

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

info@phresorts.com

Company's Telephone Number

(632) 8838-1985

Mobile Number

N/A

No. of Stockholders

28

Annual Meeting (Month / Day)

3rd Wednesday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lara Lorenzana

Email Address

lara.lorenzana@phresorts.com

Telephone Number/s

(632) 8838-1985

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

20th Flr. Udenna Tower, Rizal Drive cor. 4th avenue, Bonifacio Global City, Taguig City 1634

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

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

PH RESORTS GROUP HOLDINGS, INC.

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2020**
2. SEC Identification No. **CS200901269**
3. BIR Tax Identification No. **007-236-853-000**
4. Exact name of registrant as specified in its charter:
PH RESORTS GROUP HOLDINGS, INC.
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code : _____ (SEC Use Only)
7. Address of principal office and Postal Code:
20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City 1634
8. Registrant's telephone no. and area code: **(632) 8838-1985**
9. Former name, address, and fiscal year, if changed since last report:
PHILIPPINE H2O VENTURES CORP., GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023
10. Securities registered pursuant to Sections 4 & 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock</u> <u>Outstanding</u> &/or <u>Amount</u> of <u>Debt</u> <u>Outstanding</u>
Common Stock, ₱ 1 par value	4,793,266,504 shares
11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:
There are 243,241,504 common shares in the Company that are listed in the Philippine Stock Exchange.
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days:
Yes ☒ No ☐

TABLE OF CONTENTS

		Page No.
PART I	FINANCIAL INFORMATION	
Section 1	Financial Statements	
	Condensed Consolidated Statements of Financial Position	4
	Unaudited Condensed Consolidated Statements of Comprehensive Income	5
	Unaudited Condensed Consolidated Statements of Changes in Shareholder's Equity	6
	Unaudited Condensed Consolidated Statements of Cash Flows	7
	Notes to the Unaudited Condensed Consolidated Financial Statements	8
Section 2	Management's Discussion and Analysis of Financial Condition and Plan of Operations	42
PART II	OTHER INFORMATION	53
SIGNATURES		

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
(with Comparative Audited Figures as at December 31, 2019)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱567,256,830	₱224,973,403
Trade and other receivables (Notes 5 and 6)	14,207,127	13,804,161
Advances to related parties (Note 6)	2,215,990	2,208,973
Inventories - at cost	4,527,969	4,241,726
Prepayments and other current assets (Note 7)	48,062,819	46,655,628
Total Current Assets	636,270,735	291,883,891
Noncurrent Assets		
Property and equipment (Notes 8, 10 and 19)		
Property and equipment at cost (Notes 8, 10 and 19)	5,807,214,103	5,334,258,192
Land at revalued amount (Note 8)	7,552,344,305	7,552,344,305
Right-of-use assets (Notes 6 and 11)	59,942,136	63,442,773
Deposits for future property acquisition (Note 9)	26,812,449	26,812,449
Cash in escrow (Notes 5 and 19)	760,907,394	1,267,037,464
Input value-added tax	572,338,378	541,484,490
Advances to suppliers (Note 8)	592,698,557	538,697,268
Other noncurrent assets	31,332,108	30,797,054
Total Noncurrent Assets	15,403,589,430	15,354,873,995
TOTAL ASSETS	₱16,039,860,165	₱15,646,757,886
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 10)	₱6,014,374,622	₱5,972,301,060
Trade and other payables (Notes 6 and 12)	894,093,822	674,880,385
Advances from related parties (Note 6)	555,403,603	502,272,477
Lease liability (Note 11)	22,410,861	18,190,634
Total Current Liabilities	7,486,282,908	7,167,644,556
Noncurrent Liabilities		
Loans payable - net of current portion (Note 10)	906,557,671	936,720,722
Retention payable (Note 12)	170,690,853	175,897,630
Lease liability - net of current portion (Note 12)	50,932,142	53,969,044
Advances from related parties (Note 6)	2,200,734,920	2,198,780,834
Deferred tax liabilities - net (Notes 8 and 16)	771,399,758	775,853,974
Total Noncurrent Liabilities	4,100,315,344	4,141,222,204
Total Liabilities	11,586,598,252	11,308,866,760
Equity		
Capital stock (Note 14)	4,793,266,504	4,793,266,504
Deposit for future stock subscription (Note 13)	2,833,000,000	2,579,000,000
Equity Reserve (Notes 2 and 14)	(4,126,935,056)	(4,126,935,056)
Revaluation surplus (Notes 8 and 16)	1,772,972,494	1,772,972,494
Deficit	(819,042,029)	(680,412,816)
Total Equity	4,453,261,913	4,337,891,126
TOTAL LIABILITIES AND EQUITY	₱16,039,860,165	₱15,646,757,886

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

	2020	2019
NET OPERATING REVENUES		
Food and beverage	₱4,850,043	₱9,862,979
Rooms	4,343,313	10,015,871
Others	260,206	1,078,812
	9,453,562	20,957,662
DIRECT COSTS AND EXPENSES		
Salaries and wages	2,642,109	2,807,461
Inventories consumed	1,802,924	3,671,826
Other costs and expenses	737,085	1,650,772
	5,182,118	8,130,059
GROSS INCOME	4,271,444	12,827,603
OPERATING EXPENSES (Note 15)	71,442,038	45,359,915
OPERATING LOSS	(67,170,594)	(32,532,312)
NON-OPERATING INCOME (EXPENSES)		
Interest expense (Notes 6 and 10)	(81,399,722)	(35,287,899)
Interest income (Note 5)	4,779,380	7,850,526
Foreign exchange gain (loss) – net	598,681	(741,643)
Other income (expenses) – net	828,580	172,131
	(75,193,081)	(28,006,885)
LOSS BEFORE INCOME TAX	(142,363,675)	(60,539,197)
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 16)		
Current	719,754	1,114,682
Deferred	(4,454,216)	(2,394,149)
	(3,734,462)	(1,279,467)
NET LOSS/ TOTAL COMPREHENSIVE		
LOSS	(₱138,629,213)	(₱59,259,730)
Basic and Diluted Loss Per Share (Note 20)	(₱0.0289)	(₱0.0124)

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

	Capital Stock (Note 14)	Subscription Receivables (Note 14)	Deposit for future stock subscription (Note 13)	Equity Reserve (Notes 2 and 14)	Revaluation Surplus (Notes 8 and 16)	Deficit	Total
Balance at December 31, 2019	₱4,793,266,504	₱–	₱2,579,000,000	(₱4,126,935,056)	₱1,772,972,494	(₱680,412,816)	₱4,337,891,126
Deposits received	–	–	254,000,000	–	–	–	254,000,000
Total comprehensive loss	–	–	–	–	–	(138,629,213)	(138,629,213)
Balance at March 31, 2020	₱4,793,266,504	₱–	₱2,833,000,000	(₱4,126,935,056)	₱1,772,972,494	(₱819,042,029)	₱4,453,261,913
Balance at December 31, 2018	₱4,793,266,504	(₱406,376,691)	₱–	(₱4,050,000,000)	₱–	(₱110,721,812)	₱226,168,001
Total comprehensive loss	–	–	–	–	–	(59,259,730)	(59,259,730)
Balance at March 31, 2019	₱4,793,266,504	(₱406,376,691)	₱–	(₱4,050,000,000)	₱–	(₱169,981,542)	₱166,908,271

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND MARCH 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P142,363,675)	(P60,539,197)
Adjustments for:		
Interest expense (Notes 6 and 10)	81,399,722	35,287,899
Interest income (Note 5)	(4,779,380)	(7,850,526)
Depreciation (Notes 8 and 15)	6,851,801	2,454,582
Unrealized foreign exchange loss (gain) - net	327,064	(837,230)
Loss before working capital changes	(58,564,468)	(31,484,472)
Decrease (increase) in:		
Trade and other receivables	481,026	630,512
Advances to related parties	(7,017)	35,698,365
Inventories	(286,243)	(411,480)
Prepayments and other current assets	(1,407,191)	(4,892,401)
Increase (decrease) in trade and other payables	100,247,415	(135,006,373)
Net cash generated from (used in) operations	40,463,522	(135,465,849)
Income taxes paid (includes final taxes)	(719,754)	(1,114,682)
Net cash provided by (used in) operating activities	39,743,768	(136,580,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(357,293,069)	(359,606,702)
Transfer of cash from escrow fund	506,761,400	—
Decrease (increase) in:		
Advances to suppliers	(54,001,289)	(90,511,746)
Input value-added tax (VAT)	(30,853,888)	(34,952,001)
Other noncurrent assets	(751,261)	(6,825,297)
Interest received	3,891,137	6,833,882
Advances for future stock acquisition	—	(1,637,000,000)
Transfer of cash from restricted fund	—	139,955,985
Net cash provided by (used in) investing activities	67,753,030	(1,982,105,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for future stock subscription	254,000,000	2,579,000,000
Advances from related parties	53,131,126	(983,295,175)
Payments of:		
Interest	(68,169,676)	(40,094,142)
Mortgage loan (Note 10)	(342,969)	(385,412)
Lease liabilities (Note 11)	(14,963)	(14,250)
Increase (decrease) in retention payable	(5,206,777)	6,838,924
Net cash provided by financing activities	233,396,741	1,562,049,945
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	340,893,539	(556,636,465)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,389,888	91,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note 5)	224,973,403	686,846,385
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 5)	P567,256,830	P130,301,276

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES

**NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

1. General Information

Corporate Information

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. (H2O), “PH Resorts”, or “Parent Company”) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Parent Company is at 20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City.

The unaudited interim condensed consolidated financial statements as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and March 31, 2019 were authorized for issue by the Board of Directors (BOD) on June 19, 2020.

Change in Ownership of PH Resorts

On December 19, 2017, H2O was notified by Jollville Holdings Corporation (JHC, former parent company of H2O) that the latter along with its subsidiaries and related parties will be selling all their shareholdings in H2O representing 62.006% of the issued and outstanding capital of H2O to Udenna Development Corporation (UDEVCO), or to any of the latter’s subsidiaries or affiliates (the H2O Sale). One of the conditions to the H2O Sale is the implementation and completion by H2O of a spin-off by selling all of its existing business and assets, including shares and interest in its subsidiaries. H2O shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund.

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, “TPC”, a wholly-owned subsidiary of JHC), entered into a purchase agreement, subject to conditions, with H2O to purchase the latter’s shares and interests, in Calapan Waterworks Corporation (CWWC) consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of ₱442.0 million. On April 4, 2018, the H2O’s stockholders approved the CWWC sale. On June 1, 2018, H2O sold all of its shares and interests in CWWC to TPC. Accordingly, H2O lost its control over CWWC.

On February 28, 2018, JHC and UDEVCO entered into a Share Purchase Agreement (SPA) to acquire 150,824,890 common shares representing 62.006% of the issued and outstanding common shares of H2O for a total purchase price of ₱647.9 million or ₱4.30 per share under the terms and conditions set forth in the SPA. On April 25, 2018, UDEVCO subsequently assigned all of its rights and obligations under the SPA to Udenna Corporation (Udenna, Ultimate Parent Company), a company incorporated in the Philippines. Subsequently, H2O became a holding company for the gaming and tourism-related businesses of Udenna.

From April 30, 2018 to May 29, 2018, the tender offer commenced for the remaining 92,416,614 common shares, representing approximately 37.994% of the issued and outstanding common shares of H2O. Udenna conducted a tender offer for the remaining common shares. No other shareholders tendered their shares.

On June 1, 2018, upon completion of the tender offer and fulfillment of the conditions as provided in the SPA, the common shares of H2O were transferred to Udenna through a special block sale in PSE.

Accordingly, on the same date, H2O became a subsidiary of Udenna. All the assets and liabilities as of May 31, 2018 of the subsidiaries of H2O were disposed through spin-off on June 1, 2018 as part of the conditions set forth in the SPA.

From June 13 to July 3, 2018, Udenna acquired additional 19,457,486 shares through a special block sale in Philippine Stock Exchange (PSE), effectively owning additional 7.994% ownership in H2O. After this transaction, total Udenna ownership of H2O stood at 70%.

On June 25, 2018, Philippine H2O Ventures Corp. was renamed to PH Resorts Group Holdings, Inc. (PH Resorts).

On May 22, 2019, the BOD and the stockholders approved the following:

- Amendment of Articles of Incorporation to increase the authorized capital stock of the Corporation from ₱8 billion divided into 8 billion common shares at ₱1.00 par value per share to ₱15 billion divided into 15 billion common shares at ₱1.00 par value per share.
- Merger and consolidation of assets PH Resorts and PH Travel and Leisure Holdings Corp.
- Approval of Company's Employee Stock Incentive Plan for qualified employees, directors, officers and other qualified persons.

As of June 8, 2020, the Group's application with the SEC for the approval of the above is still in process.

Change in Capital Structure and Group Reorganization

On June 27, 2018, Udenna and PH Resorts executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 44,654,000 shares of PH Travel and Leisure Holdings Corp. (PH Travel, a wholly-owned subsidiary of Udenna), representing its 8.93% interest ownership, to PH Resorts in exchange for cash consideration in the amount of ₱406.4 million.

On the same date, Udenna and PH Resorts also executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 455,346,000 shares of PH Travel, representing its 91.07% interest ownership to PH Resorts in exchange for the issuance of 4,143,648,309 shares of PH Resorts to be issued at ₱1.00 par value per share for a total share swap consideration of ₱4,143.6 million (Share Swap Consideration). Udenna applied the share swap consideration in payment of its subscription to the additional shares in the capital stock of PH Resorts issued at the price of ₱1.00 per share from the proposed increase in the authorized capital stock of PH Resorts.

On December 10, 2018, the SEC approved the amendments in PH Resorts' AOI. The issuance of 4,143,648,309 shares of PH Resorts was made on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. Consequently, as of December 26, 2018, PH Travel became a legal subsidiary of PH Resorts.

PH Resorts Group Holdings Inc. and its subsidiaries are collectively referred to as "the Group".

Subsidiaries of PH Resorts

PH Travel was incorporated and registered with the SEC on January 3, 2017. PH Travel's registered office and principal place of business is 20th Floor Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig. PH Travel's primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, construct, develop, maintain, subdivide, sell, assign, lease and hold for investment, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises, such as but not limited to resorts,

clubhouses, and sports facilities, hotels, casino and gaming facilities, including all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith.

PH Travel holds investments in certain subsidiaries that are all incorporated in the Philippines and are engaged in businesses related to the main business of PH Travel. PH Travel and its subsidiaries shall herein be referred to as PH Travel Group.

On December 26, 2018, as a result of the effectivity of the assignment of shares and equity share swap transaction, PH Travel Group became legal subsidiaries of PH Resorts.

As of March 31, 2020 and December 31, 2019, PH Travel holds ownership interests in the following entities incorporated in the Philippines:

<i>Subsidiary Name</i>	<i>Nature of Business</i>	<i>Date of Incorporation</i>	<i>% of Ownership</i>	
			<i>2020</i>	<i>2019</i>
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	100	100
LapuLapu Land Corp. (LLC) ^{(b)*}	Real estate	February 14, 2017	100	—
LapuLapu Leisure, Inc. (LLI)	Hotels, casino and gaming	January 25, 2017	100	100
Clark Grand Leisure Corp. (CGLC)	Hotels, casino and gaming	March 7, 2018	100	100
Donatela Hotel Panglao Corp. (DHPC)	Hotel and recreation	November 7, 2017	100	100
Donatela Resorts and Development Corp. (DRDC)	Hotel and recreation	February 27, 2018	100	100
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	100	100
Aetos Air Philippines, Inc. (AAPI) ^(a)	Transportation	February 24, 2017	—	—

**Indirect ownership through LLI.*

- a) On January 12, 2018, PH Travel sold its 100% interest ownership in Aetos Air Philippines, Inc. (AAPI) to Udenna Management & Resources Corp. (a related party) for a consideration of ₱10.0 million which is equal to the investment cost of AAPI in PH Travel's books (see Notes 7 and 21).
- b) On October 14, 2019, LLI and Udenna Land Inc. (formerly, UDEVCO), a related party, executed the Deed of Absolute Sale on the common shares of stock of LLC for a total consideration of ₱1.6 billion. This resulted in LLC being a wholly-owned subsidiary of LLI. The acquisition of LLC was accounted for as an acquisition of an asset as LLC does not qualify as a business.

Provisional Licenses

On May 3, 2017, Philippine Amusement and Gaming Corporation (PAGCOR) issued a Provisional License (License) authorizing LLI to develop approximately 13.5 hectares in Mactan Islands, LapuLapu City, Cebu and to establish and operate casinos and engage in gaming activities. The term of LLI's License is for a period of 15 years or until May 3, 2032, which may be renewed subject to the terms of conditions of the License.

On August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone.

Further details of the terms and commitments under the Provisional Licenses are included in Note 19.

Status of Operations

The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the first quarter of 2022. The Group is also engaged in the operation of a resort which started commercial operations in 2018. For the three months ended March 31, 2020 and 2019, the Group reported a net loss of ₱138.6 million and ₱59.3 million,

respectively, resulting to a deficit of ₱819.0 million and ₱680.4 million, as of March 31, 2020 and December 31, 2019, respectively. On the same date, the Group's current liabilities exceeded its current assets by ₱6,850.0 million and ₱6,875.8 million as at March 31, 2020 and December 31, 2019, respectively. The Group has ongoing plans for suitable refinancing options including the conversion of its bridge loan to a long-term facility. The Group is in the process of syndicating a term loan facility. Upon securing this term loan facility, the Group expects to use the proceeds of such loan to refinance the bridge loan facility and fund its ongoing construction project.

The Parent Company has ongoing plans for suitable financing and capital raising options.

The status of operations of the subsidiaries is as follows:

LLI and LLC. Construction of The Emerald Bay, an integrated tourism resort located in Mactan Island, Lapu-Lapu, Cebu, commenced in December 2017. The Emerald Bay will be constructed in two phases with the first phase expected to be completed in the first quarter of 2022.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). The project is currently in the design phase.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the hotel in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, fine-dining restaurants and a wine cellar. DHPC is currently in the design and development phase with plans for expansion to improve its operations.

The other entities within the Group have no material operations as of March 31, 2020.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of PH Resorts and its subsidiaries (collectively referred to as "the Group") have been prepared on a historical cost basis, except for land which is carried at revalued amount. These interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements of the Group as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2019.

These interim condensed consolidated financial statements have been prepared in relation to PH Resorts' planned follow-on offering..

Basis of Consolidation

As of December 26, 2018, the equity share swap transaction between PH Resorts and PH Travel became effective. The acquisition transaction was accounted for similar to a reverse acquisition following the

guidance provided by PFRS. In a reverse acquisition, the legal parent, PH Resorts, is identified as the acquiree for accounting purposes because PH Resorts did not meet the definition of a business and based on the substance of the transaction, the legal subsidiary, PH Travel, is adjudged to be the entity that gained control over the legal parent and was thus deemed to be the acquirer for accounting purposes. To classify as a business, it should consist of an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities. Accordingly, the consolidated financial statements of PH Resorts have been prepared as a continuation of the consolidated financial statements of the PH Travel Group. The PH Travel Group has accounted for the acquisition of PH Resorts on December 26, 2018, which was the date when PH Travel acquired control of PH Resorts (see Notes 1 and 4).

The interim consolidated statements of financial position presented in the interim condensed consolidated financial statements are retroactively adjusted to reflect the legal capital (i.e. the number and type of capital stock issued, additional paid-in capital and retained earnings) of PH Resorts. The adjustment, which is the difference between the capital structure of PH Travel and PH Resorts, is recognized as part of equity reserve in the interim consolidated statements of financial position.

In accounting for this transaction in 2018, the interim consolidated financial statements will reflect the following:

- (a) The consolidated assets and liabilities of PH Travel Group (legal subsidiary/accounting acquirer) recognized and measured at carrying amount and the assets and liabilities of PH Resorts (legal parent/accounting acquiree), consisting only of cash and cash equivalents, recognized and measured at acquisition cost.
- (b) The equity reflects the combined equity of PH Travel Group and PH Resorts. However, the legal capital of PH Travel Group has been eliminated as the legal capital that should be reflected would be that of PH Resorts (legal parent).
- (c) The consolidated statements of comprehensive income for the current period reflect that of PH Travel for the full period together with the post-acquisition results of PH Resorts; and
- (d) Any difference between the consideration transferred by PH Resorts and the legal capital of PH Travel Group that is eliminated is reflected as "Equity reserve".

Reverse acquisition applies only to the unaudited interim consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of March 31, 2020 and December 31, 2019.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its wholly owned subsidiaries as at March 31, 2020. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period of the Parent Company, using consistent accounting policies.

3. Changes in Accounting Policies and Financial Reporting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any other standard,

interpretation or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on our future business combinations.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definition used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

4. Significant Accounting Judgments, Estimates and Assumptions

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019.

Assessment of Going Concern

The Group is engaged in the gaming and tourism industry related businesses and has an ongoing construction project expected to be completed in the first quarter of 2022. The Group is also involved in the hotel industry which started commercial operations in 2018. As it is primarily in the construction stage of development, for the three-months period ended March 31, 2020 and 2019, the Group reported a net loss of ₱138.6 million and ₱59.3 million, respectively, resulting to a deficit of ₱819.0 million and ₱680.4 million, as of March 31, 2020 and December 31, 2019, respectively. On the same date, the Group's current liabilities exceeded its current assets by ₱6,850.0 million and ₱6,875.8 million as at March 31, 2020 and December 31, 2019, respectively.

The Group has ongoing plans for suitable financing and capital raising options and expansion projects (see Notes 1, 2 and 17). As of June 18, 2020, the Group has an ongoing negotiation with the lenders for the conversion of bridge loan to a long-term project loan as well as availment of additional long-term loan. Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due to address the Group's liquidity requirements and to support its operations and the completion of its projects. Accordingly, the accompanying interim condensed consolidated financial statements have been prepared on a going concern basis of accounting.

5. Cash and Cash Equivalents

As of March 31, 2020 and December 31, 2019, the Group's cash on hand and in banks were ₱567.3 million and ₱225.0 million, respectively. In March 2020, the Group transferred its cash in escrow amount to ₱506.8 million to fund the construction. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash and cash equivalents amounted to ₱0.1 million and ₱0.2 million for the three months ended March 31, 2020 and 2019, respectively.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱760.9 million as of March 31, 2020 and ₱1,267.0 million as of December 31, 2019. Cash in escrow is presented under the "Noncurrent Assets" section of the unaudited interim consolidated statements of financial position. Interest income earned on cash in escrow amounted to ₱4.7 million for the three months ended March 31, 2020 and ₱7.7 million for the three months ended March 31, 2019. Accrued interest receivable as of March 31, 2020 and December 31, 2019 amounted to ₱2.2 million and ₱1.3 million, respectively, and is presented under the "Trade and other receivables" account in the unaudited interim consolidated statements of financial position. The Group's escrow account represents the aggregate balance of short-term placements maintained in local banks primarily to meet the requirements of the License Agreement with PAGCOR in relation to LLI and CGLC's investment commitments (see Note 19).

6. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transaction either individually or over a twelve (12)-month period, amounting to ten percent (10%) or higher of the total assets.

All individual MRPT shall be approved by the majority vote of the BOD. Directors with personal interest in the transaction shall abstain from discussions and voting on the same.

Outstanding balances at year-end are unsecured and non-interest bearing and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment assessment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would be needed to be set to 100%. For the three months ended March 31, 2020 and 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties.

The Group, in the normal course of business, has transactions with the following companies which have common members of BOD and stockholders as the Group:

Relationship	Name
Ultimate Parent Company	Udenna Corporation
Entities under Common Control	CGLC Cultural Heritage Foundation, Inc. Chelsea Shipping Corp. Dennison Holdings Corp. Emerald Development Holdings Ltd. Enderun Hospitality Management and Consultancy Services (Enderun) Global Gateway Development Corp. (GGDC) L3 Concrete Specialists Inc. Lapulapu Cultural Heritage Foundation, Inc. Lapulapu Land Corp. (LLC)* Phoenix Petroleum Philippines, Inc. Udenna Land Inc. (ULI, formerly UDEVCO) Udenna Management & Resources Corp. Udenna Tower Corporation (UTOW) Udenna Water & Integrated Services, Inc. Value Leases Inc.

* Acquired in 2019 (see Note 1).

The unaudited interim consolidated statements of financial position include the following amounts with respect to the balances with related parties as of March 31, 2020 and December 31, 2019:

	Amount/ Volume of Transactions*		Outstanding Receivable (Payable)		Terms & Conditions
	2020	2019	2020	2019	
Udenna, Ultimate Parent Company					
Cash advances from a related party for working capital and project completion	P=	P=	(P793,927)	(P793,927)	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock subscription (see Note 13) (a)(iv)	254,000,000	2,579,000,000	(2,833,000,000)	(2,579,000,000)	Unsecured; Noninterest-bearing; due and demandable
Entities under Common Control					
Cash advances to related parties	7,017	12,622	2,215,990	2,208,973	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital	14,531,126	–	(66,009,676)	(51,478,550)	Unsecured; Noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (iii)	–	–	(2,200,734,920)	(2,198,780,834)	Unsecured; Interest-bearing; due in 2021
Cash advances from related parties for working capital (b) (iii)	38,600,000	–	(353,600,000)	(315,000,000)	Unsecured; Interest-bearing; due and demandable
Lease (see Notes 7 and 8) (c)	–	33,171,390	–	–	Unsecured; Noninterest-bearing; due and demandable
Management and consultancy services (see Notes 12 and 14) (d) (ii)	–	1,180,000	(7,220,127)	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable

	Amount/ Volume of Transactions*		Outstanding Receivable (Payable)		Terms & Conditions
	2020	2019	2020	2019	
Due from a related party for sale of a subsidiary (see Note 1) (i)	–	–	10,000,000	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder					
Cash advances from a stockholder for working capital	–	–	(135,000,000)	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees					
Advances to employees (i)	209,709	1,767,345	453,512	243,803	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of March 31, 2020 and December 31, 2019.

ii. Outstanding balance is included in Trade and other payables as of December 31, 2019 and 2018.

iii. Outstanding interest is included in Trade and other payables as of December 31, 2019 and 2018.

iv. Outstanding balance is presented under the Equity section in the unaudited interim consolidated statements of financial position as of December 31, 2019.

*Amount or volume of transactions pertains to transactions for the three months ended March 31, 2020 and March 31, 2019.

(a) Deposit for future stock subscription

As of March 31, 2020 and December 31, 2019, the Group received a deposit for future stock subscription from the Ultimate Parent Company (see Note 13).

From the proceeds of the deposit, the Group paid ₱1.6 billion to an entity under common control for the acquisition of LLC. On October 14, 2019, the Deed of Absolute Sale on the common shares of stock of LLC was executed. LLC owns the land where The Emerald Bay is located.

(b) Interest-bearing cash advances from related parties

Various related parties granted advances to the Group to finance the operating requirements of the Group.

On October 17, 2019, PH Resorts obtained an advance of ₱2.2 billion from Emerald Development Holdings Ltd., an offshore entity wholly-owned by Udena. The proceeds of the advance were used to fund the ongoing construction of The Emerald Bay.

Interest charges incurred on these cash advances for the three months ended March 31, 2020 and 2019 were ₱120.4 million and ₱1.7 million, respectively. Of these interest charges, capitalized borrowing costs were ₱113.9 million and nil for the three months ended March 31, 2020, and 2019, respectively. Capitalized borrowing costs are included as part of CIP under the “Property and equipment” account in the unaudited interim condensed consolidated statements of financial position (see Note 8).

Interest payable of ₱232.4 million as of March 31, 2020 and ₱112.0 million as of December 31, 2019, are included under “Trade and other payables” account in the unaudited interim condensed consolidated statements of financial position (see Note 12).

(c) Lease

On July 14, 2017, LLI entered into a lease agreement with LLC for parcels of land with 116,882 square meters in Punta Engano, LapuLapu City, Cebu. On August 30, 2018, LLI entered into another lease agreement with LLC covering additional parcels of land in the property with 5,975 square meters.

The lease agreements are for a period of 25 years commencing upon the signing of the agreements and will be renewed for an additional 25 years at the option of LLI. LLI shall pay a monthly aggregate of ₱10.5 million for the original contract and ₱0.5 million for the additional lease. LLI and LLC shall agree on an escalated rate of the consideration three years from the signing of the lease agreement and for every three-year interval thereafter. The most recent rental rate will be used as basis of the consideration in the event the parties fail to agree on an escalated rate at the end of each three-year interval.

On June 29, 2018, CGLC entered into a lease agreement with GGDC for the lease of office space in the General Administrative Office Building of Clark Global City, Pampanga. The lease agreement is for a period of three (3) years counted from the lease commencement date, subject to renewal upon mutual agreement of the parties. CGLC shall pay a monthly aggregate of ₱0.1 million with a 5% annual escalation rate at the beginning of the second year of the lease term.

On July 10, 2019, PH Resorts entered into a lease agreement with UTOW for office space with a total area of 870.31 square meters in the twentieth (20th) Floor of the Udenna Tower and nine (9) parking slots located at the building. The lease agreement is for a period of 5 years counted from the lease commencement date on July 15, 2019 until July 14, 2024 subject to renewal for another 5 years upon mutual agreement of the parties. PH Resorts shall pay a monthly aggregate of ₱1,400 per square meter per month and ₱6,000 per parking slot per month with a yearly escalation rate of five percent (5%).

The estimated annual minimum rentals under this lease agreement are shown below:

Period	March 31, 2020	December 31, 2019
Within one year	₱27,355,305	₱23,346,390
More than 1 year to 2 years	16,660,077	16,475,380
More than 2 years to 3 years	17,465,588	17,255,159
More than 3 years to 4 years	18,338,868	18,117,917
More than 5 years	4,639,955	9,297,910
	₱84,459,793	₱84,474,756

The net book values of right-of-use assets were ₱59.9 million and ₱63.4 million as of March 31, 2020 and December 31, 2019, respectively. Depreciation expense for the three months ended March 31, 2020 and March 31, 2019 were ₱3.5 million and ₱0.01 million, respectively. Lease liabilities of ₱73.3 million and ₱72.2 million were presented under current and noncurrent liabilities section of the unaudited interim consolidated statements of financial position. Interest expense on lease liabilities amounted to ₱1.2 million and ₱0.01 million for the three months ended March 31, 2020 and March 31, 2019, respectively. (see Note 11).

(d) *Management fees*

DHPC entered into a Management Services Agreement in November 2017 for certain management and operational services with Enderun. Enderun managed the hotel operations starting January 2018 until June 30, 2019. Management fees consist of basic management fee, incentive fee, marketing fee and corporate shared service fees (see Note 15).

(e) *Guarantees*

LLI and LLC's bank loans with China Banking Corporation (CBC) are secured by a corporate guaranty by Udenna and by certain stockholders through a Continuing Surety Agreement with the bank (see Note 10).

The performance of the obligations of DHPC to United Coconut Planters Bank (UCPB) at any time under the loan agreement shall be the joint and several liability of PH Travel and DHPC (see Note 10).

(f) *Compensation and Other Benefits of Key Management Personnel*

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱13.0 million and ₱12.1 million for the three months ended March 31, 2020 and 2019. The increase is primarily reflective of full quarter compensation of key management personnel compared to previous period.

7. **Prepayments and Other Current Assets**

	March 31, 2020	December 31, 2019
Creditable withholding taxes	₱18,308,043	₱16,617,901
Advances to suppliers	15,448,098	12,366,019
Prepaid expenses	9,897,391	12,792,936
Input VAT	2,001,805	2,430,627
Short-term security deposits	351,158	351,158
Others	2,056,324	2,096,987
	₱48,062,819	₱46,655,628

Prepaid expenses represent prepayments on insurance, rent and other expenses which amortized on a periodic basis over a period not exceeding 1 year.

Advances to suppliers represents downpayments made for contracts of services entered to suppliers to be provided within a year.

Short-term security deposits represent unsecured and noninterest-bearing deposits for use of equipment and for office rentals which are renewable annually.

Other current assets represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation within a year.

8. Property and Equipment

At Cost

March 31, 2020								
	Land	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 22)	Total
Cost								
Beginning balances	P—	P8,107,498	P68,776,345	P29,598,988	P5,322,085	P5,639,222	P5,232,879,630	P5,350,323,768
Additions	—	—	—	511,802	—	—	475,579,066	476,090,868
Ending balances	P—	P8,107,498	P68,776,345	P30,110,790	P5,322,085	P5,639,222	P5,708,458,696	P5,826,414,636
Accumulated Depreciation								
Beginning balances	P—	P770,807	P4,381,811	P8,544,169	P1,795,268	P—	P—	P16,065,576
Depreciation (Note 15)	—	144,988	822,256	1,784,409	276,788	106,516	—	3,134,957
Ending balances	—	915,795	5,204,067	10,328,578	2,072,056	680,037	—	19,200,533
Net Book Value	P—	P7,191,703	P63,572,278	P19,782,212	P3,250,029	P4,959,185	P5,708,458,696	P5,807,214,103

December 31, 2019								
	Land	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 22)	Total
Cost								
Beginning balances	P1,027,200,819	P8,055,377	P68,532,916	P28,980,925	P4,940,498	P5,712,523	P2,792,954,203	P3,932,239,892
Additions	—	52,121	243,429	719,203	381,587	61,993	2,439,925,427	2,441,383,760
Disposals	—	—	—	(101,140)	—	(135,294)	—	(236,434)
Reclassification from PPE to Land at revalued amount	(1,027,200,819)	—	—	—	—	—	—	(1,027,200,819)
Ending balances	P—	P8,107,498	P68,776,345	P29,598,988	P5,322,085	P5,639,222	P5,232,879,630	P5,350,323,768
Accumulated Depreciation								
Beginning balances	P—	P191,795	P1,091,857	P1,680,632	P828,536	P344,549	P—	P4,137,369
Depreciation (Note 15)	—	579,012	3,289,954	6,917,345	966,732	364,264	—	12,117,307
Disposals	—	—	—	(53,808)	—	(135,292)	—	(189,100)
Ending balances	—	770,807	4,381,811	8,544,169	1,795,268	573,521	—	16,065,576
Net Book Value	P—	P7,336,691	P64,394,534	P21,054,819	P3,526,817	P5,065,701	P5,232,879,630	P5,334,258,192

The CIP account reflects expenditures related to the US\$300.0 million (approximately ₱15.6 billion) investment commitment of LLI required by the License Agreement with PAGCOR. Total Project cost includes land acquisition; costs related to securing development rights; construction and development costs; and all other direct expenses. The CIP account also includes capitalized borrowing costs of ₱181.8 million and ₱80.4 million for the three months ended March 31, 2020 and 2019, respectively, equivalent to the effective interest incurred on the loans (see Note 10).

Advances to suppliers of ₱592.7 million as of March 31, 2020 and ₱538.7 million as of December 31, 2019, relates to initial deposits made for the ongoing construction of the Project.

Land at Revalued Amounts

	March 31, 2020	December 31, 2019
Balance at beginning of period	₱7,552,344,305	₱—
Cost of land subjected to revaluation	—	1,027,200,819
Addition during the year (see Note 9)	—	3,992,325,637
Revaluation increment during the year recognized in other comprehensive income	—	2,532,817,849
Balance at end of period	₱7,552,344,305	₱7,552,344,305

The Group owns several parcels of land in Cebu, Davao and Bohol which were revalued to its market values as of December 31, 2019 based on the valuation performed by independent appraisers. Revaluation increment on land as of December 31, 2019 are as follows:

Balance at January 1, 2019, net of tax	₱—
Revaluation increment during the year	2,532,817,849
Deferred tax liability (see Note 16)	(759,845,355)
Balance at December 31, 2019, net of tax	₱1,772,972,494

Description of the valuation techniques and key inputs to valuation of lands to its revalued amount is as follows:

Valuation technique	Significant unobservable input	Range
Sales comparison approach	Selling price of identical piece of land	₱15,000 to ₱70,000 per square meter
	External factor adjustments	-20% to 20%
	Internal factor adjustments	-60% to 40%
	Average fair value after internal and external factor adjustments	₱4,520 to ₱48,000 per square meter

Management has assessed that there are no significant changes to the status and condition of the Group's land as of March 31, 2020. As such, the 2019 valuation reports are considered appropriate.

The value of the land was estimated by using the "Sales Comparison Approach". The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing

reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size, improvements and developments, and time element.

DHPC's land, land improvements and infrastructures and building are used as a real estate mortgage with UCPB (see Note 10). The carrying value of the pledged properties was ₱1.4 billion as of March 31, 2020 and December 31, 2019.

Pursuant to the bank loans, LLI and LLC entered into a real estate mortgage and chattel mortgage indenture over its property and equipment to collateralize its bank loans. The carrying value of properties used as collateral were ₱11.7 billion as of March 31, 2020 and ₱11.2 billion as of December 31, 2019 (see Note 10).

9. Deposit for Future Property Acquisition

On October 18, 2017, DHPC entered into a contract to sell, to acquire various parcels of land situated in Tawala, Panglao, Bohol and in Tagbilaran City, Bohol, with a total area of 74,578 square meters. The parcels of land contain improvements, consisting of several structures/buildings, walkways, gardens, as well as fixtures, furniture, and other personal properties and accessories owned by the seller.

The Deeds of Absolute Sale for the 67,853 square meters were executed in August 2018 for a total consideration of ₱1,039.0 million which were subsequently reclassified as property and equipment. A deposit for future property acquisition of ₱26.8 million pertains to the 25% partial settlement of the remaining area of 6,725 square meters. As of December 31, 2019 and 2018, DHPC has already paid ₱1,066.0 million which represents 89% of the total purchase price.

On April 20, 2018, the DPRC entered into a contract to sell, to acquire various parcels of land in Lanang, Davao City with a total area of 3,134 square meters. On August 20, 2019, the Deed of Absolute Sale for the 3,134 square meters was executed for the total purchase price of ₱211.5 million, exclusive of 12% VAT and other charges and were subsequently reclassified as property and equipment (see Note 8). As of December 31, 2019, DPRC has already paid 95% of the purchase price and the remaining payable of 5% was subsequently in the first quarter of 2020.

10. Loans Payable and Lease Liabilities

	March 31, 2020	December 31, 2019
Short-term loans – Peso denominated	₱5,200,000,000	₱5,200,000,000
Short-term loans – Dollar denominated*	760,200,000	759,525,000
Unamortized debt issue costs on short-term loans	(5,990,379)	(17,115,369)
Long-term loan	975,000,000	975,000,000
Unamortized debt issue costs on long-term loans	(9,472,525)	(9,926,014)
Auto loans	1,195,197	1,538,165
	6,920,932,293	6,909,021,782
Less current portion of loans payable	6,014,374,622	5,972,301,060
Noncurrent portion of loans payable	₱906,557,671	₱936,720,722

*Dollar denominated loan amounting to \$15.0 million was translated to Philippine Peso using foreign exchange closing rate of \$1:₱50.68 as of March 31, 2020 and \$1:₱50.635 as of March 31, 2019.

Short-term Loans

On June 7, 2017, LLI obtained a ₱900.0 million bank loan from CBC to fund the construction of the first phase of The Emerald Bay and a US\$15.0 million loan to fund the escrow requirement of the Provisional License (see Note 22). The Peso loan bears an annual interest of 4.75% to 6.25% while the US\$ loan bears an annual interest of 3.5% to 6.25%.

In October 2018, CBC approved a bridge loan facility that extended the tenor of LLI's short-term loan facilities until November 21, 2019. This is composed of (a) a ₱3.1 billion Peso loan facility (increased from ₱900.0 million in 2018); and (b) a US\$15.0 million loan facility. The Peso and Dollar facilities were fully drawn on November 26, 2018 which bear interest rates of 9.55% and 6.25%, respectively.

On November 21, 2019, the Peso and Dollar loan facilities of LLI were extended for an additional period of six months until May 19, 2020, with interest rates of 8.00% and 5.00%, respectively. On May 14, 2020, CBC approved the extension of payment of principal and interest of the loans to June 18, 2020 under Republic Act No. 11469 or the Bayanihan to Heal as One Act.

In 2017, LLC obtained a ₱2.1 billion Peso loan facility from CBC to finance the acquisition of the 13.5-hectare lot at Punta Engano, Mactan, Cebu. On November 21, 2019, the loan was extended for an additional period of six months with an interest rate of 8% which will be due on May 19, 2020. On May 14, 2020, CBC approved the extension of payment of principal and interest of the loans to June 18, 2020 under Republic Act No. 11469 or the Bayanihan to Heal as One Act.

The details of the short-term loans (in PHP equivalent), which will be due for payment on June 18, 2020 are as follows:

	March 31, 2020	December 31, 2019
Principal	₱5,960,200,000	₱5,959,525,000
Less unamortized debt issue costs	5,990,379	17,115,369
	₱5,954,209,621	₱5,942,409,631

As of June 18, 2020, the Group was informed that the same has been extended pending formal presentation to the lender's Executive Committee on the conversion of the bridge loan facility into a long-term Project Finance Facility.

The Group (through LLI and LLC) and CBC, are in the process of syndicating a term loan facility. Upon securing this term loan facility, the Group expects to use the proceeds of such loan to refinance the CBC bridge loan facility and fund the ongoing construction and fit-out of the first phase of The Emerald Bay.

Amortized debt issue costs of ₱5.8 million and ₱8.8 million for the three months ended March 31, 2020 and March 31, 2019 pertaining to the ₱3.1 billion loan were capitalized to CIP. Amortized debt issue costs of ₱5.4 million and ₱2.3 million pertaining to the US\$15.0 million and ₱2.1 billion loans respectively were expensed and presented as part of "Interest Expense" in the unaudited interim condensed consolidated statements of comprehensive income.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of LLC and LLI to, among other things, create or incur certain indebtedness or liens in respect of its property or assets, consolidate or merge with other entities, redeem shares or repay subordinated indebtedness if such redemption or repayment would result in a debt to equity ratio of greater than 2.33 to 1.0 (on a combined

basis). In addition, LLI and LLC are required to maintain on a combined basis a debt to equity ratio of not more than 2.33 to 1.0, maintain its property and insurance, and ensure exclusive use of The Emerald Bay site. As of March 31, 2020 and December 31, 2019, the combined debt to equity ratio of the Companies is compliant with the required debt to equity ratio (see Note 19).

The loans of LLI and LLC have a corporate guaranty from Udenna and certain stockholders through a Continuing Surety Agreement with CBC (see Note 6).

The carrying value of properties used as collateral amounted to ₱11.7 billion and ₱11.2 billion as of March 31, 2020 and December 31, 2019, respectively (see Note 8).

Interest charges incurred on these loans were ₱126.5 million and ₱94.5 million for the three months ended March 31, 2020 and March 31, 2019. Of these interest charges, capitalized borrowing costs amounted to ₱67.7 million for the three months ended March 31, 2020 and ₱80.4 million for the three months ended March 31, 2019, and were equivalent to the effective interest rate charged for the ₱5.2 billion and ₱3.1 billion loans, respectively. Capitalized borrowing costs are included as part of CIP under the “Property and equipment - at cost” account in the unaudited interim condensed consolidated statements of financial position (see Note 8).

Long-term loan

On September 3, 2018, UCPB granted DHPC a ₱975.0 million term loan with a term of 10 years. DHPC used the proceeds to refinance the acquisition of the Donatela Hotel.

The details of the long-term loan are as follows:

	March 31, 2020	December 31, 2019
Principal	₱975,000,000	₱975,000,000
Less unamortized debt issue costs	9,472,525	9,926,014
	965,527,475	965,073,986
Less current portion of long-term loan	59,058,800	28,595,439
Noncurrent portion of long-term loan	₱906,468,675	₱936,478,547

The loan will be repaid in 32 equal quarterly installments commencing on the 27th month from loan drawdown. Any prepayment made before the second anniversary date of the loan from the date of the initial availment shall be subject to a penalty equivalent to two percent (2%) of the amount to be prepaid, per annum. Each partial voluntary prepayment shall be applied against repayment installments of the loan in the inverse order of their maturity.

The loan bears an annual interest rate based on the one-year PH Bloomberg Valuation Rate (PH BVAL) at the time of availment or resetting, as the case may be, plus a spread of 3.0% per annum. In no case, however, shall the interest be lower than 6.0% per annum. Interest shall be subject to resetting on the anniversary date of the availment and every year thereafter. Interest expense incurred on this loan were ₱16.4 million and ₱19.1 million for the three months ended March 31, 2020 and 2019, respectively. Amortized debt issue costs of ₱0.5 million and ₱0.4 million for the three months ended March 31, 2020 and 2019, respectively, were expensed and presented as part of “Interest Expense” in the unaudited interim condensed consolidated statements of comprehensive income.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 8). The carrying value of the pledged properties was ₱1.4 billion as of March 31, 2020 and December 31, 2019.

DHPC must comply with certain financial covenants for the term of the loan, including maintaining a debt service coverage ratio of at least 1.25x and a debt to equity ratio of not exceeding 2.33x. As of December 31, 2019, testing for these financial ratios have not commenced. The bank has deferred the testing period to December 31, 2020 and December 31, 2021 for the debt to equity and debt service coverage ratios, respectively.

The performance of the obligations of DHPC due to UCPB at any time under the loan agreement and the payment of the availments therein shall be the joint and several liability of PH Travel and DHPC (see Note 6).

Auto loans

In 2018 and 2017, the Group entered into various mortgage loan agreements with local banks to finance the acquisition of transportation equipment amounting to ₱3.7 million and ₱1.9 million, respectively. The loans bear effective interest rates of 7.75% and 11.86% for the three months ended March 31, 2020 and March 31, 2019 and will mature in 3 years.

The details of the loans are as follows:

	March 31, 2020	December 31, 2019
Auto loans	₱1,195,197	₱1,538,165
Less current portion	1,106,201	1,295,990
Noncurrent portion	₱88,996	₱242,175

Interest expense incurred on these loans were ₱0.02 million and ₱0.04 million for the three months ended March 31, 2020 and March 31, 2019.

11. Right-of-Use Assets and Lease Liabilities

The leases of the Group are accounted under PFRS 16 using the modified retrospective approach. The lease liabilities are initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 10.039%. During the year, the Group entered into additional leases which are leases of office space (see Note 6). These were initially measured at present value using the incremental borrowing rates of 10.04% for 5 years and 9.49% for 3 years.

The rollforward analysis of right-of-use assets follows:

	March 31, 2020	December 31, 2019
Cost		
Balance at beginning of period	₱69,889,274	₱1,196,244,999
Additions (see Note 6)	—	69,889,274
Effect of acquisition of LLC	—	(1,196,244,999)
Balance at end of the period	69,889,274	69,889,274
Accumulated Depreciation		
Balance at beginning of period	6,446,501	—
Depreciation (see Note 15)	3,500,637	6,446,501
Capitalization to CIP	—	50,785,657
Effect of acquisition of LLC	—	(50,785,657)
Balance at end of the period	9,947,138	6,446,501
Net Book Value	₱59,942,136	₱63,442,773

The rollforward analysis of lease liabilities follows:

	March 31, 2020	December 31, 2019
Balance at beginning of period	₱72,159,678	₱1,196,244,999
Interest expense (see Note 6)	1,198,288	2,328,354
Payments	(14,963)	(57,950)
Additions	—	69,889,274
Interest capitalized to CIP – Borrowing costs	—	119,495,067
Payments to LLC	—	(132,685,560)
Effect of acquisition of LLC	—	(1,183,054,506)
Balance at end of the period	73,343,003	72,159,678
Current portion of lease liabilities	22,410,861	18,190,634
Lease liabilities - net of current portion	₱50,932,142	₱53,969,044

Gross lease liabilities and present value of minimum lease payments under the Group's lease agreements are as follows:

	March 31, 2020	December 31, 2019
Within one year	₱27,355,305	₱23,346,390
More than one year but not more than five years	57,104,488	61,128,366
Total gross lease liabilities	84,459,793	84,474,756
Less unamortized interest expense	11,116,790	12,315,078
Present value of future minimum lease payments	73,343,003	72,159,678
Less current portion	22,410,861	18,190,634
Noncurrent portion	₱50,932,142	₱53,969,044

12. Trade and Other Payables

	March 31, 2020	December 31, 2019
Payable to contractors (Note 8)	₱569,435,869	₱459,109,150
Interest payable (Notes 6 and 10)	286,390,747	161,749,387
Statutory payables	13,470,972	26,484,919
Trade payables	11,638,914	12,236,041
Management fees payable (Note 6)	7,220,127	7,220,127
Contract liabilities	327,409	545,435
Others	5,609,784	7,535,326
	₱894,093,822	₱674,880,385

Below are the terms and conditions of the liabilities:

- Payable to contractors are noninterest-bearing and normally settled within three months.
- Trade payables from nonrelated parties are non-interest bearing and are normally settled within the following month.
- Interest payables, statutory payables, including withholding taxes, payables to SSS, Pag-IBIG and Philhealth, and accrued documentary stamp taxes, trade payables, and management fees payable are noninterest-bearing and are normally settled within the following month.
- Contract liabilities and other payables (which include various accrued expenses such as professional fees and marketing fees) are noninterest-bearing and are normally settled within the following month.

Retention payable to suppliers and contractors related to The Emerald Bay were ₱170.7 million as of March 31, 2020 and ₱175.9 million as of December 31, 2019. This is classified as a noncurrent liability in the unaudited interim consolidated statement of financial position.

13. Deposit for Future Stock Subscription

On March 26, 2019, PH Resorts received cash amounting to ₱2,579.0 million from Udenna, representing its deposit for future stock subscription. As of December 31, 2019, the deposit for future stock subscription is classified under the equity section of the unaudited interim consolidated statement of financial position since it met the fixed for fixed requirement for equity classification under PFRS.

PH Resorts and Udenna Corporation executed a Memorandum of Agreement (MOA) dated December 27, 2019 and agreed to execute a subscription agreement in the amount of ₱2,579.0 million, within 180 days from the signing of the MOA or as soon as PH Resorts has a third person or entity that subscribes to purchase PH Resorts' shares that allows it to maintain its required public float of 10% after the subscription of Udenna, whichever comes earlier. The subscription made by Udenna is non-refundable.

In the first quarter of 2020, PH Resorts received additional funds from Udenna amounting to ₱254.0 million increasing the total of Deposit for future stock subscription to ₱2,833.0 million as of March 31, 2020.

14. Equity

Capital Stock

The Parent Company's common shares (at ₱1 par value per share) consist of the following:

	March 31, 2020		December 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Authorized	8,000,000,000	₱8,000,000,000	8,000,000,000	₱8,000,000,000
Subscribed	4,793,266,504	₱4,793,266,504	4,793,266,504	₱4,793,266,504
Subscription receivables	—	—	—	(406,376,691)
Collection of subscription receivable	—	—	—	406,376,691
Issued and outstanding	4,793,266,504	₱4,793,266,504	4,793,266,504	₱4,793,266,504

Track Record of Registration of Securities

Authorized capital stock

Date	Activity	Par Value	No. of Common Shares	Balance
January 30, 2009	Authorized	₱1.00	—	200,000,000
December 2015	Increased	1.00	300,000,000	500,000,000
December 10, 2018	Increased	1.00	7,500,000,000	8,000,000,000

Issued and outstanding

Date	Activity	No. of Common Shares	Balance
January 30, 2009	Issued and outstanding	162,161,000	162,161,000
December 2015	Stock dividend; issued during offer	81,080,504	243,241,504
December 21, 2018	Issued	406,376,691	649,618,195
December 26, 2018	Issued	4,143,648,309	4,793,266,504

On June 25, 2018, the BOD and the stockholders approved the increase in authorized capital stock from ₱500,000,000, consisting of 500,000,000 common shares with a par value of ₱1.00 per share to ₱8,000,000,000 consisting of 8,000,000,000 common shares with a par value of ₱1.00 per share.

As discussed in Notes 1 and 2, Udenna and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% of its equity interest in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₱1.00 per share to be issued by PH Resorts to Udenna out of PH Resorts' increase in authorized capital stock, and (b) cash of ₱406.38 million.

On December 10, 2018, the SEC approved the application for increase in authorized capital stock. The issuance of 4,143,648,309 shares of PH Resorts occurred on December 26, 2018 and on the same date,

the assignment of shares and equity share swap transaction became effective. On the same date, PH Travel became a legal subsidiary of PH Resorts (see Note 1).

On December 21, 2018, a group of investors subscribed to 406,376,691 shares with a par value of ₱1.00 per share. The subscription receivables amounting to ₱406.4 million were fully collected as of December 31, 2019.

As of March 31, 2020 and December 31, 2019, PH Resorts had 28 equity holders.

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of PH Resorts to acquire PH Travel Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition of PH Resorts as of December 26, 2018, the date of effectivity of the share swap transaction.

The equity reserve as a result of the reverse acquisition in 2018 is accounted for as follows:

Retroactive adjustment of legal capital of PH Resorts	₱—
Issuance of additional shares of PH Resorts	4,143,648,309
Cash consideration	406,351,691
Total consideration transferred by PH Resorts	4,550,000,000
Elimination of PH Travel Group's legal capital	(500,000,000)
Equity Reserve	(₱4,050,000,000)

On October 14, 2019, LLI acquired the shares of stock of LLC for a total consideration of ₱1.6 billion. The acquisition was accounted as an asset acquisition since the transaction did not meet the definition of a business under PFRS 3. Book values of the identifiable assets and liabilities of LLC assumed as of the date of acquisition were as follows:

	Book Value Recognized on Acquisition
Assets:	
Cash and cash equivalents	₱262,247
Trade and other receivables	66,239,914
Investment properties	3,774,857,332
Creditable withholding tax	14,849,020
	3,856,208,513
Liabilities:	
Loans payable	(2,100,000,000)
Trade and other payables	(41,803,334)
Advances from related parties	(154,512,117)
Deferred tax liability	(7,346)
	(2,296,322,797)
Total identifiable net assets	1,559,885,716
Purchase consideration transferred	1,636,820,772
Equity Reserve	(₱76,935,056)

15. Operating Expenses

	March 31, 2020	March 31, 2019
Salaries and wages (Note 6)	₱52,383,583	₱24,690,941
Depreciation and amortization (Notes 8 and 11)	6,851,801	2,454,582
Professional fees	4,726,255	1,324,273
Taxes and licenses	1,669,198	1,338,181
Transportation and travel	1,634,132	6,610,147
Utilities and communications	1,181,681	1,596,564
Storage fees	663,238	435,666
Repairs and maintenance	473,424	407,555
Sales marketing and advertising	432,792	2,191,355
Insurance	356,681	403,570
Outside services	216,053	933,694
Office supplies	199,743	718,224
Representation and entertainment	169,245	323,610
Management fees (Note 6)	–	1,180,000
Miscellaneous	484,212	751,553
	₱71,442,038	₱45,359,915

16. Income Taxes

- The current provision for income tax pertains to final withholding taxes on interest income.
- The reconciliation between the benefit from income tax computed at statutory income tax rate and the provision for income tax shown in the unaudited interim consolidated statements of comprehensive income is as follows:

	For the three months ended	
	March 31, 2020	March 31, 2019
Benefit from income tax computed at statutory income tax rate of 30%	(₱42,709,103)	(₱18,161,759)
Tax effects of:		
Movement in NOLCO for which no deferred tax asset was recognized	31,308,773	17,432,928
Nondeductible expenses	8,375,721	690,064
Interest income subjected to final tax	(709,852)	(1,240,700)
	(₱3,734,462)	(₱1,279,467)

- c. The components of the Group's net deferred income tax liabilities are as follows:

	March 31, 2020	December 31, 2019
Revaluation gain (see Note 8)	₱759,845,355	₱759,845,355
Debt issuance costs	4,638,871	8,111,750
Unrealized foreign exchange gain	6,915,532	7,896,869
	₱771,399,758	₱775,853,974

The deferred tax liabilities were measured using the appropriate corporate income tax rate on the year these are expected to be reversed.

The Group did not recognize deferred tax assets amounting to ₱280.6 million and ₱274.8 million as of March 31, 2020 and December 31, 2019 on the following temporary differences. Upon the opening of The Emerald Bay, management will reconsider this position.

	March 31, 2020	December 31, 2019
Unrecognized deferred tax assets:		
NOLCO	₱276,050,697	₱269,069,088
Net lease liabilities	4,020,260	2,615,072
Unrealized foreign exchange loss	502,213	3,136,546
	₱280,573,170	₱274,820,706

As of March 31, 2020 and December 31, 2019, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Expired	Unused
2017	December 31, 2020	₱81,090,546	₱81,090,546	₱-
2018	December 31, 2021	246,990,793	-	246,990,793
2019	December 31, 2022	568,815,620	-	568,815,620
2020	March 31, 2023	104,362,577	-	104,362,577
		₱1,001,259,536	₱81,090,546	₱920,168,990

17. Financial Risks Management Objectives and Policies

The Group's principal financial instruments are cash and cash equivalents which finance the Group's operations. The other financial assets and liabilities arising from its operations are trade and other receivables, security deposits, advances from and to related parties, restricted fund, cash in escrow, trade and other liabilities, loans payable and retention payables.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by dealing only with recognized and creditworthy financial institutions and third parties. It is the

Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account of any collateral and other credit enhancements:

	March 31, 2020	December 31, 2019
Cash and cash equivalents*	₱567,134,681	₱224,508,253
Trade and other receivables	14,207,127	13,804,161
Advances to related parties	2,215,990	2,208,973
Security deposit**	7,151,871	7,527,739
Cash in escrow	760,907,394	1,267,037,464
Total credit risk exposure	₱1,351,617,063	₱1,515,086,590

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the unaudited interim consolidated statements of financial position.

The financial assets of the Group are neither past due nor impaired and have high probability of collection as of March 31, 2020 and December 31, 2019.

Credit Quality per Class of Financial Asset. The credit quality of its financial assets are being managed by the Group using internal credit ratings. The table below shows the maximum exposure to credit risk for the Group's financial instruments by credit rating grades:

	March 31, 2020						December 31, 2019
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Lifetime ECL Simplified Approach	Total	
High grade	₱1,328,042,075	P-	P-	P-	P-	₱1,328,042,075	₱1,491,545,717
Medium grade	23,574,988	-	-	-	-	23,574,988	23,540,873
Standard grade	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Gross carrying amount	1,351,617,063	-	-	-	-	1,351,617,063	1,515,086,590
Loss allowance	-	-	-	-	-	-	-
Carrying amount	₱1,351,617,063	P-	P-	P-	P-	₱1,351,617,063	₱1,515,086,590

Financial assets classified as "high grade" are those cash and cash equivalents, accrued interest receivable, restricted fund and cash in escrow transacted with reputable local banks and financial assets with no history of default on the agreed contract terms. "Medium grade" includes those financial assets with no history of default on the agreed contract terms but require collection efforts on the due dates. Financial instruments classified as "standard grade" are those financial assets with little history of default on the agreed terms of the contract.

An aging analysis of financial assets per class are as follows:

	March 31, 2020			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	₱567,134,681	₱—	₱—	₱567,134,681
Trade and other receivables	14,207,127	—	—	14,207,127
Advances to related parties	2,215,990	—	—	2,215,990
Security deposits**	7,151,871	—	—	7,151,871
Cash in escrow	760,907,394	—	—	760,907,394
	₱1,351,617,063	₱—	₱—	₱1,351,617,063

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the unaudited interim consolidated statements of financial position.

	December 31, 2019			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	₱224,508,253	₱—	₱—	₱224,508,253
Trade and other receivables	13,804,161	—	—	13,804,161
Advances to related parties	2,208,973	—	—	2,208,973
Security deposits**	7,527,739	—	—	7,527,739
Cash in escrow	1,267,037,464	—	—	1,267,037,464
	₱1,515,086,590	₱—	₱—	₱1,515,086,590

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the unaudited interim consolidated statements of financial position.

Liquidity Risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligations within a reasonable period of time.

The Group maintains a financial strategy to raise adequate capital, obtain long-term financing and when applicable, generate enough cash from its business operations to satisfy debt service requirements. As of March 31, 2020 and December 31, 2019, management is undertaking the necessary steps to complete its follow on offering, apply for an increase in authorized capital stock and convert its bridge financing to a long-term facility.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as of March 31, 2020 and December 31, 2019, based on contractual undiscounted payments. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments and liquidity.

March 31, 2020				
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱567,134,681	₱—	₱—	₱567,134,681
Trade and other receivables	10,000,000	4,207,127	—	14,207,127
Advances to related parties	2,215,990	—	—	2,215,990
Security deposits**	—	351,158	6,800,713	7,151,871
Cash in escrow	—	—	760,907,394	760,907,394
	579,350,671	4,558,285	767,708,107	1,351,617,063
Loans payable****	—	6,201,184,167	1,204,549,962	7,405,734,129
Trade and other liabilities***	—	880,622,850	—	880,622,850
Retention payable	—	—	170,690,853	170,690,853
Lease Liabilities	—	27,355,305	57,104,488	84,459,793
Advances from related parties	555,403,603	—	2,200,734,920	2,756,138,523
	555,403,603	7,109,162,322	3,585,297,540	11,297,646,148
Liquidity gap	₱23,947,068	(₱7,104,604,037)	(₱2,865,372,116)	(₱9,946,029,085)

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the unaudited interim consolidated statements of financial position.

***Excluding statutory payables.

****Including contractual interest and excluding unamortized debt issue costs.

2019				
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱224,508,252	₱—	₱—	₱224,508,252
Trade and other receivables	10,000,000	3,804,161	—	13,804,161
Advances to related parties	2,208,973	—	—	2,208,973
Security deposits**	—	727,026	6,800,713	7,527,739
Cash in escrow	—	—	1,267,037,464	1,267,037,464
	236,717,225	4,531,187	1,273,838,177	1,515,086,589
Loans payable****	—	6,201,184,167	1,204,549,962	7,405,734,129
Trade and other liabilities***	—	648,395,466	—	648,395,466
Retention payable	—	—	175,897,630	175,897,630
Lease liabilities	—	18,190,634	53,969,044	72,159,678
Advances from related parties	502,272,477	—	2,198,780,834	2,701,053,311
	502,272,477	6,867,770,267	3,633,197,470	11,026,210,249
Liquidity gap	(₱265,555,252)	(₱6,863,239,080)	(₱2,359,359,293)	(₱9,488,153,625)

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the unaudited interim consolidated statements of financial position.

***Excluding statutory payables.

****Including contractual interest and excluding unamortized debt issue costs.

The Group expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from permanent refinancing of the current bridge loan facility and capital raising options. It may also from time to time seek other sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows from the Group's foreign currency-denominated assets and liabilities may fluctuate due to changes in foreign exchange rates. The Group continuously evaluates the movements of foreign exchange rates with the possible risk given its financial position.

The Group's objective is to keep transactional currencies at an acceptable level to its operations to minimize foreign exchange exposures. To mitigate the Group's exposure to foreign currency risk, cash flows denominated in foreign currencies are monitored and future hedging arrangements are being considered.

Information on the Group's foreign currency-denominated monetary financial assets and financial liabilities and their Peso equivalents are as follows:

	March 31, 2020		December 31, 2019	
	US\$ Value	Peso Equivalent	US\$ Value	Peso Equivalent
Assets				
Cash	\$10,021,173	₱507,873,048	\$2,243,921	₱113,620,940
Receivables	42,748	2,166,469	25,328	1,282,483
Cash in escrow	15,013,958	760,907,394	25,022,957	1,267,037,464
	25,077,880	1,270,946,911	27,292,206	1,381,940,887
Liabilities				
Loans payable	15,000,000	760,200,000	15,000,000	759,525,000
Advances from related parties	43,424,130	2,200,734,920		2,198,780,824
Total		(₱1,689,988,009)		(₱1,575,181,330)

As of March 31, 2020 and December 31, 2019, the closing exchange rate was ₱50.68 and ₱50.635 for each US\$, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's loss before tax (due to revaluation of monetary assets and liabilities). The change in foreign currency exchange rate is based on the change between the current period and prior year foreign exchange rates. There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
March 31, 2020	Increase by 0.09%	(₱1,520,997)
	Decrease by 0.09%	1,520,997
December 31, 2019	Increase by 3.70%	(₱58,281,711)
	Decrease by 3.70%	58,281,711

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can provide returns to stockholders and benefits to other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of funding needs and changes in economic conditions. The Group's liability-to-equity ratios are as follows:

	March 31, 2020	December 31, 2019
Total liabilities	₱11,586,598,252	₱11,308,866,760
Total equity	4,453,261,913	4,337,891,126
	2.60:1	2.61:1

The Group's goal in capital management is to maintain a debt – equity structure of not higher than 2.33x debt-equity ratio. This will be addressed with its planned suitable financing and capital raising options and expansion projects. The debt-equity capital management goal is also in line with LLI, LLC and CGLC's Provisional License Agreement with PAGCOR (see Note 19).

18. Fair Value Information

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sales.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, advances to and from related parties, restricted fund, cash in escrow, security deposits, trade and other current liabilities, and retention payable, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Long-term loan payable. The fair value of long-term loan payable amounting to ₱963.2 million and ₱965.8 million is determined by discounting the expected cash flows using the discount rate 6.87% and 6.80% as of March 31, 2020 and December 31, 2019, respectively. Fair value measurement is categorized under Level 3 with significant observable inputs.

Land at fair value. The fair value of land amounting to ₱7,552.3 million is determined by external, independent property appraisers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being appraised (see Note 8). The appraised value as of March 31, 2020 and December 31, 2019 was determined using the sales comparison approach wherein the market prices for comparable property listings are adjusted to account for the marketability, nature, bargaining allowance, location and size of the specific properties (Level 3). Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

19. Commitments and Contingencies

License Agreement with PAGCOR

- i. As discussed in Note 1, on May 3, 2017, PAGCOR issued a Provisional License (License) authorizing LLI to develop an integrated resort and casino in LapuLapu City, Mactan Island, Cebu Province to establish and operate casinos and engage in gaming activities. The term of LLI's License shall be for a period of 15 years or until May 3, 2032. The License may be renewed subject to certain terms and conditions.

(a) Debt-Equity Ratio Requirement

The License provides, among others, that LLI's License may be revoked or suspended upon failure of LLI to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. Testing date as stated in the License is to be performed every June and December. As of December 31, 2017, LLI's debt-equity ratio was 78% - 22%. However, on March 5, 2018, LLI was given by PAGCOR until April 30, 2018 to comply with the 70% debt - 30% equity ratio requirement by PAGCOR.

To ensure compliance with the debt-equity requirement, LLI applied for an increase in its authorized capital stock from ₱500.0 million to ₱1.5 billion, which was approved by the SEC on February 19, 2018. In addition, on April 17, 2018, LLI and ULI submitted a request to PAGCOR to:

- a. Amend the Provisional License to remove ULI as a co-licensee and replace it with its wholly-owned subsidiary, LLC.
- b. Use the pro-forma consolidated financial statements of the co-licensees in the calculation of the 70% Debt - 30% Equity ratio.

On April 23, 2018, PH Travel fully subscribed to the remaining ₱1.0 billion authorized capital stock of LLI which served to improve the debt-equity ratio.

On July 19, 2018, PAGCOR approved the amendments of the Provisional License to remove ULI as a co-licensee and replace it with its wholly-owned subsidiary, LLC and use the financial statements of the co-licensees in the calculation of the 70% Debt - 30% Equity ratio.

For purposes of measuring its debt-equity ratio in relation to PAGCOR's requirement, management considers its interest bearing liabilities as debt. As of December 31, 2018, the combined debt-equity ratio of LLI and LLC was 69% - 31%.

On March 5, 2019, the PH Resorts President sent a letter to PAGCOR to clarify the definition of debt. On June 17, 2019, the Group received a reply from PAGCOR dated May 27, 2019, stating that the debt-equity ratio computation should include total liabilities as opposed to only interest-bearing liabilities as initially interpreted. When the debt-equity ratio as of June 30, 2019 and December 31, 2018 were computed using total liabilities, the debt-equity ratio of LLI was higher than the required 70% - 30% debt-equity ratio of PAGCOR. However, LLI was given time by PAGCOR to comply. LLC was in compliance with the debt-equity ratio requirement as of June 30, 2019 and December 31, 2018.

As of December 31, 2019, and based on PAGCOR's definition of debt, both LLI and LLC are in compliance with the debt-equity ratio requirement with ratios of 52% - 48% and 52% - 48%, respectively.

(b) Investment Commitments

As required by the License, LLI is required to complete its US\$300.0 million (approximately ₱17.6 billion) investment commitment in phases. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project. As of December 31, 2019 and 2018, capitalized costs related to the Project amounted to ₱5.2 billion and ₱2.8 billion, respectively (see Note 8).

As a requirement in developing the aforementioned Project, LLI is required to maintain an escrow account into which all funds for development of The Emerald Bay must be deposited.

(c) Requirement to Establish a Foundation

LLI, with the approval of PAGCOR, is required to incorporate and register a foundation for the restoration of cultural heritage ("Foundation") not later than 60 days from the signing of the License Agreement. The Foundation shall be funded by LLI by setting aside, on a monthly basis, a certain percentage of total gross gaming revenues generated from non-junket tables. The funds set aside for such purpose shall be remitted to the Foundation on or before the 10th day of the succeeding month.

On August 16, 2017, LapuLapu Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by LLI as no gaming revenue has been recognized for the three months ended March 31, 2020 and March 31, 2019.

- ii. As discussed in Note 1, on August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone. Under the Clark Provisional License, CGLC shall, among others, comply with the following:

i. Investment Commitments

As required by the License Agreement, CGLC is required to invest a minimum of US\$200 million in the approved development (the "Clark Investment Commitment"), provided that 40% of the Clark Investment Commitment is spent within two years after the issuance of the Clark Provisional License, subject to an extension that PAGCOR may grant at its discretion.

As a requirement in developing the aforementioned Project, CGLC is required to maintain an escrow account into which all funds for development of Clark must be deposited.

ii. Debt-Equity Ratio Requirement

The License Agreement provides, among others, that CGLC's License may be revoked or suspended upon failure of CGLC to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. There should be a certification from the Comptroller together with the certification from its independent external auditor that CGLC complies with the 70% Debt - 30% Equity ratio requirement of PAGCOR within sixty (60) calendar days after the end of each semi-annual period of each year. Furthermore, CGLC shall submit its semi-annual unaudited financial statements sixty (60) calendar days after the end of the

applicable semi-annual period and annual audited financial statements, within one hundred twenty (120) days after CGLC's year end.

For purposes of measuring its debt-equity ratio in relation to PAGCOR's requirement, management considered its interest-bearing liabilities as debt in the absence of any specification or definition in the License Agreement.

On March 5, 2019, the PH Resort President sent a letter to PAGCOR to clarify the definition of debt. On June 17, 2019, the Group received a reply from PAGCOR dated May 27, 2019, stating that the debt-equity ratio computation should include the total liabilities as opposed to only interest-bearing liabilities as initially interpreted. When the debt-equity ratio as of June 30, 2019 and December 31, 2018 were computed using total liabilities, CGLC's debt-equity ratio was higher than the required 70% - 30% debt-equity ratio of PAGCOR as initially interpreted. CGLC was given time by PAGCOR to comply.

As of December 31, 2019, CGLC's debt-equity ratio is 50% - 50% which is in compliance with the ratio requirement.

iii. Requirement to Establish a Foundation

CGLC is required, on a monthly basis, to remit 2% of casino revenues generated from non-junket tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by CGLC and approved by PAGCOR.

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized for the three months ended March 31, 2020 and March 31, 2019.

20. Loss Per Share

Basic Loss Per Share amounts are calculated by dividing the net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate Loss Per Share:

	Three months ended	
	March 31, 2020	March 31, 2019
Net loss attributable to the equity holders of the Parent Company	(₱138,629,213)	(₱59,259,730)
Divided by weighted average number of common shares of Parent Company	4,793,266,504	4,793,266,504
	(₱0.0289)	(₱0.0124)

The Parent Company has no dilutive potential common shares outstanding, therefore basic loss per share is the same as diluted loss per share.

21. Segment Information

Segment information is prepared on the following bases:

Business Segments

The business segments pertain mainly to hotel and restaurant activities. Assets and processes related to other business activities such as gaming are still not operational as of reporting period.

For management purposes, the Group is organized into two business activities - Hotel and restaurant and others. This segmentation is the basis upon which the Group reports its primary segment information.

Business Segment Data

Hotel and restaurant segment comprise revenues from hotel and restaurant activities and other incidental services related thereto.

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the three months ended March 31, 2020 and as of March 31, 2020:

Three months ended March 31, 2020				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱9,453,562	₱28,177,859	(₱28,177,859)	₱9,453,562
Results				
Direct costs and expenses	(5,182,118)	—	—	(5,182,118)
Operating expenses	(6,598,724)	(63,482,109)	—	(64,590,237)
Foreign exchange gain - net	—	598,681	—	598,681
Depreciation	(1,941,316)	(4,910,485)	—	(6,851,801)
Interest expense	(17,305,073)	(64,094,649)	—	(81,399,722)
Interest income	1,249	4,778,131	—	4,779,380
Benefit from deferred tax	135,797	3,598,665	—	3,734,462
Other non-operating income (expense) - net	652,473	176,107	—	828,580
Net loss	(₱20,784,150)	(₱89,667,204)	(₱28,177,859)	(₱138,629,213)

March 31, 2020				
	Hotels and Restaurant	Others	Eliminations	Total
Assets and liabilities				
Operating assets	₱1,442,523,066	₱36,031,456,907	(₱21,434,119,808)	₱16,039,860,165
Deferred tax asset	—	—	—	—
Total assets	₱1,442,523,066	₱36,031,456,907	(₱21,434,119,808)	₱16,039,860,165
Operating liabilities	₱216,864,459	₱12,150,278,552	(₱8,495,287,671)	₱3,871,855,340
Loans and borrowings	966,230,991	5,977,112,163	—	6,943,343,154
Deferred tax liabilities	80,624,313	684,219,769	—	771,399,758
Total liabilities	₱1,263,719,763	₱18,818,166,160	(₱8,495,287,671)	₱11,586,598,252

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the three months ended March 31, 2019 and as of December 31, 2019:

March 31, 2019				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱20,957,662	₱—	₱—	₱20,957,662
Results				
Direct costs and expenses	(8,130,059)	—	—	(8,130,059)
Operating expenses	(8,180,113)	(34,725,220)	—	(42,905,333)
Foreign exchange gain - net	—	(741,643)	—	(741,643)
Depreciation	(2,110,939)	(343,643)	—	(2,454,582)
Interest expense	(19,547,621)	(15,740,278)	—	(35,287,899)
Interest income	19,666	7,830,860	—	7,850,526
Benefit from income tax	122,169	1,157,298	—	1,279,467
Gain on disposal of a subsidiary	—	—	—	—
Other non-operating income – net	188,251	(16,120)	—	172,131
Net income (loss)	(₱16,680,984)	(₱42,578,746)	₱—	(₱59,259,730)
December 31, 2019				
Assets and liabilities				
Operating assets	₱1,445,388,862	₱34,838,454,573	(₱20,637,085,549)	₱15,646,757,886
Deferred tax asset	—	—	—	—
Total assets	₱1,445,388,862	₱34,838,454,573	(₱20,637,085,549)	₱15,646,757,886
Operating liabilities	₱199,140,905	₱10,439,997,536	(₱7,064,337,080)	₱3,574,801,362
Loans payable	965,900,145	7,198,335,821	(1,183,054,506)	6,981,181,460
Deferred tax liabilities	80,760,359	695,093,615	—	775,853,974
Total liabilities	₱1,245,801,409	₱18,310,456,937	(₱8,247,391,586)	₱11,308,866,760

22. COVID-19 Outbreak

In the first quarter of 2020, the Philippine government implemented measures in a move to contain the COVID-19 outbreak.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, the Office of the President of the Philippines issued a directive imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout Luzon until April 12, 2020, unless earlier lifted or extended. The Office of the President of the Philippines issued a memorandum extending the ECQ until April 30, 2020 and was further extended ECQ until May 15, 2020. On May 14, 2020, the government relaxed the implementation of ECQ and has placed certain areas under the Modified ECQ until May 31, 2020 and General ECQ (GCQ). On May 28, 2020 the government further eased the implementation of community quarantine and placed most of areas in the Philippines under the GCQ until June 15, 2020 and was further extended until June 30, 2020.

These measures have significantly impacted the Group's business prospects due to (i) temporary stoppage of project site construction, (ii) restrictions on international and domestic travel which resulted in forced cancellations of hotel bookings and postponement of events, driving down demand for hospitality, gaming, travel and tourism for both business and pleasure; and (iii) temporary employment adjustments such as flexible work arrangements. The impact of COVID 19 on the Group's business and operations continue to evolve.

The outbreak of COVID-19 has adversely impacted Philippine economic activity in the subsequent period which has directly impacted the operations of the Group. The unaudited interim consolidated financial statements already considers the impact of the COVID-19 outbreak as at and for the three months ended March 31, 2019. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter considering the evolving nature of this pandemic. The Group will continue to monitor the situation.

SECTION 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations

The following management's discussion and analysis relate to the condensed consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of March 31, 2020 and December 31, 2019, and for the three months ended March 31, 2020 and March 31, 2019.

2.1 Overview and Plan of Operation

Plan of Operations

The Group is expected to rely on the following sources of liquidity for the next 12 months: (1) financing lines provided by various creditors; (2) shareholder advances and/or paid-up capital; and, to a certain extent, (3) cash flow from operations of the Donatela Resort & Sanctuary. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity.

LLI and LLC. Construction of The Emerald Bay, an integrated tourism resort located in Mactan Island, Lapu-Lapu, Cebu, commenced in December 2017. The Emerald Bay is expected to be completed in the first quarter of 2022.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). The project is currently in the design phase.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the hotel in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, fine-dining restaurants and a wine cellar. DHPC is currently in the design and development phase with plans for expansion to improve its operations.

Each of the Group's Integrated Resorts will be designed, planned and developed according to world-class industry standards. These are expected to expand the integrated tourism resort and casino offering in the Philippines.

The Group expects to commence the hiring process in respect of The Emerald Bay's gaming and hotel operations and fill a number of managerial and administrative roles within the Company's principal office in the fourth quarter of 2021.

2.2 Key Performance Indicators and Relevant Ratios

The Group's key performance indicators and relevant ratios and how they are computed are listed below:
(Amounts are in Philippine pesos)

		Three months ended March 31	
		2020	2019
I. PROFITABILITY			
Basic Loss per Share	=	(Net income/loss – Preferred dividends)	(138,629,213) (59,259,730)
		Weighted average number of common shares outstanding	4,793,266,504 4,793,266,504
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.			(0.0289) (0.0124)
Return on Total Assets	=	Net income/(loss)	(138,629,213) (59,259,730)
		Total Assets	16,039,860,165 9,422,065,756
It measures efficiency of the Group in using its assets to generate net income.			(0.0086) (0.0063)
Return on Equity	=	Net income/(loss)	(138,629,213) (59,259,730)
		Stockholder's Equity	4,453,261,913 166,908,271
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			(0.0311) (0.3550)
		March 31, 2020	December 31, 2019
II. FINANCIAL LEVERAGE			
Debt Ratio	=	Total Debt	11,586,598,252 11,308,866,760
		Total Assets	16,039,860,165 15,646,757,886
It measures the degree to which the assets of the business are financed by the debt and the shareholders' equity of a business.			0.7224 0.7228
Debt to Equity Ratio	=	Total Debt	11,586,598,252 11,308,866,760
		Shareholder's Equity	4,453,261,913 4,337,891,126
It measures the degree to which a company is financing its operations through debt versus wholly owned funds.			2.6018 2.6070

		March 31, 2020	December 31, 2019
Asset-to-Equity Ratio	=		
	Total assets	16,039,860,165	15,646,757,886
	Stockholders' equity	4,453,261,913	4,337,891,126
Relates to the proportion of total assets financed by the Group's equity.		3.6018	3.6070

III. MARKET VALUATION

Price to Book Ratio	=	Market value/share	4.0000	5.2000
		Book value/share	0.9291	0.9050
Relates the Group's stock market value to its book value per share			4.3054	5.7459

IV. LIQUIDITY

Current Ratio	=	Current assets	636,270,735	291,883,891
		Current liabilities	7,486,282,908*	7,167,644,556*
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.			0.0850*	0.0407*

V. INTEREST RATE COVERAGE RATIO

Interest Coverage Ratio	=	EBIT	(60,963,953)	(374,628,062)
		Interest expense	(81,399,722)	(190,736,563)
It measures the Group's ability to pay interest on its outstanding debts.			0.7489	1.9641

*Current liabilities include the bridge loan facility which will be refinanced via long-term debt financing.

2.3 Results of Operations

Operating Results for the Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

	For the Three Months Ended March 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2020	2019	Amount	% of Change	2020	2019
NET OPERATING REVENUES						
Food and beverage	4,850,043	9,862,979	(5,012,936)	-51%	51%	47%
Rooms	4,343,313	10,015,871	(5,672,558)	-57%	46%	48%
Others	260,206	1,078,812	(818,606)	-76%	3%	5%
	9,453,562	20,957,662	(11,504,100)	-55%	100%	100%
DIRECT COSTS AND EXPENSES						
Inventories consumed	1,802,924	3,671,826	(1,868,902)	-51%	19%	18%
Salaries and wages	2,642,109	2,807,461	(165,352)	-6%	28%	13%
Other costs and expenses	737,085	1,650,772	(913,687)	-55%	8%	8%
	5,182,118	8,130,059	(2,947,941)	-36%	55%	39%
GROSS INCOME	4,271,444	12,827,603	(8,556,159)	-67%	45%	61%
OPERATING EXPENSES	71,442,038	45,359,915	26,082,123	58%	756%	216%
OPERATING LOSS	(67,170,594)	(32,532,312)	(34,638,282)	106%	-711%	-155%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(81,399,722)	(35,287,899)	(46,111,823)	131%	-861%	-168%
Interest income	4,779,380	7,850,526	(3,071,146)	-39%	51%	37%
Foreign exchange loss - net	598,681	(741,643)	1,340,324	-181%	6%	-4%
Other income - net	828,580	172,131	656,449	381%	9%	1%
	(75,193,081)	(28,006,885)	(47,186,196)	168%	-795%	-134%
LOSS BEFORE INCOME TAX	(142,363,675)	(60,539,197)	(81,824,478)	135%	-1506%	-289%
PROVISION (BENEFIT FROM) FOR INCOME TAX	(3,734,462)	(1,279,467)	(2,454,995)	192%	-40%	-6%
NET LOSS/TOTAL COMPREHENSIVE LOSS	(138,629,213)	(59,259,730)	(79,369,483)	134%	-1466%	-283%
Basic and Diluted Loss Per Share	(0.0289)	(0.0124)	(0.0166)	134%		

THREE MONTHS ENDED MARCH 31, 2020 COMPARED TO THREE MONTHS ENDED MARCH 31, 2019

NET OPERATING REVENUE

The Group reported net operating revenues of ₱9.5 million, a 55% decrease from ₱21.0 million in 2019. The decrease in revenues was primarily due to lower occupancy and temporary closure of Donatela Resort caused by the COVID-19 pandemic.

DIRECT COSTS AND EXPENSES

Direct costs and expenses pertaining to operations in Donatela registered at ₱5.2 million in 2020, representing a 36% decrease from ₱8.1 million in 2019. The decrease was primarily due to lower operating revenues during the period. These represent 55% and 39% of the total net operating revenues in 2020 and 2019 respectively.

Inventories consumed

Inventory consumption was ₱1.8 million and ₱3.7 million in 2020 and 2019, representing 19% and 18% of net operating revenues in 2020 and 2019, respectively. The decrease in inventory consumption is due to lower net operating revenues for the period.

Salaries and wages

Salaries and wages were ₱2.6 million in 2020 a 6% decrease from the previous year, which represents the payroll of employees directly involved in providing hotel and food and beverage services. Decrease is due to lower employee headcounts. Salaries and wages account for 28% and 13% of net operating revenues in 2020 and 2019, respectively.

Other costs and expenses

Other cost and expenses were ₱0.7 million and ₱1.7 million in 2020 and 2019, representing 8% of net operating revenues for each period. These expenses are commission expenses, recreation and entertainment expenses, and other supplies expenses.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of the Emerald Bay project, operations of the Donatela Resort & Sanctuary and other organizational expenses. Operating expenses were ₱71.4 million, up from ₱45.4 million for the same period last year. The increase was primarily due to the full ramp-up of construction activity for the Emerald Bay and other operating expenses incurred during the period.

Salaries and wages

Salaries and wages amounted to ₱52.4 million, an increase of ₱27.7 million from last year due to the hiring of a full management and pre-operating team as a result of the full ramp-up of construction of the Emerald Bay.

Transportation and Travel

Transportation and travel amounted to ₱1.6 million, reflecting a decrease of ₱5.0 million. The decrease was due to roadshow transportation and travel expenditures incurred by the Group in 2019.

Depreciation

Depreciation increased by ₱4.4 million from ₱2.5 million due to depreciation expenses of right-of-use assets recognized in compliance with the new accounting standard for leases, PFRS 16.

NON-OPERATING EXPENSES

Interest Expense

Interest expense incurred on borrowings increased to ₱81.4 million from ₱35.3 million for the same period last year. This is due to the full-period interest charges on the ₱975.0 million term loan from UCPB and the US\$15.0 million and ₱5.2 billion bridge loans from CBC.

Interest income

Interest income decreased to ₱4.8 million as compared to ₱7.9 million in 2019 due to lower escrow balance in the current period,

PROVISION FOR/ (BENEFIT FROM) INCOME TAX

The Group reported a benefit from income tax of ₱3.7 million. This was due to the upfront recognition of deferred taxes on debt issuance costs from borrowings incurred and effects of foreign exchange translations.

NET LOSS/TOTAL COMPREHENSIVE LOSS

The Group's net loss widened by ₱79.4 million to ₱138.6 million due to higher pre-operating costs and financing-related expenses reflecting the full ramp-up of construction activity at the Emerald Bay.

EARNINGS/ (LOSS) PER SHARE

Loss per share increased to ₱0.0289 in 2020 from ₱0.0124 for the same period in 2019 due to higher net loss reported by the Group.

Financial Position
(Comparison of March 31, 2020 and December 31, 2019)

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	March 31	December 31	Movement from prior period		% of Total Assets/Liabilities & Equity	
	2020	2019	Change in Peso	Change in %	2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 567,256,830	₱ 224,973,403	₱ 342,283,427	152%	3.54%	1.44%
Trade and other receivables	14,207,127	13,804,161	402,966	3%	0.09%	0.09%
Advances to related parties	2,215,990	2,208,973	7,017	0%	0.01%	0.01%
Inventories	4,527,969	4,241,726	286,243	7%	0.03%	0.03%
Prepayments and other current assets	48,062,819	46,655,628	1,407,191	3%	0.30%	0.30%
Total Current Assets	636,270,735	291,883,891	344,386,844	118%	3.97%	1.87%
Noncurrent Assets						
Property and equipment	13,359,558,408	12,886,602,497	472,955,911	4%	83.29%	82.36%
Right-of-use assets	59,942,136	63,442,773	(3,500,637)	-6%	0.37%	0.41%
Deposit for future property acquisition	26,812,449	26,812,449	–	0%	0.17%	0.17%
Cash in escrow	760,907,394	1,267,037,464	(506,130,070)	-40%	4.74%	8.10%
Input value-added tax	572,338,378	541,484,490	30,853,888	6%	3.57%	3.46%
Advances to suppliers	592,698,557	538,697,268	54,001,289	10%	3.70%	3.44%
Other noncurrent assets	31,332,108	30,797,054	535,054	2%	0.19%	0.19%
Total Noncurrent Assets	15,403,589,430	15,354,873,995	48,715,435	0%	96.03%	98.13%
TOTAL ASSETS	₱ 16,039,860,165	₱ 15,646,757,886	₱ 393,102,279	3%	100.00%	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 6,014,374,622	₱ 5,972,301,060	₱ 42,073,562	1%	37.50%	38.17%
Trade and other payables	894,093,822	674,880,385	219,213,437	32%	5.57%	4.31%
Advances from related parties	555,403,603	502,272,477	53,131,126	11%	3.46%	3.21%
Lease liabilities	22,410,861	18,190,634	4,220,227	23%	0.14%	0.12%
Total Current Liabilities	7,486,282,908	7,167,644,556	318,638,352	4%	46.67%	45.81%
Noncurrent Liabilities						
Loans payable - net of current portion	906,557,671	936,720,722	(30,163,051)	-3%	5.65%	5.99%
Advances from related parties	2,200,734,920	2,198,780,834	1,954,086	0%	13.72%	14.05%
Retention payable	170,690,853	175,897,630	(5,206,777)	-3%	1.06%	1.12%
Lease liabilities - net of current portion	50,932,142	53,969,044	(3,036,902)	-6%	0.32%	0.34%
Deferred tax liabilities- net	771,399,758	775,853,974	(4,454,216)	-1%	4.82%	4.96%
Total Noncurrent Liabilities	4,100,315,344	4,141,222,204	(40,906,860)	-1%	25.57%	26.46%
Total Liabilities	11,586,598,252	11,308,866,760	277,731,492	2%	72.24%	72.27%
Equity						
Capital stock	4,793,266,504	4,793,266,504	–	0%	29.88%	30.63%
Subscription receivables	–	–	–	0%	0.00%	0.00%
Deposit for future stock subscription	2,833,000,000	2,579,000,000	254,000,000	10%	17.66%	16.48%
Revaluation Reserve	1,772,972,494	1,772,972,494	–	0%	11.05%	11.33%
Equity reserve	(4,126,935,056)	(4,126,935,056)	–	0%	-25.73%	-26.38%
Deficit	(819,042,029)	(680,412,816)	(138,629,213)	20%	-5.10%	-4.33%
Total Equity	4,453,261,913	4,337,891,126	115,370,787	3%	27.76%	27.73%
TOTAL LIABILITIES AND EQUITY	₱ 16,039,860,165	₱ 15,646,757,886	393,102,279	3%	100.00%	100.00%

The total assets of the Group increased by ₱393.1 million or by 3% compared to the ₱15.6 billion at the beginning of the period. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the business acquisitions and group restructuring, capital investments, project construction, loan borrowings and pre-operating activities of the Group.

CURRENT ASSETS

The Group's current assets increased by ₱344.4 million to ₱636.3 million primarily due to the transfer of cash from escrow account.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱48.7 million to ₱15.4 billion. This is due to the increase in (i) property and equipment by ₱473.0 million; (ii) input value-added tax by ₱30.9 million; and, (iii) advances to suppliers by ₱54.0 million. These were partially offset by the decrease in right-of-use assets by ₱3.5 million and cash in escrow of ₱506.1 million.

Property and equipment increased by ₱473.0 million to ₱13.4 billion primarily due to the ongoing construction of the Emerald Bay.

Right-of-use assets decreased to ₱59.9 million due to the periodic depreciation recognized.

Cash in escrow declined to ₱760.9 million due to the expected project-related payments.

Input-value added tax increased to ₱572.3 million from ₱541.5 million due to the additional VAT paid on purchases of goods and services of the Group which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱592.7 million from ₱538.7 million due to additional deposits or mobilization fees paid to contractors for the ongoing construction of the Emerald Bay.

CURRENT LIABILITIES

The Group's current liabilities increased from ₱7.2 billion to ₱7.5 billion. This was due to the increase in (i) trade and other payables by ₱219.2 million; (ii) advances from related parties by ₱53.1 million; (iii) current loans payable by ₱42.1 million; and, (iv) lease liabilities by ₱4.2 million compared to 2019.

Trade and other payables increased to ₱894.1 million from ₱674.9 million due to current billings related to the ongoing construction of the Emerald Bay.

Loans payable was higher by ₱42.1 in 2020 due to the principal amortizations that will be due in the next twelve months.

Advances from related parties increased in 2020 from ₱502.3 million to ₱555.4 million to finance partially the ongoing construction of The Emerald Bay and the operating requirements of the Group.

Current portion of lease liabilities of ₱22.4 million were recognized in compliance with the new accounting standard for leases, PFRS 16.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities decreased by ₱40.9 million to ₱4.1 billion primarily due to the decrease in loans payable by ₱30.2 million and lease liabilities by ₱3.0 million from the prior period.

Noncurrent portion of loans payable decreased to ₱906.6 million due to the quarterly principal due in the succeeding twelve months.

Noncurrent portion of lease liabilities of ₱50.9 million which pertains to office lease was recognized in compliance with the new accounting standard for leases, PFRS 16.

EQUITY

The Group's equity increased by ₱115.4 million from ₱4.3 billion to ₱4.5 billion was primarily due to the increase in deposit for future stock subscription from Udenna of ₱254.0 million and was partially offset by the net loss of ₱138.6 million during the period.

2.4 Liquidity and Capital Structure

The Group's sources and uses of funds and the Group's debt and equity profile are discussed below.

Liquidity

The Group seeks to actively manage its liquidity profile in order to finance its capital expenditures and to service maturing obligations.

Below is the table of consolidated cash flows of the Group for the three months ended March 31, 2020 and March 31, 2019.

	For the Three Months Ended March 31		Movement from prior period	
	2020	2019	Change in Peso	Change in %
Net cash provided by (used in) operating activities	₱ 39,743,768	(₱ 136,580,531)	176,324,299	-129%
Net cash provided by (used in) investing activities	67,753,030	(1,982,105,879)	2,049,858,909	-103%
Net cash provided by financing activities	233,396,741	1,562,049,945	(1,328,653,204)	-85%
Net increase (decrease) in cash and cash equivalents	340,893,539	(556,636,465)	897,530,004	-161%
Effect of foreign exchange on cash and cash equivalents	1,389,888	91,356	1,298,532	1421%
Cash and cash equivalents at beginning of period	224,973,403	686,846,385	(461,872,982)	-67%
Cash and cash equivalents at end of period	₱ 567,256,830	₱ 130,301,276	436,955,554	335%

Net cash provided by operating activities of ₱39.7 million in 2020 was primarily due to improved payment terms from suppliers. Net cash used in operating activities of ₱136.6 million in 2019 primarily represents payment of operating expenses.

Net cash provided by investing activities of ₱67.8 million in 2020 was primarily due to withdrawal of cash from escrow for expected project-related payments. In 2019, Net cash used in investing activities was ₱ 2.0 billion primarily due to the deposits made for the acquisition of LLC.

Net cash provided by financing activities were ₱233.4 million in 2020 and ₱1.6 billion in 2019. These mainly represent the proceeds from the deposit for future stock subscription by Udenna and advances from related parties. These were partially offset by payments of interest, rentals, and auto mortgage loans.

Capital Sources

Below is the table showing the Group's capital sources as of March 31, 2020 and December 31, 2019.

	March 31	December 31	Movement from prior period	
	2020	2019	Increase (decrease)	Change in %
Loans payable*	₱ 6,920,932,293	₱ 6,909,021,782	11,910,511	0%
Long-term intercompany loan	2,200,734,920	2,198,780,834	1,954,086	0%
Capital stock	4,793,266,504	4,793,266,504	-	0%
Deposit for future stock subscription	2,833,000,000	2,579,000,000	254,000,000	10%
Total	₱ 16,747,933,717	₱ 16,480,069,120	267,864,597	2%
<i>*Includes bridge loan facility</i>				

On March 26, 2019, the Group received ₱2.6 billion representing additional deposits for future stock subscription from Udenna in exchange for 515,800,000 shares at ₱1.00 per share.

During the first quarter of 2020, the Group received additional ₱254.0 million representing deposits for future stock subscription from Udenna.

2.5 Risk Related to Financial Instruments

The Group's principal financial instruments are cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and liabilities such as trade and other receivables, security deposits, advances from and to related parties, cash in escrow, trade and other payables, retention payable and loans payable. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk.

2.6 Other Financial Information

Aging of Trade and other receivables

The Group's trade and other receivables of ₱14.2 million are all current and not yet past due as of March 31, 2020.

Dividends

No dividends were declared for the three months ended March 31, 2020 and March 31, 2019.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None.

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Group, including any Default or Acceleration of an Obligation

None

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

In the first quarter of 2020, the Philippine government has implemented measures in a move to contain the COVID-19 outbreak. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The outbreak of COVID-19 has adversely impacted Philippine economic activity in the subsequent period which has directly impacted the operations of the Group. The Group will continue to closely monitor the situation since the extent of this impact cannot be reliably quantified or estimated as of reporting date.

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under “Plan of Operations” and “Financial Position”.

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

The Group is required to complete investment commitments as the PAGCOR Provisional Licenses issued to L3 and CGLC. L3 is required to complete a minimum of US\$300.0 million investment commitment as developer of The Emerald Bay project. CGLC is required to invest a minimum of US\$200 million in the approved development (the “Clark Investment Commitment”). The cost of the Projects includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project.

The Group is expected to rely on the following sources of funds for such expenditures: (1) financing lines provided by various creditors, and (2) shareholder advances and/or paid-up capital,

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

This is already incorporated in the discussion under “Plan of Operations” and “Financial Position”.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Philippine H2O Ventures, Corp.)

PART II. OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

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

PH RESORTS GROUP HOLDINGS, INC.

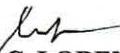
By:



DENNIS A. UY
Chairman of the Board



RAYMUNDO MARTIN ESCALONA
President and Chief Executive Officer



LARA C. LORENZANA
Chief Financial Officer

Signed this 19 day of June 2020