condensed consolidated statements of financial position (see Note 5).

21.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables.

21.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the interim condensed consolidated statements of financial position.

The Group has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the interim condensed consolidated statements of financial position.

The breakdown of these accounts are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties:		
Associates	**P 24,915,475**	P 30,000,000
Ultimate parent company	**170,000,000**	-
Related party under common ownership	**-**	1,721,017
Joint arrangement	**-**	19,325,804
	P 194,915,475	P 51,046,821
Advances to related parties:		
Related party under common ownership	**P 3,485,993,006**	P 3,275,727,109
Ultimate parent company	**3,258,673,566**	3,089,295,108
Associates	**9,352,420**	9,179,796
Shareholder	**889,795**	1,037,914
Joint arrangement	**303,738**	286,620
	P 6,755,212,525	P 6,375,326,547

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

21.5 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totaled P4.7 million as of June 30, 2023 and December 31, 2022.

21.6 Key Management Compensation

The compensation of key management personnel for the periods ended September 30, 2023, September 30, 2022 and December 31, 2022 pertains only to short-term employee benefits amounting to P63.2 million, P210.0 million and P303.0 million, respectively.

22. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

23. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

24. EARNINGS (LOSS) PER SHARE

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

	Nine Months Ended September 30 (Unaudited)		
	2023	2022	2021
Net profit (loss) attributable to shareholders of the Parent Company	**P 333,307,539**	(P 445,251,038)	(P 80,803,640)
Dividends on cumulative preferred shares	**(302,617,167)**	(380,472,071)	(379,222,070)
Net profit (loss) available to common shareholders of the Parent Company	**30,690,372**	(825,723,109)	(460,025,710)
Divided by weighted average number of outstanding common shares	**2,013,409,717**	2,013,409,717	2,013,409,717
Basic and diluted earnings (loss) per share	**P 0.02**	(P 0.41)	(P 0.23)

The Group does not have dilutive potential common shares outstanding as of September 30, 2023, 2022 and 2021; hence, diluted earnings per share is equal to the basic earnings per share.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described in the succeeding pages.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and unit investment trust fund.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

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

	Notes	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Cash and cash equivalents	4	**P 4,931,406,487**	P 15,758,197,239
Trade and other receivables – net	5	**23,593,248,240**	18,262,408,240
Contract assets – net	6	**5,006,449,260**	5,106,307,785
Refundable security and bond deposits	9	**218,988,334**	216,785,588
		P 33,750,092,321	P 39,343,698,852

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below and in the succeeding page.

(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 coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before September 30, 2023 or December 31, 2022, respectively, and the corresponding historical credit losses experienced within such period. 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 Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e., dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID-19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at September 30, 2023 and December 31, 2022 was determined based on months past due.

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 million representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2023.

(c) Refundable Security and Bond Deposits

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due.

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 10 Years
September 30, 2023 (Unaudited):			
Interest-bearing loans and borrowings	P 15,915,673,776	P 148,777,550	P 12,816,672,480
Trade and other payables	7,145,661,502	-	-
Security deposits (gross of unearned income)	-	-	235,332,559
	P 23,061,335,278	**P 148,777,550**	**P13,052,005,039**
December 31, 2022 (Audited):			
Interest-bearing loans and borrowings	P 13,599,699,523	P1,887,695,437	P15,147,467,405
Trade and other payables	5,332,737,951	-	-
Security deposits (gross of unearned income)	-	-	186,164,653
	P 18,932,437,474	P1,887,695,437	P15,333,632,058

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

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

27.1 Carrying Amounts and Fair Values by Category

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

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 4,931,406,487**	**P 4,931,406,487**	P 15,758,197,239	P 15,758,197,239
Trade and other receivables – net	**23,593,248,240**	**23,593,248,240**	18,262,408,240	18,262,408,240
Refundable security and bond deposits	**218,988,334**	**218,988,334**	216,785,588	216,785,588
	28,743,643,061	**28,743,643,061**	34,237,391,067	34,237,391,067
Financial assets at FVOCI:				
Club shares	**1,044,472**	**1,044,472**	1,044,472	1,044,472
Investment in SSPI	**2,500,000**	**2,500,000**	2,500,000	2,500,000
	3,544,472	**3,544,472**	3,544,472	3,544,472
	P 28,747,187,533	**P 28,747,187,533**	P 34,240,935,539	P 34,240,935,539
Financial Liabilities				
At amortized cost:				
Interest-bearing loans and borrowings	**P 28,881,123,806**	**P 28,881,123,806**	P 27,779,021,506	P 24,797,804,953
Trade and other payables	**7,145,661,502**	**7,145,661,502**	5,332,737,951	5,332,737,951
Security deposits	**235,332,559**	**235,332,559**	186,164,653	186,164,653
	P 36,262,117,867	**P 36,262,117,867**	P 33,297,924,110	P 30,316,707,557

27.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2023 and 2022 and does not have relevant offsetting arrangements except as disclosed in Notes 21.4 and 26.2(b). 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 stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 21 can be potentially offset to the extent of their corresponding outstanding balances.

27.3 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

27.4 Financial Instruments Measured at Fair Value

Since the fair value of the Group's financial assets through FVOCI approximates the cost amounting to P3.5 million as of September 30, 2023 and December 31, 2022, the fair value change is deemed immaterial. The Group's financial assets through FVOCI are under Level 2 and 3 of the fair value hierarchy.

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of September 30, 2023 and December 31, 2022.

	Note	Level 1	Level 2	Level 3	Total
September 30, 2023 (Unaudited)					
Financial assets –					
Equity securities:					
SSPI		P -	P -	P 2,500,000	P 2,500,000
Golf club shares		-	1,044,472	-	1,044,472
		P -	**P 1,044,472**	**P 2,500,000**	**P 3,544,472**
December 31, 2022 (Audited)					
Financial assets –					
Equity securities:					
SSPI		P -	P -	P 2,500,000	P 2,500,000
Golf club shares		-	1,044,472	-	1,044,472
		P -	P 1,044,472	P 2,500,000	P 3,544,472

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both periods.

Described below is the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As of September 30, 2023 and December 31, 2022, instrument included in Level 2 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their fair market values by reference on published share prices of golf club shares and as at September 30, 2023 and December 31, 2022, respectively. These are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

The Group has equity interest of 1% in SSPI as of September 30, 2023 and December 31, 2022. These securities were valued based on entity specific estimate; thus, included in Level 3.

27.5 Financial Instruments Measured at Amortized Cost

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim condensed consolidated statements of financial position but for which fair value is disclosed. Short-term commercial papers are included since these financial instruments are measured at amortized cost, which approximate their fair values upon designation as financial assets at FVTPL (see Note 27.4).

	Level 1	**Level 2**	**Level 3**	**Total**
September 30, 2023 (Unaudited):				
Financial assets:				
Cash and cash equivalents	P 4,931,406,487	P -	P -	P 4,931,406,487
Trade and other receivables - net	-	-	23,593,248,240	23,593,248,240
Refundable security and bond deposits	-	-	218,988,334	218,988,334
	P4,931,406,487	**P -**	**P 23,812,236,574**	**P 28,743,643,061**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 28,881,123,806	P28,881,123,806
Trade and other payables	-	-	7,145,661,502	7,145,661,502
Security deposits	-	-	235,332,559	235,332,559
	P -	**P -**	**P 36,262,117,867**	**P36,262,117,867**

	Level 1	Level 2	Level 3	Total
December 31, 2022 (Audited):				
Financial assets:				
Cash and cash equivalents	P 15,758,197,239	P -	P -	P 15,758,197,239
Trade and other receivables - net	-	-	18,262,408,240	18,262,408,240
Refundable security and bond deposits	-	-	216,785,588	216,785,588
	P 15,758,197,239	P -	P 18,479,193,828	P 34,237,391,067
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 24,797,804,953	P 52,120,777,047
Trade and other payables	-	-	5,332,737,951	5,332,737,951
Security deposits	-	-	186,164,653	186,164,653
	P -	P -	P 30,316,707,557	P 30,316,707,557

27.6 Fair Value Measurement for Investment Property Carried at Cost

The fair value of the Company's investment properties amounting to P5,497.1 million as of September 30, 2022 and December 31, 2022, is categorized as Level 3, which represents the actual cost incurred to date on arm's length basis

In estimating the fair value of investment property, 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 non-financial assets indicated above is their current use. In 2020, the Company determined that the fair value of the building approximates its carrying amount as of December 31, 2020 as it was only newly constructed in March 2019. In 2022, the Level 3 fair value of commercial area under investment properties was determined using the income approach which utilized discounted cash flow method to convert future cash flows to be generated by the non-financial assets in reference to the value of expected income, net of cost of services, other operating expenses and income taxes. The significant unobservable inputs used in the valuation of the property were future annual free cash flows ranging from P520.0 million to P2,400.0 million for an average period of 29 years. The discount rates applied in determining the present value of future annual free cash flows is 12%. The management has determined that a reasonably possible change in the unobservable inputs to different amounts or rates would not cause the fair values of the non-financial assets to increase or decrease significantly.

There has been no other change to the valuation techniques used by the Company for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (Note 15)	Notes Payable (Note 15)	Lease Liabilities (Note 15)	Bonds Payable (Note 15)	Exchangeable Notes (Note 7)	Total
Balance as of January 1, 2023	P18,112,968,586	P 5,444,000,000	P 281,819,227	P 3,940,233,693	P7,763,200,000	P35,542,221,506
Cash flows from financing activities:						
Additional borrowings	3,060,000,000	-	-	-	-	3,060,000,000
Repayment of borrowings	(1,791,806,179)	(42,500,000)	(144,567,558)	-	-	(1,978,873,737)
Non-cash financing activities:						
Additional lease liabilities	-	-	10,849,830	-	-	10,849,830
Amortization of issuance cost	-	-	-	10,126,207	-	10,126,207
Balance as of September 30, 2023	**P19,381,162,407**	**P 5,401,500,000**	**P 148,101,499**	**P 3,950,359,900**	**P 7,763,200,000**	**P36,644,323,806**
Balance as of January 1, 2022	P43,466,007,560	P 5,569,791,232	P 465,697,699	P -	P -	P49,501,496,491
Cash flows from financing activities:						
Additional borrowings	16,541,804,649	-	-	3,940,233,693	7,763,200,000	28,245,238,342
Repayment of borrowings	(16,190,177,018)	(125,791,232)	(296,845,377)	-	-	(16,612,813,627)
Non-cash financing activities:						
Effect of deconsolidation	(25,704,666,605)	-	-	-	-	(25,704,666,605)
Additional lease liabilities	-	-	112,966,905	-	-	112,966,905
Balance as of December 31, 2022	**P18,112,968,586**	**P 5,444,000,000**	**P 281,819,227**	**P 3,940,233,693**	**P 7,763,200,000**	**P35,542,221,506**

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the interim condensed consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	Note	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Interest-bearing loans and Borrowings *(excluding lease liabilities)*	15	**P 28,733,022,307**	P 27,497,202,279
Total equity		**16,569,827,624**	19,666,880,588
		1.73 : 1.00	1.40 : 1.00

13 October 2023

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

Gentlemen and Mesdames:

In compliance with the disclosure requirements of the Philippine Stock Exchange, Inc., please find enclosed are the following:

1. Quarterly Progress Report on the Application of Proceeds from the Preferred Shares Offering of Megawide Construction Corporation as of and for the Quarter Ended 30 September 2023; and

2. Report of Independent Auditors on Factual Findings.

MEGAWIDE CONSTRUCTION CORPORATION
By:

____
RAMON H. DIAZ
Chief Financial Officer

MEGAWIDE

13 October 2023

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

Re: **MEGAWIDE CONSTRUCTION CORPORATION**
Quarterly Progress Report as of and for the Quarter Ended 30 September 2023 on the Application of Proceeds from the Preferred Shares Offering with Certification of Independent Auditors

Gentlemen and Mesdames:

In connection with the preferred shares offering of **MEGAWIDE CONSTRUCTION CORPORATION** (the "Company") on 27 November 2020, we submit herewith the Company's quarterly report on the application of the proceeds from the said offering. The details of the disbursements made as of and for the quarter ended 30 September 2023 are as follows:

Offering Proceeds (43,626,010 shares at PhP 100.00 per share)	**PhP**	**4,362,601,000.00**
Less: Expenses related to the public offering*		
Underwriting fees		23,881,930.83
Registration and filing fees		6,830,655.00
Professional fees		5,986,013.50
Documentary stamp tax		436,260.10
Net Offering Proceeds	**PhP**	**4,325,466,140.57**
Less: Disbursements		
Accumulated costs incurred as of June 30, 2023		2,784,881,810.99
Costs incurred for the quarter ended September 30, 2023		35,120,183.03
	PhP	**2,820,001,994.02**
Balance of the Offering Proceeds as of September 30, 2023	**PhP**	**1,505,464,146.55**

**The expenses related to the preferred shared offering amounting to PhP 36.7 million, which were incurred prior to the receipt of the proceeds from the offering, were initially funded using the Company's working capital. The Company charged this amount against the proceeds from the offering in the last quarter of 2020.*

We hope you find everything in order.

Very truly yours,

MEGAWIDE CONSTRUCTION CORPORATION
By:

____
RAMON H. DIAZ
Chief Financial Officer

P&A Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

Report of Independent Auditors on Factual Findings

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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The Board of Directors and Stockholders
Megawide Construction Corporation
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy. Valencia
Quezon City

We have performed the procedures agreed with you and enumerated in the succeeding page with respect to the attached Quarterly Progress Report (the Report) as of and for the quarter ended September 30, 2023 on the application of proceeds from the Preferred Shares Offering (Offering Proceeds) of Megawide Construction Corporation (the Company) on November 27, 2020. The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report relating to the application of the Offering Proceeds 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*, applicable to agreed-upon procedures engagements.

We present below the summary of the breakdown and application of the Offering Proceeds as of and for the quarter ended September 30, 2023 based on the information we obtained from the Company.

	Initial Allocation of Offering Proceeds on November 27, 2020	Revised Allocation of Offering Proceeds as of February 26, 2021	Application of Offering Proceeds as of June 30, 2023	Application of Offering Proceeds for the Quarter ended September 30, 2023	Balance of Offering Proceeds as of September 30, 2023
Ninoy Aquino International Airport (NAIA) rehabilitation	P 1,224,188,530.35	P -	P -	P -	P -
Development of Cebu Integrated Transport Hub	830,037,568.21	1,274,700,551.18	1,274,700,551.18	-	-
Expansion of MCIA Under Concession Agreement 2 (CA2)	816,125,686.90	816,125,686.90	816,125,686.90	-	-
Development of Lot 2 of the Paranaque Integrated Terminal Exchange (PITX) and other locations	647,702,950.76	994,686,674.38	-	-	994,686,674.38
Expansion of Pre-cast and other ancillary business units	375,609,437.17	576,828,778.51	284,619,035.01	35,120,183.03	257,089,560.47
Mactan Cebu International Airport (MCIA) multi-use developments	215,900,983.59	331,562,224.80	77,874,313.10	-	253,687,911.70
General corporate purposes	215,900,983.59	331,562,224.80	331,562,224.80	-	-
	P4,325,466,140.57	P 4,325,466,140.57	P 2,784,881,810.99	P35,120,183.03	P 1,505,464,146.55

Agreed-upon Procedures

The agreed procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:

    a. The Report;
    b. Reallocation of the Use of Proceeds Report;
    c. Schedule of planned use of proceeds from the Offering Prospectus; and,
    d. Detailed schedule of utilization of proceeds as of and for the quarter ended September 30, 2023.

2. Agreed total amount of disbursement of the Offering Proceeds shown in the Report to the detailed schedule of disbursements of proceeds as of and for the quarter ended September 30, 2023.

3. Compared the disbursements of the Offering Proceeds shown in the Report with the schedule of planned use of proceeds indicated in the Offering Prospectus and its approved subsequent revision of allocation.

4. Inquired and identified the nature of disbursements of the Offering Proceeds in the detailed schedule and checked that such disbursements were consistent with the planned use of the Offering Proceeds.

5. Traced and examined supporting documents of the disbursements in the schedule and agreed the total amount of disbursements per category in 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.

2. With respect to item 2, we noted that the total amount of disbursements appearing in the Report agrees with the amount in the detailed schedule of disbursements of the Offering Proceeds.

3. With respect to item 3, we found the disbursements of proceeds in the Report as of and for the quarter ended September 30, 2023 is consistent with the planned application of proceeds indicated in the Use of Proceeds section of the Offering Prospectus and its subsequent revision of allocation as approved by the Company's Board of Directors (BOD) on February 26, 2021 and disclosed in the Philippine Stock Exchange Electronic Disclosure Generation Technology on March 1, 2021.

4. With respect to item 4, we noted the following:

    a.) The details of the disbursements incurred from July 1 to September 30, 2023 showed that the Company used the Offering Proceeds for the following purposes:

- ***NAIA Rehabilitation***

The government's airport modernization and expansion program opened up exciting opportunities for the private sector to contribute to the country's infrastructure development program. Being the largest private sector airport operator, by virtue of its concession agreement with the Philippines' second busiest airport, the Company is well positioned and has a unique advantage to participate in other airport development projects in the government's pipeline.

In a letter dated July 15, 2020, the Manila International Airport Authority (MIAA) granted the consortium led by the Company with GMR Infrastructure Limited as partner operator, the Original Proponent Status (OPS) for the development of the NAIA. Under the Build-Operate-Transfer (BOT) Law, the holder of the OPS will have the right to match any competing offer from another proponent under the Swiss Challenge scenario, subject to the terms and conditions of the Swiss Challenge process.

The project proposal plans for a phased redevelopment of existing NAIA terminals to remove decongestion and increase annual total passenger-handling capacity from the existing 30 million passengers to 65 million. The deliverables also include expanding and interconnecting the existing terminals of NAIA using a People Mover System, upgrading airside facilities, developing commercial facilities to increase airline and airport efficiencies, enhancing passenger comfort and experience and elevating the status of NAIA as the country's premier international gateway.

The Company received communication from the MIAA on December 15, 2020 stating that consortium's OPS has been revoked, with no formal notice on the reasons for the revocation. The Company has submitted a motion for reconsideration for its proposal on December 21, 2020, as it has, at all stages, complied with the all the government's requirements for its unsolicited proposal. The BOD of MIAA denied the motion for reconsideration of the Company, which sought to overturn the revocation of the Megawide's OPS for the rehabilitation of the NAIA. The Company was formally informed of the said denial through a letter from the Corporate Secretary of the MIAA BOD dated January 25, 2021.

The proceeds initially allocated for the said project has been reallocated to other projects as approved by the Company's BOD on February 26, 2021 and disclosed in the PSE Edge on March 1, 2021.

- ***Development of the Cebu Integrated Transport Hub***

The Company executed an Agreement with the Local Government of Cebu on January 12, 2021 for a 50-year concession agreement to redevelop and operate the Carbon Market. The project requires pre-development and logistical expenses in line with its five-year development timetable.

The proposal involves the transformation of the existing Carbon Market into a mixed-use development anchored on a modern public market and an integrated multi-modal transport hub. Phase 1 of the project involves the rehabilitation of the existing public market, including a new wholesale market, construction of a new night market, and other lifestyle commercial establishments, land transport and ferry terminals, among others. Phase 2 includes a mixed-use development plan (hotel, Meetings, Incentives, Conference, Exhibitions (MICE), retail, etc.) envisioned to transform the property into one of Cebu's primary attractions.

P1,274.7 million from the Offering Proceeds were allocated and were fully used for this purpose as of September 30, 2023.

- ***Expansion of MCIA Under Concession Agreement 2 (CA2)***

  The Company's expansion of MCIA under CA2 has an OPS status, which will extend its existing Concession Agreement (CA1) in MCIA by another 25 years. Phase 1 involves the takeover of the airside facility, rehabilitation of the existing runway and taxiways, construction of an additional full-length parallel taxiway, development of additional rapid exit taxiways and runway holding positions. Phase 2 involves the construction of a second parallel and independent instrument runway and Phase 3 comprises the construction of Terminal 3.

  P816.1 million from the Offering Proceeds were allocated and were fully used for this purpose as of September 30, 2023.

- ***Development of Lot 2 of the PITX and Other Locations***

  The PITX is a flagship project under the government's Build, Build, Build infrastructure program, dubbed as the Philippines "first landport". PITX is a 4.5 hectare development and currently Lot 1 (2.7 hectares) houses the transport terminal, commercial spaces, and office buildings under one roof. PITX is effectively 100% owned by the Company.

  With a rated capacity of 100,000 passengers daily, PITX offers seamless connections to and from the southwest portion of Metro Manila, via multiple modes of transportation, from provincial to incity buses, taxis, jeepneys and utility vehicles express shuttles.

  The development of Lot 2 (1.8 hectares) will further improve terminal operations by providing a staging area for buses. It will also offer additional employment and business opportunities through the construction of office towers and retail establishments inside the facility.

  The original plan is to develop a similar structure to the existing terminal, to be comprised of four levels, with commercial leasing assets occupying the floors above the bus staging area. Estimated cost for the PITX Lot 2 development project is around P5,000.0 million.

  The project is currently undergoing design revision and reconceptualization and is being modified to serve its best use under the new operating environment. In addition, developments over the last nine months in this space have been very fluid and encouraging.

The Company has identified several areas as potential landport locations, with advanced discussions already taking place, to scale up its existing transport-oriented development portfolio, like PITX. Baguio is one of the places being considered, which is currently on the final stages of negotiation and in-dept design discussions before starting the construction.

P994.7 million from the Offering Proceeds were allocated to this project. As of and for the quarter ended September 30, 2023, there were no disbursements made yet related to this project.

- ***Expansion of Pre-Cast and Other Ancillary Business Units***

The Company is anticipating an increased demand for pre-fabricated construction materials under the new normal, both for its traditional market (i.e., residential, office, and commercial/industrial) and new segments (horizontal infrastructure) it plans to expand and enter into. With the new occupational health and safety protocols arising from the COVID-19 pandemic, the Company believes that the pre-cast technology will be well-suited for the industry, given its less human labor requirement and faster turnaround compared with the traditional method.

Moreover, the government's roll out of major infrastructure projects enabled the Company to identify opportunities in this segment, which will be the driving force to Company's infrastructure pivot. In addition to the Company's engineering, procurement and construction business, these projects will likewise require huge support from other ancillary services (batching plant, formworks, specialized equipment, transport, and others), being a vertically integrated construction company.

In relation to this, the Company has finalized its plan to expand its pre-cast plant capacity to approximately 40,000 cu/m/month, from the current 13,000 cu/m/month, in various high growth locations across the country, including the existing plant in Taytay, Rizal. Estimated cost of the project is around P1,000.0 million for full capacity and has reached around 25% completion as of the end of 2019. As of September 30, 2023, the project has progressed to around 50% completion. The targeted capacity of 35,000-40,000 cu/m/month is originally projected to be achieved by the end of 2024-2025, subject to market conditions and operating environment.

Furthermore, the expansion of its construction services and ancillary businesses require additional funding and the Company expects the progress of these initiatives to accelerate as soon as new infrastructure contracts are secured within the year.

P576.8 million from the Offering Proceeds were allocated to this project, P319.7 million of which were released as of September 30, 2023. Disbursements for the quarter then ended amounted to P35.1 million.

- ***MCIA Multi-Use Developments***

  MCIA, the gateway to the Visayas and Southern Philippines, is the second largest airport facility in the country with a consistently growing number of passengers annually.

  Under the existing CA1, GMR-Megawide Cebu Airport Corporation (GMCAC) shall deliver a 2nd terminal and rehabilitate the existing terminal, which the company completed in July 2018 and September 2019, respectively, to reduce congestion as well as meet the growing passenger traffic into Cebu. The Capacity Augmentation, which is part of CA1 designed to further expand the airport's capacity, remains in balance. GMCAC is undertaking this capital extensive project to provide a world-class terminal airport with a welcoming ambiance that is distinctly Filipino.

  The MCIA mixed-use development project is envisioned to further accelerate the airport's value creation. The initial plans involve the construction of a 400-room hotel, a MICE facility, and a travel retail concept to complement the airport's features. Estimated cost of the MCIA mixed use development project is P3,000.0 million.

  While the Cebu hotel industry may have been affected by the Corona Virus Disease 2019 (COVID-19) pandemic, long-term prospects remain sound given Cebu's ideal location as both a tourism and business hub. In addition, the project development timetable of two to three years provides enough time for the situation to revert back to pre-COVID-19 environment.

  The project has completed the final design and concept stages but is currently on push-button mode and will be re-evaluated on when initial development will commence, subject to resumption of normalcy of travel and airport operations and the project's overall value creation to all its stakeholders.

  P331.6 million from the Offering Proceeds were allocated to this project, P77.9 million of which were released as of September 30, 2023. In December 2022, the Company disposed a portion of its interest in GMCAC which was reduced from 60.00% to 33.33% as of December 31, 2022. In relation to this, management intends to reallocate the remaining balance of the proceeds to another project in the fourth quarter of 2023. There were no disbursements related to this project for the quarter ended September 30, 2023.

- ***General Corporate Purposes***

  General corporate purposes include: (1) purchase or lease or repair of construction equipment; (2) provision for potential projects and business opportunities; and, (3) working capital.

  P331.6 million from the Offering Proceeds were allocated and were fully used for this purpose as of September 30, 2023.

b.) The remaining balance of the Offering Proceeds amounting to P1,505.5 million as of September 30, 2023 is expected to be applied on costs to be incurred in accordance with the planned use and estimated timing as disclosed in the Offering Prospectus and to the PSE and its subsequent revision of allocation.

5. We found no exceptions with respect to item 5.

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 Offering 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

Accounts Receivable Aging

	Not more than 3 mos.	More than 3 mos. but not more than 6 mos.	More than 6 mos.	More than 1 year	TOTAL
September 30, 2023					
Contract receivables	7,226,847,808	140,515,910	126,424,654	631,014,292	8,124,802,664
Lease receivables	495,995,793	75,793,048	136,040,640	626,735,490	1,334,564,971
	7,722,843,601	**216,308,958**	**262,465,294**	**1,257,749,782**	**9,459,367,635**