

REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
PHILIPPINE ESTATES CORPORATION
35th Floor, One Corporate Centre, Doña Julia Vargas Avenue,
Ortigas Center, Pasig City

We have performed the procedures agreed with you and enumerated below with respect to the attached Progress Report as at and for the year ended **December 31, 2023** on the application of the proceeds from the Stock Rights Offering (the “Offering”) of **Philippine Estates Corporation** (the “Company”). The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.’s (PSE) requirement to submit an external auditor’s certification on the accuracy of information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information. These agreed-upon procedures are summarized as follows:

1. Obtained Progress Report on the application of the proceeds (the “Schedule”) from the Stock Rights Offer (“SRO”) as at and for the year ended December 31, 2023;
2. Checked the mathematical accuracy of the Schedule;
3. Compared the disbursements as indicated in the Schedule to the Progress Report as at and for the year ended December 31, 2023 to the subsidiary list of disbursements during the period;
4. Traced disbursements in the subsidiary list of disbursements to the supporting documents such as deed of absolute sale, deed of acceptance, official receipts, billing statements, progress billing, tax declaration returns, transfer certificate of title, memorandum of encumbrances, statement of real property tax, official receipt from Land Registration Authority, request for payment, bill, check voucher ledger, acknowledgement receipts, and sales invoices, and agreed the amount to the accounting records;
5. Inquired into and identified the nature of the disbursements as at and for the year ended December 31, 2023. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the Offering.

We report our findings below:

- a. With respect to items 1, we were able to obtain the Schedule as at and for the year ended December 31, 2023.
- b. With respect to item 2, we found the Schedule to be mathematically correct.
- c. With respect to item 3, we noted that the total application of proceeds in the schedule agree to the total disbursements per list of disbursements provided. No exceptions noted.
- d. With respect to item 4, we obtained and examined the supporting documents such as deed of absolute sale, deed of acceptance, official receipts, billing statements, progress billing, tax declaration returns, transfer certificate of title, memorandum of encumbrances, statement of real property tax, official receipt from Land Registration Authority, request for payment, bill, check voucher ledger, acknowledgement receipts, and sales invoices. The amounts recorded agreed with the supporting documents. No exceptions noted.

- e. With respect to item 5, and as mentioned in the 2022 submitted report, the Company reallocated the planned use of proceeds from the Offering to the development of Existing and new projects. This was approved by the Company's Board of Directors in December 2022. No other exceptions are noted.

The noted differences on Offer Expenses and Existing and new projects under General Corporate Purposes are summarized below:

	<u>Per Prospectus</u>	<u>Actual Amount</u>	<u>Difference</u>
A. Offer expenses	₱ 22,555,498.30	₱ 25,892,009.62	₱ (3,336,511.32)
B. Land acquisition			
B.1. Purchased of lots per MOA	898,565,800.00	888,798,200.01	9,767,599.99
B.2. Taxes on acquisition	<u>58,406,777.00</u>	<u>20,858,256.23</u>	<u>37,548,520.77</u>
Sub-total	<u>956,972,577.00</u>	<u>909,656,456.24</u>	<u>47,316,120.76</u>
C. General purpose			
C.1. Existing and new projects	152,991,735.60	196,215,989.39	(43,224,253.79)
C.2. Connecting and right of way lots	<u>313,030,019.10</u>	<u>313,030,019.10</u>	<u>-</u>
Sub-total	<u>466,021,754.70</u>	<u>509,246,008.49</u>	<u>(43,224,253.79)</u>
Total Expenses	₱ <u>1,445,549,830.00</u>	₱ <u>1,444,794,474.35</u>	₱ <u>755,355.65</u>

As represented by management, the above differences pertain to the following:

- A. The variance noted in Offer Expenses pertains to various fees that are not fully taken into consideration like other legal fees and PSE filing fees, to name a few.
- B. The difference between General purpose's actual amount and amount per prospectus pertains to the expenses related to the construction of housing units and land developments due to the sudden surge in demand of housing units in the Company's current projects that prompted them to fast track the constructions.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the use of proceeds from the Offering based on the said standards.

Had we performed additional procedures or 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.

Our report is intended 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 who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the Offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

SEC Accreditation No. 0314-SEC, Group A

Issued on November 29, 2022, Valid until 2026 audit

BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021, Valid until March 18, 2024

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805, Valid until December 14, 2026

TIN No. 213-410-741-000

PTR No. 10081734, Issued Date: January 8, 2024, Makati City

BOA/PRC Reg. No. 0314

Issued on July 29, 2021, Valid until July 14, 2024

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

SEC Accreditation No. 99805-SEC, Group A

Issued on November 29, 2022, Valid until 2026 audit

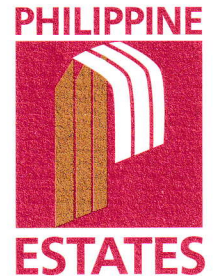
Makati City, Philippines

January 29, 2024

December 31, 2023

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307



Attention: Director, Markets & Securities Regulation Dept.

THE PHILIPPINE STOCK EXCHANGE, INC.

6th Floor, Philippine Stock Exchange Tower
28th Street corner 5th Avenue Bonifacio Global City, Taguig City

Attention: Head, Disclosure Department

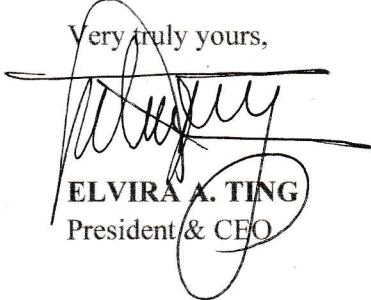
Ladies and Gentlemen:

In compliance with the Notice of Approval dated November 16, 2021 of The Philippine Stock Exchange, Inc., we submit the details of the disbursements made in connection with the planned use of proceeds from **PHILIPPINE ESTATES CORPORATION** (the "Company")'s Stock Rights Offering ("SRO") as at December 31, 2023, as follows:

**Annual Progress Report on the Application of the Proceeds from the SRO
As at December 31, 2023**

Balance of SRO Proceeds as of December 31, 2022	₱	2,057,137.38
Additional Proceeds:		
Full Payment of Delinquent Subscribed Shares		100,000.00
Less Use of Proceeds:		
Land acquisition	₱	216,216.00
General corporate purposes		1,168,815.23
		(1,385,031.23)
Balance of SRO Proceeds as of December 31, 2023	₱	772,106.15

Very truly yours,



ELVIRA A. TING
President & CEO