

# COVER SHEET

SEC Registration Number

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## COMPANY NAME

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

G	G	D	C		A	d	m	i	n	i	s	t	r	a	t	i	v	e		S	e	r	v	i	c	e	s		B
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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

lara.lorenzana@phresorts.com

Company's Telephone Number

(632) 838-1985

Mobile Number

N/A

No. of Stockholders

28

Annual Meeting (Month / Day)

3<sup>rd</sup> Wednesday of June

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) 838-1985

Mobile Number

N/A

## CONTACT PERSON'S ADDRESS

20<sup>th</sup> 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: **June 30, 2019**
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:  
**GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone,  
Pampanga, Philippines, 2023**
8. Registrant's telephone no. and area code: **(632) 800-8493**
9. Former name, address, and fiscal year, if changed since last report:  
**PHILIPPINE H2O VENTURES CORP., 4th Floor 20 Lansbergh Place, Tomas Morato Ave.  
cor. Scout Castor St., 1103 Quezon City**

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>&amp;/or</u>	<u>Amount</u>	<u>of</u>	<u>Debt</u>
	<u>Outstanding</u>		<u>Outstanding</u>				
<b>Common Stock, P 1 par value</b>	<b>4,793,266,504</b>		<b>shares</b>				

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.
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>
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 7
	Unaudited Condensed Consolidated Statements of Cash Flows 8
	Notes to the Unaudited Condensed Consolidated Financial Statements 10
Section 2	Management's Discussion and Analysis of Financial Condition and Plan of Operations 68
<b>PART II</b>	<b>OTHER INFORMATION</b> 80
<b>SIGNATURES</b>	

**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30, 2019</b> (Unaudited)	<b>December 31, 2018</b> (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	<b>P55,956,442</b>	P686,846,385
Trade and other receivables (Notes 5, 6 and 7)	<b>114,378,986</b>	13,986,884
Advances to related parties (Note 7)	<b>3,260,594</b>	45,068,343
Inventories - at cost	<b>2,631,935</b>	1,761,369
Restricted fund (Note 11)	<b>—</b>	139,955,985
Advances for future stock acquisition (Note 7)	<b>1,637,000,000</b>	—
Prepayments and other current assets (Notes 7 and 8)	<b>71,494,391</b>	62,563,121
Total Current Assets	<b>1,884,722,348</b>	950,182,087
<b>Noncurrent Assets</b>		
Property and equipment (Notes 9, 11 and 20)	<b>5,204,068,475</b>	3,932,239,892
Right-of-use assets (Note 9)	<b>1,158,033,059</b>	—
Deposits for future property acquisition (Note 10)	<b>26,812,449</b>	111,430,494
Cash in escrow (Notes 5 and 20)	<b>1,286,568,657</b>	1,315,918,771
Input value-added tax	<b>388,540,560</b>	280,192,836
Advances to suppliers (Note 9)	<b>432,363,935</b>	213,337,217
Other noncurrent assets	<b>25,138,397</b>	15,347,898
Total Noncurrent Assets	<b>8,521,525,532</b>	5,868,467,108
<b>TOTAL ASSETS</b>	<b>P10,406,247,880</b>	P6,818,649,195
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 11)	<b>P3,851,657,441</b>	P3,849,608,994
Trade and other payables (Notes 7 and 12)	<b>719,698,471</b>	397,254,293
Advances from related parties (Note 7)	<b>509,189,342</b>	1,279,332,675
Deposit for future stock subscription (Note 7)	<b>2,579,000,000</b>	—
Lease liabilities (Note 11)	<b>14,678,444</b>	—
Total Current Liabilities	<b>7,674,223,698</b>	5,526,195,962
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Note 11)	<b>1,161,509,169</b>	—
Loans payable - net of current portion (Note 11)	<b>964,128,877</b>	964,864,063
Retention payable (Note 12)	<b>134,395,875</b>	85,776,468
Deferred tax liabilities - net (Note 16)	<b>8,591,699</b>	15,644,701
Total Noncurrent Liabilities	<b>2,268,625,620</b>	1,066,285,232
Total Liabilities	<b>9,942,849,318</b>	6,592,481,194
<b>Equity</b>		
Capital stock (Note 13)	<b>4,793,266,504</b>	4,793,266,504
Subscription receivables (Note 13)	<b>—</b>	(406,376,691)
Additional paid-in capital (Note 13)	<b>—</b>	—
Equity reserve (Notes 2 and 13)	<b>(4,050,000,000)</b>	(4,050,000,000)
Retained earnings (Deficit)	<b>(279,867,942)</b>	(110,721,812)
Total Equity	<b>463,398,562</b>	226,168,001
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P10,406,247,880</b>	P6,818,649,195

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

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<b>QUARTERS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>June 30, 2019</b>	June 30, 2018	<b>June 30, 2019</b>	June 30, 2018
	(Note 2)	(Note 2)	(Note 2)	(Note 2)
<b>NET OPERATING REVENUES</b>				
Food and beverage	<b>₱8,001,353</b>	₱12,828,096	<b>₱17,864,332</b>	₱22,386,425
Rooms	<b>5,582,016</b>	7,353,332	<b>15,597,887</b>	16,523,446
Others	<b>687,210</b>	610,340	<b>1,766,022</b>	1,174,216
	<b>14,270,579</b>	20,791,768	<b>35,228,241</b>	40,084,087
<b>DIRECT COSTS AND EXPENSES</b>				
Inventories consumed	<b>2,669,777</b>	4,718,999	<b>6,341,603</b>	8,167,169
Salaries and wages	<b>2,721,831</b>	4,830,865	<b>5,529,292</b>	6,959,468
Other costs and expenses (Note 14)	<b>1,856,434</b>	2,713,061	<b>3,507,206</b>	4,208,984
	<b>7,248,042</b>	12,262,925	<b>15,378,101</b>	19,335,621
<b>GROSS INCOME</b>	<b>7,022,537</b>	8,528,843	<b>19,850,140</b>	20,748,466
<b>OPERATING EXPENSES</b> (Note 15)	<b>69,921,046</b>	54,232,625	<b>115,282,094</b>	89,512,166
<b>OPERATING LOSS</b>	<b>(62,898,509)</b>	(45,703,782)	<b>(95,431,954)</b>	(68,763,700)
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest expense (Notes 7 and 11)	<b>(47,011,860)</b>	(8,962,695)	<b>(81,239,532)</b>	(16,270,767)
Interest income (Note 5)	<b>7,312,710</b>	7,125,503	<b>15,163,236</b>	7,231,434
Gain on disposal of a subsidiary (Note 19)	—	—	—	617,037

(Forward)

	QUARTERS ENDED		SIX MONTHS ENDED	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Foreign exchange loss – net	(12,406,886)	(5,156,027)	(13,148,529)	(4,108,398)
Other income – net	502,475	2,891,514	674,606	2,881,188
	(51,603,561)	(4,101,705)	(78,550,219)	(9,649,506)
<b>LOSS BEFORE INCOME TAX</b>	<b>(114,502,070)</b>	<b>(49,805,487)</b>	<b>(173,982,173)</b>	<b>(78,413,206)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)</b>				
Current	1,102,389	1,891,678	2,217,071	1,897,646
Deferred	(3,383,610)	(61,506)	(7,053,114)	441,618
	(2,281,221)	1,830,172	(4,836,043)	2,339,264
<b>NET LOSS/TOTAL COMPREHENSIVE LOSS (Note 24)</b>	<b>(P112,220,849)</b>	<b>(P51,635,659)</b>	<b>(P169,146,130)</b>	<b>(P80,752,470)</b>
<b>Basic and Diluted Loss Per Share (Note 21)</b>	<b>(P0.0234)</b>	<b>(P0.2123)</b>	<b>(P0.0353)</b>	<b>(P0.3320)</b>

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

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<b>Capital Stock</b> (Notes 1 and 13)	<b>Subscription Receivables</b> (Note 13)	<b>Additional paid-in capital</b> (Note 13)	<b>Equity Reserve</b> (Notes 2 and 13)	<b>Retained Earnings (Deficit)</b> (Notes 2 and 13)	<b>Total</b>
Balance as of December 31, 2018	<b>P4,793,266,504</b>	<b>(P406,376,691)</b>	<b>P–</b>	<b>(P4,050,000,000)</b>	<b>(P110,721,812)</b>	<b>P226,168,001</b>
Total comprehensive loss	–	–	–	–	<b>(169,146,130)</b>	<b>(169,146,130)</b>
Reclassification	–	<b>406,376,691</b>	–	–	–	<b>406,376,691</b>
Balance at June 30, 2019	<b>P4,793,266,504</b>	<b>P–</b>	<b>P–</b>	<b>(P4,050,000,000)</b>	<b>(P279,867,942)</b>	<b>P463,398,562</b>
Balance as of December 31, 2017	P243,241,504	P–	P58,073,612	P52,977,957	P69,259,544	P423,552,617
Total comprehensive loss	–	–	–	–	(80,752,470)	(80,752,470)
Effect of reverse acquisition (Notes 2 and 13)	–	–	–	(69,085,731)	69,085,731	–
Balance at June 30, 2018	P243,241,504	P–	P58,073,612	(P16,107,774)	P57,592,805	P342,800,147

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

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

**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<b>SIX MONTHS ENDED</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	<b>(Note 2)</b>	<b>(Note 2)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P173,982,173)</b>	<b>(P78,413,206)</b>
Adjustments for:		
Interest expense (Notes 7 and 11)	<b>81,239,532</b>	16,270,767
Interest income (Note 5)	<b>(15,163,236)</b>	(7,231,434)
Depreciation (Notes 9 and 15)	<b>6,287,365</b>	1,142,807
Unrealized foreign exchange loss (gain)	<b>13,656,680</b>	(10,396,614)
Gain on disposal of a subsidiary (Note 19)	<b>—</b>	(617,037)
Loss before working capital changes	<b>(87,961,832)</b>	<b>(79,244,717)</b>
Decrease (increase) in:		
Trade and other receivables	<b>527,570</b>	(2,038,454)
Advances to related parties	<b>41,807,749</b>	288,528,143
Inventories	<b>(870,566)</b>	(1,133,188)
Prepayments and other current assets	<b>(8,931,270)</b>	(139,891,804)
Increase (decrease) in trade and other payables	<b>317,071,248</b>	504,428,060
Net cash generated from (used in) operations	<b>261,642,899</b>	570,648,040
Income taxes paid (includes final taxes)	<b>(2,217,071)</b>	(12,893)
Net cash provided by operating activities	<b>259,425,828</b>	570,635,147
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances for future stock acquisition (Note 7)	<b>(1,637,000,000)</b>	—
Acquisition of property and equipment (Note 9)	<b>(1,030,308,741)</b>	(762,947,824)
Decrease (increase) in:		
Deposit for future property acquisition	<b>84,618,045</b>	(491,448,520)
Advances to suppliers	<b>(219,026,718)</b>	19,043,289
Input value-added tax (VAT)	<b>(108,347,724)</b>	(90,339,735)
Other noncurrent assets	<b>(9,790,499)</b>	(128,117,654)
Transfer of cash to escrow fund	<b>(4,316,069)</b>	—
Transfer of cash from restricted fund (Note 11)	<b>139,955,985</b>	—
Interest received	<b>14,204,757</b>	7,231,434
Cash and cash equivalents of deconsolidated subsidiary (Note 19)	<b>—</b>	(7,251,958)
Net cash used in investing activities	<b>(2,770,010,964)</b>	(1,453,830,968)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposit for future stock subscription (Note 7)	<b>2,579,000,000</b>	—
Advances from related parties	<b>(770,143,333)</b>	822,562,005
Collection of subscription receivables	<b>306,376,691</b>	—
Proceeds from mortgage loan	<b>—</b>	2,201,118
Payments of:		
Interest	<b>(216,950,982)</b>	(40,845,767)
Mortgage loan (Note 11)	<b>(778,520)</b>	(586,249)
Payment of lease liabilities	<b>(66,376,380)</b>	—
Increase in retention payable	<b>48,619,407</b>	—
Net cash provided by financing activities	<b>1,879,746,883</b>	783,331,107

(Forward)

	<b>SIX MONTHS ENDED</b>	
	<b>June 30, 2019</b>	June 30, 2018
	(Note 2)	(Note 2)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(P630,838,253)</b>	(P99,864,714)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(51,690)</b>	—
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note 5)</b>	<b>686,846,385</b>	165,586,738
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 5)</b>	<b>P55,956,442</b>	P65,722,024

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

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

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

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**1. General Information**

Corporate Information

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. “PH Resorts”, “Parent Company” or “H2O”) 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 GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga.

On June 25, 2018, the Board of Directors (BOD) and the stockholders approved the following amendments to the Parent Company’s Articles of Incorporation (AOI):

- Change of corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.
- Change the primary purpose of H2O from “to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act” to “to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest”.
- Change of registered principal office address from 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023.
- Change the number of directors from seven to nine.
- Increase in authorized capital stock from ₱500.0 million, consisting of 500.0 million common shares with a par value of ₱1.00 per share to ₱8,000.0 million consisting of 8,000.0 million common shares with a par value of ₱1.00 per share.

The unaudited condensed consolidated financial statements as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and June 30, 2018 were authorized for issue by the BOD on August 14, 2019.

#### Change in Ownership of PH Resorts

On December 19, 2017, the Parent Company was notified by Jolliville 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 the Parent Company representing 62.006% of the issued and outstanding capital of the Parent Company 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. The Parent Company 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 the Parent Company 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 Parent Company's stockholders approved the CWWC sale. On June 1, 2018, the Parent Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Parent Company 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. H2O will become a holding company for the 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, the Parent Company became a subsidiary of Udenna. All the assets and liabilities as of May 31, 2018 of the subsidiaries of the Parent Company 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 PSE, effectively owning additional 7.994% ownership in H2O.

#### 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). The Ultimate Parent Company shall apply the share swap consideration in payment of

its subscription to the additional shares in the capital stock of PH Resorts to be 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 the Parent Company's AOI. The issuance of 4,143,648,309 shares of the Parent Company 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.

#### 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 located at 26th Floor, Fort Legend Towers, 3rd Ave. cor. 31st Street, Brgy. Bonifacio Global City, Taguig City. 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.

As of June 30, 2019 and December 31, 2018, 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 as of</i>	
			<i>June 30, 2019</i>	<i>December 31, 2018</i>
LapuLapu Leisure, Inc. (L3)	Hotels, casino and gaming	January 25, 2017	<b>100</b>	100
Donatela Hotel Panglao Corp. (DHPC)	Hotel and recreation	November 7, 2017	<b>100</b>	100
Donatela Resorts and Development Corp. (DRDC)	Hotel and recreation	February 27, 2018	<b>100</b>	—
Clark Grand Leisure Corp. (CGLC)	Hotels, casino and gaming	March 7, 2018	<b>100</b>	—
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	<b>100</b>	—
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	<b>100</b>	—
Aetos Air Philippines, Inc. (AAPI)	Transportation	February 24, 2017	—	100

On January 12, 2018, PH Travel sold its 100% interest ownership in 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 6, 7 and 19).

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.

#### Provisional Licenses

On May 3, 2017, Philippine Amusement and Gaming Corporation (PAGCOR) issued a Provisional License (License) authorizing L3 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 L3's License shall be 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 20.

#### Status of Operations

*DHPC.* DHPC is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the hotel in 2017. The Donatela Hotel commenced its operations in January 2018 and currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar.

*L3.* L3 leases the site from Lapulapu Land Corp. (LLC), a related party under common ownership, on which the integrated resort will be located. Construction of the integrated resort commenced in December 2017 and will be constructed in two phases. It is expected to be completed in time for the anticipated opening in the fourth quarter of 2020.

*CGLC.* CGLC leases the site on which integrated tourism resort will be located from Global Gateway Development Corporation. Groundbreaking of the integrated tourism resort is scheduled to commence before the end of 2019 and is expected to be completed by the end of 2022.

The other entities within the Group have no material operations as of June 30, 2019.

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

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## **2. Basis of Preparation and Statement of Compliance**

#### Basis of Preparation

The unaudited condensed consolidated financial statements of PH Resorts and its subsidiaries (collectively referred to as “the Group”) have been prepared on a historical cost basis. These unaudited 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 unaudited condensed consolidated financial statements of the Group as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and June 30, 2018 have been prepared in accordance with Philippine Accounting Standards (“PAS”) 34, Interim Financial Reporting.

#### 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. 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 Note 1).

The condensed consolidated statements of financial position as of December 31, 2018 presented in the unaudited condensed consolidated financial statements as of June 30, 2019 for comparative purposes, are 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 the PH Travel and PH Resorts, is recognized as part of equity reserve in the condensed consolidated statements of financial position as of June 30, 2019 and December 31, 2018.

In accounting for this transaction, the unaudited condensed 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 condensed consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of June 30, 2019 and December 31, 2018.

The unaudited condensed consolidated financial statements include the accounts of the Parent Company and the aforementioned subsidiaries (see Note 1) held directly or indirectly through wholly and majority-owned subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company or its subsidiary's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the unaudited condensed consolidated statements of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full during consolidation.

Noncontrolling interests, if any, represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the unaudited condensed consolidated financial statements. There are no noncontrolling interests as of June 30, 2019 and December 31, 2018.

A change in the ownership interest of a subsidiary, without a loss of control, is considered as an acquisition or disposal of noncontrolling interest and accounted for as an equity transaction. The difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity.

If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

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### 3. **Changes in Accounting Policies and Financial Reporting Policies**

The accounting policies adopted are consistent with those of the previous financial year or period, except that the Group has adopted these new accounting pronouncements discussed in the succeeding section starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- **PFRS 16, *Leases***

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Therefore, comparative information has not been restated and still reported under PAS 17 and IFRIC 4.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the adoption does not have any effect on its unaudited condensed consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

Adoption does not have any significant impact on the Group's unaudited condensed consolidated financial statements.

- Amendments to PAS 19: *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment, or settlement when the entity remeasures its net defined benefit liability (asset).

Adoption does not have any significant impact on the Group's unaudited condensed consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

Adoption does not have any significant impact on the Group's unaudited condensed consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax amounts identified immediately above.

Adoption does not have any significant impact on the Group's unaudited condensed consolidated financial statements.

- Annual Improvements 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

Adoption does not have any significant impact on the Group's unaudited condensed consolidated financial statements.

New Standards and Interpretation Issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its unaudited condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Effective Beginning on or After January 1, 2021*

- PFRS 17, *Insurance Contracts*

*Deferred Effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the unaudited condensed consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within 12 months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

#### Financial instruments

##### *Initial Recognition and Subsequent Measurement Prior to the Adoption of PFRS 9*

Financial instruments are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

- *Date of Recognition.* Financial instruments are recognized in the condensed consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.
- *“Day 1” Difference.* Where the transaction price in a non-active market is different from the fair

value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the unaudited condensed consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

- *Determination of Fair Value.* The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies.

Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

- *Financial Assets.* The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables, as appropriate. The classification depends on the purpose for which these were acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

The Group’s financial assets include cash and cash equivalents, trade and other receivables, advances to related parties, and cash in escrow.

- a. *Financial Assets and Liabilities at FVPL.* Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the condensed consolidated statements of financial position at fair value. Subsequent changes in fair value are recognized directly in the unaudited condensed consolidated statements of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

- b. *Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the unaudited condensed consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables, advances to related parties and cash in escrow are included in this category.

- c. *HTM Investments.* HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statements of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

- d. *AFS Investments.* AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in the consolidated statements of comprehensive income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

- *Financial Liabilities.* Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include loans payable, trade and other payables, and advances from related parties.

The measurement of financial liabilities depends on its classification.

*Other Financial Liabilities at Amortized Cost.* This includes the Group's loans payable, trade and other payables, and advances from related parties.

*Subsequent Measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium.

Gains and losses are recognized in the unaudited condensed consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

*Classification of Financial Instruments between Debt and Equity.* A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

*Impairment of Financial Assets.* The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and, thus, were not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest

rate computed at initial recognition). Impaired receivables are derecognized when they are assessed as uncollectible.

The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of loss is recognized in the unaudited condensed consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*Derecognition of Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Initial Recognition and Subsequent Measurement Upon Adoption of PFRS 9*

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group’s business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost
  - Financial assets measured at FVPL
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss
- *Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the

Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

- *Business Model.* The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the unaudited condensed consolidated statements of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for credit and impairment losses" in the unaudited condensed consolidated statements of comprehensive income.

As of June 30, 2019 and December 31, 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to related parties, restricted fund, cash in escrow and security deposits.

- *Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses

or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Group; and,
- the amount of the dividend can be measured reliably.

As of June 30, 2019 and December 31, 2018, the Group does not have any financial assets under this category.

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

As of June 30, 2019 and December 31, 2018, the Group does not have any financial assets under this category.

- *Classification of Financial Liabilities.* Financial liabilities are measured at amortized cost, except for the following:
  - financial liabilities measured at fair value through profit or loss;
  - financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
  - financial guarantee contracts;
  - commitments to provide a loan at a below-market interest rate; and,
  - contingent consideration recognized by an acquirer in accordance with PFRS 3.

As of June 30, 2019 and December 31, 2018, the Group's financial liabilities at amortized costs consist of loans payable, trade and other payables, advances from related parties and retention payables.

A financial liability may be designated at FVPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As of June 30, 2019 and December 31, 2018, the Group does not have any financial assets under this category.

*Reclassifications of Financial Instruments.* The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and,
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

#### *Derecognition of Financial Instruments*

- *Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when, and only when:
  - the contractual rights to the cash flows from the financial asset expire, or,
  - the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and,
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

- *Modification of Contractual Cash Flows.* When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the unaudited condensed consolidated statements of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

- *Financial Liabilities.* A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the unaudited condensed consolidated statements of comprehensive income.

*Offsetting Financial Instruments.* Financial instruments are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the condensed consolidated statements of financial position.

#### *Impairment of Financial Assets*

Prior to the adoption of PFRS 9, the Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- *Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the unaudited condensed consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income in the unaudited condensed consolidated statements of comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a future write-off is later recovered, the recovery is credited to interest expense in the consolidated statements of comprehensive income.

Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and,
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and,
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

*Determination of the stage for impairment.* At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

#### Cash and Cash equivalents

Cash includes cash on hand and cash in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements and highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Cash and cash equivalents exclude any restricted cash (presented under “Restricted fund”) that is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist only of cash and cash equivalents as defined above.

#### Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined primarily on the basis of the moving average method. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and other costs necessary to make the sale.

In determining net realizable value, the Group considers any necessary adjustment for obsolescence.

#### Other Current Assets

Advances to suppliers, prepayments and deposits are amounts paid in advance for goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within its normal operating cycle or within 12 months from the reporting date.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position.

Input VAT on its construction costs and other purchase of asset or services expected to be recovered for more than a year upon the start of its commercial operations is recorded under Noncurrent assets portion in the consolidated statements of financial position.

#### Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and any accumulated impairment.

Land is carried at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Cost includes interest related to the financing of property, plant and equipment during the construction period. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization, recognition of which commences when the asset becomes available for its intended use, are computed on a straight-line basis over the following estimated useful lives:

Land Improvements and Infrastructures	5-14 years
Buildings	25 years
Office Furniture, Fixtures and Equipment	2-10 years
Transportation Equipment	5-7 years
Leasehold Improvements and Others	3years
Right-of-use assets	25 years

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation is consistent with the expected pattern of economic benefits from the items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Construction-in-progress (CIP) represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

#### Advances to Suppliers

Advances to suppliers under Noncurrent Assets represent initial payments made to suppliers as mobilization funds for use in the construction of the Group's buildings and building improvements and are initially recognized at cost. These are subsequently reduced proportionately upon receipt of progress billings.

#### Deposits for Future Property Acquisition

Deposits for future property acquisition represents installment payments made for contracts to purchase properties for which risks and rewards have not yet transferred to the Group.

#### Impairment of Nonfinancial Assets

The carrying values of property and equipment and other non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the assets is the greater of fair value less cost to sell and value-in-use.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of the estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment losses are recognized in profit or loss.

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

#### Equity

*Capital Stock.* Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to additional paid-in capital.

When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Any receivable is treated as deduction in the subscribed capital stock.

*Additional paid-in capital.* Additional paid-in capital pertains to proceeds and/or fair value of considerations received in excess of par value, if any, net of the transaction costs incurred as stock issuance costs.

*Retained earnings (Deficit).* Deficit represents accumulated losses, net of earnings. The balance is also increased for incremental costs directly attributable to the issuance of new shares incurred in excess of additional paid-in capital.

*Equity reserve.* Equity reserve account pertains to the equity adjustments resulting from the effect of the reverse acquisition.

#### Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

The Group recognizes as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue is recorded net of trade discounts, estimates of other variable consideration and amounts collected on behalf of third parties.

The following specific criteria must also be met before revenue is recognized:

- *Food and beverage.* Revenue is recognized at point of sale of retail goods.
- *Rooms revenue.* Revenue is recognized at point in time when services are provided to the customers.
- *Other revenues.* Other revenues, including service charges, are recognized at point in time when services are performed.
- *Interest income.* Revenue is recognized as the interest accrues and collection is reasonably assured.

#### Cost and Expenses

Costs and expenses are recognized when incurred. These are measured at the fair value of the consideration paid or payable.

#### Short-term Employee Benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, that are expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. All other borrowing costs are expensed as incurred. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### *Policy applicable before 1 January 2019*

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

*As a lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property and equipment' and lease liabilities in the condensed consolidated statements of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*As a lessee*

Under PAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's consolidated statements of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expense is recognized in profit or loss on a straight-line basis over the terms of the lease agreements. Operating lease costs incurred on land, directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, is capitalized as part of CIP.

*As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

#### Retention payable

Retention payable represents contract sums withheld by the Group from its contractors and suppliers as retention money after work on the Project has been completed.

#### Income Taxes

*Current Income Tax.* Current income tax assets and income tax liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided using the balance sheet liability method on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and NOLCO can be utilized.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

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

#### Foreign Currency Transactions and Translations

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at balance sheet date. Foreign exchange gains or losses are credited to or charged against current operations.

#### Related Party Transactions and Relationships

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

#### Earnings Per Share (EPS)

EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net

income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 22 to the unaudited condensed consolidated financial statements.

#### Provisions

Provisions are recognized when: (1) the Group has a present obligation (legal or constructive) as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pretax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Contingencies

Contingent liabilities are not recognized in the unaudited condensed consolidated financial statements. They are disclosed in the notes to the unaudited condensed consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefit is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income is recognized in the consolidated financial statements.

#### Events after the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events), are reflected in the unaudited condensed consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the unaudited condensed consolidated financial statements when material.

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's unaudited condensed consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the unaudited condensed consolidated financial statements. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as of the date of comparable consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, differences in actual experience or changes in the assumptions may materially affect the estimated amounts. The effects of any change in estimates are reflected in the unaudited condensed consolidated financial statements as they become reasonably determinable.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the unaudited condensed consolidated financial statements.

*Accounting for the reverse acquisition of PH Travel and Leisure Holdings Corp.*

As discussed in Notes 1 and 2, as of December 26, 2018, the equity share swap transaction between PH Resorts and PH Travel became effective.

Management judgment was required to determine that PH Resorts did not meet the definition of a “business” and should not be accounted for as a business combination. 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. 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.

*Identifying performance obligations in food and beverages and rooms revenues, a bundled sale of services.*

The Group provides hotel services that are either sold separately or bundled together with the other services.

For its hotel service, the Group determined that each of the services is capable of being distinct. The fact that the Group regularly sells each service on a stand-alone basis indicates that the customer can benefit from both products on their own. The services are not highly interdependent or highly interrelated, because the Group would be able to transfer each service even if the customer declined the other. Consequently, the Group allocates the transaction price using the residual approach. Under this approach, the Group determines the stand alone selling price by relevance to the total transaction price and deducting the sum of the stand-alone selling price of food and beverages promised in the contract.

For its restaurant services, the Group records its service charge to the extent that it is viewed as an additional consideration for the services provided, and benefits directly inure to the restaurants thus, excluding the amounts collected on behalf of third parties.

*Capitalization of lease payments*

The Group determines whether the amount of lease costs qualify for capitalization as part of construction costs, or should be expensed outright. Management assessed that the rent on land is a directly attributable cost to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Lease payments capitalized as part of construction in progress amounted to ₱63.1 million for the six months ended June 30, 2018 (see Notes 7 and 9).

On January 1, 2019, the leases of the Group are accounted under PFRS 16 under the modified retrospective approach. Discounted lease payments and depreciation of the Right-of-use assets were capitalized as part of CIP amounted to ₱84.5 million for the six months ended June 30, 2019.

*Capitalization of Borrowing Cost*

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to bring the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

Capitalized borrowing costs equivalent to the effective interests incurred on the loans amounted to ₱145.6 million and ₱24.6 million for the six months ended June 30, 2019 and June 30, 2018, respectively (see Note 9). Borrowing costs of ₱34.2 million and ₱7.3 million on loans availed for purposes other than financing the construction is expensed outright for the six months ended June 30, 2019 and June 30, 2018.

*Transfer of risks and rewards over a property under conditional purchase*

In 2018 and 2017, the Group entered into contracts to sell, to acquire various parcels of land. The terms include the transfer of title only upon full payment of the agreed price as stated in the contract for DHPC and upon payment of 95% of the total purchase price as stated in the contract for DPRC. The contracts are subject to cancellation by the seller upon breach of the contract or default by the Group and the seller may forfeit the improvements therein. The Group has paid approximately 89% of the agreed price on the contract to sell entered by DHPC as of June 30, 2019 and December 31, 2018 and 40% on the contract to sell of DPRC as of December 31, 2018. Accordingly, installment payments totaling ₱26.8 million (June 30, 2019) and ₱111.4 million (December 31, 2018) were presented as “Deposit for future property subscription” in the condensed consolidated statements of financial position (see Note 10).

*Impairment of nonfinancial assets*

The Group assesses impairment on nonfinancial assets (enumerated in the following table) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant adverse changes in the technological, market, or economic environment where the Group operates
- significant decrease in the market value of an asset
- evidence of obsolescence and physical damage
- significant changes in the manner in which an asset is used or expected to be used
- plans to restructure or discontinue an operation
- significant decrease in the capacity utilization of an asset, or
- evidence is available from internal reporting that the economic performance of an asset is, or will be, worse than expected.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach.

There was no indication of impairment as of June 30, 2019 and December 31, 2018. The carrying values of nonfinancial assets as of June 30, 2019 and December 31, 2018 are as follows (see Notes 9, 10, 11, 16 and 20):

	<b>June 30, 2019</b>	December 31, 2018
Property and equipment	<b>₱6,362,101,534</b>	₱3,932,239,892
Deposits for future property acquisition	<b>26,812,449</b>	111,430,494
Input VAT	<b>388,540,560</b>	280,192,836
Advances to suppliers	<b>432,363,935</b>	213,337,217
Other noncurrent assets	<b>18,338,397</b>	8,547,898

#### Estimates and assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the end of financial reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Allowance for Doubtful Accounts Prior to 2018.* The Group reviews its loans and receivables at each financial reporting date to assess whether an allowance for impairment should be recorded in the unaudited condensed consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

#### *Provision for expected credit losses on financial assets after January 1, 2018*

a. *Definition of Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s); or
  - c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

b. *Simplified Approach for Trade receivables.* The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

- c. *Macro-economic Forecasts and Forward-looking Information.* Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 2 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

No impairment was recognized on its financial assets as of June 30, 2019 and December 31, 2018.

*Estimation of useful lives of property and equipment*

The useful lives of the property and equipment are estimated based on the period over which the assets are expected to be available for use and for the collective assessment of industry practice and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each financial year-end, and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and other limits on the use of the property and equipment.

The carrying value of the property and equipment amounted to ₱6,351.5 million as of June 30, 2019 and ₱3,932.2 million as of December 31, 2018 (see Note 9).

*Determination of Fair Value of Financial Instruments.* Where the fair value of financial assets and liabilities recorded in the condensed consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of financial assets and financial liabilities are disclosed in Note 18.

*Determining Realizable Amount of Deferred Taxes*

The Group reviews the carrying amounts of its deferred income tax assets at the end of each balance sheet and recognized the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Group did not recognize deferred tax asset from the carryover benefits of NOLCO and unrealized foreign exchange losses amounting to ₱512.6 million as of June 30, 2019 and ₱357.4 million as of December 31, 2018 (see Note 16).

## 5. Cash and Cash Equivalents

	<b>June 30, 2019</b>	December 31, 2018
Cash in banks	<b>₱55,560,717</b>	₱ 686,386,451
Cash on hand	<b>395,725</b>	459,934
Short-term placements	—	—
	<b>₱55,956,442</b>	₱686,846,385

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest of 1.25% in 2018.

Interest income earned on cash and cash equivalents amounted to ₱0.2 million and ₱0.4 million for the six months ended June 30, 2019 and June 30, 2018, respectively.

The Group has cash in escrow of U.S.\$15.0 million through L3 equivalent to ₱769.1 million (June 30, 2019) and ₱788.7 million (December 31, 2018), and cash in escrow of U.S.\$10.0 million through CGLC equivalent to ₱517.5 million (June 30, 2019) and ₱527.2 million (December 31, 2018), which is presented under the Noncurrent Assets section of the condensed consolidated statements of financial position. Interest income earned on cash in escrow amounted to ₱15.0 million and ₱6.8 million for the six months ended June 30, 2019 and June 30, 2018, respectively. Accrued interest amounted to ₱2.0 million (June 30, 2019) and ₱1.1 million (December 31, 2018), and is presented under the “Trade and other receivables” account in the condensed consolidated statements of financial position (see Note 6). 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 L3 and CGLC’s investment commitments (see Note 20).

## 6. Trade and Other Receivables

	<b>June 30, 2019</b>	December 31, 2018
Trade	<b>₱1,494,192</b>	₱2,700,432
Subscription receivables	<b>100,000,000</b>	—
Receivable from sale of a subsidiary (Notes 1, 7 and 19)	<b>10,000,000</b>	10,000,000
Accrued interest receivables (Note 5)	<b>1,997,279</b>	1,078,944
Others	<b>887,515</b>	207,508
	<b>₱114,378,986</b>	₱13,986,884

Trade receivables are noninterest-bearing and are normally on a 30 to 120 days’ term. Subscription receivables and receivable from sale of a subsidiary are noninterest-bearing and collectible upon demand. Interest receivables are normally collectible within 90 days.

Other receivables are noninterest-bearing and include advances to officers and employees that are subject to liquidation and normally on a 30 to 120 days’ term.

No provision for estimated credit losses was provided for the six months ended June 30, 2019 and June 30, 2018.

## 7. 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.

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 need to be set to 100%. For the six months ended June 30, 2019 and June 30, 2018, 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
Affiliates under Common Control	Bunkers Manila Inc.
	CGLC Cultural Heritage Foundation, Inc.
	Chelsea Logistics Holdings Corp.
	Chelsea Shipping Corp.
	Dennison Holdings Corp.
	Enderun Hospitality Management and Consultancy Services (Enderun)
	Global Gateway Development Corp. (GGDC)
	L3 Concrete Specialist
	Lapulapu Cultural Heritage Foundation, Inc.
	LLC
	Phoenix Petroleum Philippines, Inc.
	Udenna Development Corporation
	Udenna Infrastructure Corp.
	Udenna Management & Resources Corp.
	Udenna Water & Integrated Services, Inc.
	UDEVCO
	Value Leases Inc.

The condensed consolidated statements of financial position include the following amounts with respect to the balances with related parties as of June 30, 2019 and December 31, 2018:

	Year	Amount/ Volume of Transaction*	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<b>Ultimate Parent Company</b>						
Cash advances to a related party for working capital	<b>2019</b> 2018	<b>P–</b> –	<b>P–</b> 41,332,707	<b>P–</b> –	Noninterest-bearing; not impaired; due and demandable	Unsecured
Cash advances from a related party for working capital and project completion	<b>2019</b> 2018	– 65,643,300	– –	793,927 942,195,175	Noninterest-bearing; due and demandable	Unsecured
Deposit for future stock subscription (a)(i)	<b>2019</b> 2018	<b>2,579,000,000</b> –	– –	<b>2,579,000,000</b> –	Noninterest-bearing; due and demandable	Unsecured
<b>Affiliates under Common Control</b>						
Cash advances to related parties	<b>2019</b> 2018	<b>24,958</b> 44,407,180	<b>3,260,594</b> 3,735,636	– –	Noninterest-bearing; not impaired; due and demandable	Unsecured
Cash advances from related parties for working capital (b)(v)	<b>2019</b> 2018	<b>181,776,259</b> <b>333,600,000</b>	– –	<b>334,226,160</b> 191,941,996	Interest-bearing; due and demandable	Unsecured
Cash advances from related parties for working capital	<b>2019</b> 2018	<b>33,357,915</b> <b>199,952,346</b>	– –	<b>58,395,415</b> 25,037,500	Noninterest-bearing; due and demandable	Unsecured
Lease (see Notes 8, 9 and 15) (c)(iii)	<b>2019</b> 2018	<b>66,376,380</b> 63,116,280	<b>53,545,205</b> 40,398,414	– –	Noninterest-bearing; due and demandable	Unsecured
Management and consultancy services (see Notes 12 and 15) (d)(iv)	<b>2019</b> 2018	<b>3,773,054</b> 5,213,2701	– –	<b>2,765,815</b> 3,472,533	Noninterest-bearing; due and demandable	Unsecured
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 19)(ii)	<b>2019</b> 2018	– 10,000,000	<b>10,000,000</b> 10,000,000	–	Noninterest-bearing; due and demandable	Unsecured
Advances for future stock acquisition (a)(vi)	<b>2019</b> 2018	<b>1,637,000,000</b> –	<b>1,637,000,000</b> –	– –	Noninterest-bearing; not impaired; due and demandable	Unsecured
<b>Stockholder</b>						
Cash advances to a stockholder	<b>2019</b> 2018	– 189,785	– –	– –	Noninterest-bearing; not impaired; due and demandable	Unsecured
Cash advances from a stockholder for working capital	<b>2019</b> 2018	– 233,216,295	– –	<b>135,000,000</b> 135,000,000	Noninterest-bearing; due and demandable	Unsecured
<b>Employees</b>						
Advances to employees(iii) (see Note 6)	<b>2019</b> 2018	<b>2,665,274</b> 1,100,000	<b>782,836</b> 66,470	– –	Noninterest-bearing; not impaired; one-month liquidation	Unsecured

i. Outstanding balance is presented in Deposit for future stock subscription as of June 30, 2019.

ii. Outstanding balance is included in Trade and other receivables as of June 30, 2019 and December 31, 2018.

iii. Outstanding balance is included in Prepayments and other current assets as of June 30, 2019 and December 31, 2018.

iv. Outstanding balance is included in Trade and other payables as of June 30, 2019 and December 31, 2018.

v. Outstanding interest is included in Trade and other payables as of June 30, 2019 and December 31, 2018.

vi. Outstanding balance is presented in Advances for future stock acquisition as of June 30, 2019.

\* Amount or volume of transactions pertains to transactions for the six months ended June 30, 2019 and June 30, 2018

(a) *Deposit for future stock subscription and advances for future stock investment*

As of June 30, 2019, the Group received a deposit for future stock subscription from the Ultimate Parent Company.

From the proceeds of the deposit, the Group recorded a ₱1.6 billion advance made to an affiliate for the acquisition of LLC.

(b) *Interest-bearing cash advances from related parties*

For year ended December 31, 2018, various related parties granted advances to the Group amounting to ₱281.1 million to finance operating requirements of the Group. The accrued interest on advances is at 6.5% to 7% per annum.

Interest expense incurred on these cash advances for the six months ended June 30, 2019 and June 30, 2018 amounted to ₱4.4 million and nil, respectively. Interest payable amounted to ₱19.2 million as of June 30, 2019 and ₱14.8 million as of December 31, 2018 is included under “Trade and other payables” in the condensed consolidated statements of financial position (see Note 12).

(c) *Lease*

On July 14, 2017, L3 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, L3 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 L3. L3 shall pay a monthly aggregate of ₱10.5 million for the original contract and ₱0.5 million for the additional lease. L3 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.

The estimated annual minimum rentals under this lease agreement as of June 30, 2019 are shown below:

Period	Amount
Within one year	₱132,685,560
More than one year but not more than five years	530,742,240
More than five years	2,395,868,580
	<u>₱3,059,296,380</u>

Lease payments amounted to ₱66.3 million and ₱63.1 million for the six months ended June 30, 2019 and June 30, 2018, respectively (see Note 9). As of June 30, 2019 and December 31, 2018, the Group has prepaid rental payments to LLC amounting to ₱53.5 million and ₱40.4 million presented as part of “Prepayments and other current assets” account in the condensed consolidated statements of financial position (see Note 8).

On June 29, 2018, CGLC entered into a lease agreement with GGDC for office space with 10 square meters in the General Administrative Office Building of the Clark Global City, Pampanga. The lease agreement is for a period of 3 years counted from the lease commencement date, subject to renewal upon mutual agreement of the parties. L3 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.

The estimated annual minimum rentals under this lease agreement as of June 30, 2019 are shown below:

Period	Amount
Within one year	₱68,150
More than one year but not more than five years	119,743
	<b>₱187,893</b>

(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 from 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*

L3's bank loans with China Banking Corporation (CBC) are secured by a corporate guaranty from Udenna and certain stockholders through a Continuing Surety Agreement with the bank (see Note 11).

The performance of the obligations of DHPC to United Coconut Planters Bank (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 11).

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

The compensation of key management personnel for the six months ended June 30, 2019 and June 30, 2018 pertaining to short-term employee benefits amounted to ₱14.3 million and ₱8.8 million, respectively. The increase is primarily reflective of new hires in preparation of the opening of The Emerald Bay.

There are no other short-term and long-term benefits given to key management personnel.

## 8. Prepayments and Other Current Assets

	June 30, 2019	December 31, 2018
Prepaid rent (Note 7)	<b>₱54,839,418</b>	₱41,643,503
Advances to suppliers	<b>10,201,720</b>	4,403,210
Input VAT	<b>3,109,590</b>	3,401,868
Prepaid expenses	<b>1,474,357</b>	1,307,457
Prepaid insurance	<b>701,790</b>	1,604,853
Short-term security deposits	<b>575,026</b>	9,529,758
Creditable withholding taxes	<b>282,544</b>	145,628
Others	<b>309,946</b>	526,844
	<b>₱71,494,391</b>	₱62,563,121

Prepaid rent, prepaid insurance and prepaid expenses are amortized on a periodic basis over a period not exceeding 1 year.

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

Advances to suppliers represent downpayments made for contracts of services entered into with suppliers to be provided within one year.

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

## 9. Property and Equipment and Right-of-use Assets

June 30, 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 20)	Right-of-use Assets (see Note 11)	Total
<b>Cost</b>									
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	P–	P3,936,377,261
Additions	217,468,305	29,524	51,180	205,474	–	–	1,060,331,511	1,183,174,966	2,461,260,960
Ending balances	1,244,669,124	8,084,901	68,584,096	29,186,399	4,940,498	5,712,523	3,853,285,714	P1,183,174,966	P6,397,638,221
<b>Accumulated Depreciation</b>									
Beginning balances	–	191,795	1,091,857	1,680,632	828,536	344,549	–	–	4,137,369
Additions (Note 15)	–	269,804	2,091,121	3,263,877	456,656	175,953	–	25,141,907	31,399,318
Ending balances	–	461,599	3,182,978	4,944,509	1,285,192	520,502	–	25,141,907	35,536,687
<b>Net Book Value</b>	<b>P1,244,669,124</b>	<b>P7,623,302</b>	<b>P65,401,118</b>	<b>P24,241,890</b>	<b>P3,655,306</b>	<b>P5,192,021</b>	<b>P3,853,285,714</b>	<b>P1,158,033,059</b>	<b>P6,362,101,534</b>
December 31, 2018									
	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 20)	Right-of-use Assets (see Note 11)	Total
<b>Cost</b>									
Beginning balances	P–	P–	P–	P686,905	P3,767,750	P165,875	P469,796,984	P–	P474,417,514
Additions	1,027,200,819	8,055,377	68,532,916	28,294,020	3,045,069	5,546,648	2,323,157,219	–	3,463,832,068
Effect of deconsolidation of a subsidiary (Note 19)	–	–	–	–	(1,872,321)	–	–	–	(1,872,321)
Ending balances	1,027,200,819	8,055,377	68,532,916	28,980,925	4,940,498	5,712,523	2,792,954,203	–	3,936,377,261
<b>Accumulated Depreciation</b>									
Beginning balances	–	–	–	22,527	471,162	13,823	–	P–	507,512
Additions	–	191,795	1,091,857	1,658,105	575,813	330,726	–	–	3,848,296
Effect of deconsolidation of a subsidiary (Note 19)	–	–	–	–	(218,439)	–	–	–	(218,439)
Ending balances	–	191,795	1,091,857	1,680,632	828,536	344,549	–	–	4,137,369
<b>Net Book Value</b>	<b>P1,027,200,819</b>	<b>P7,863,582</b>	<b>P67,441,059</b>	<b>P27,300,293</b>	<b>P4,111,962</b>	<b>P5,367,974</b>	<b>P2,792,954,203</b>	<b>P–</b>	<b>P3,932,239,892</b>

The CIP account mainly pertains to the US\$300.0 million (approximately ₱14,976.9 million) investment commitment of L3 required by the License Agreement with PAGCOR. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, development costs and all other expenses directly related to the completion of the Project. The account also includes capitalized borrowing costs amounting to ₱145.6 million and ₱24.6 million for the six months ended June 30, 2019 and June 30, 2018, respectively, equivalent to the effective interest incurred on the loans (see Note 11). Lease payments capitalized as part of CIP amounted to ₱63.1 million for the six months ended June 30, 2018 (see Note 7).

On January 1, 2019, the leases of the Group are accounted under PFRS 16 under the modified retrospective approach. Discounted lease payments and depreciation of the Right-of-use assets were capitalized as part of CIP amounted to ₱84.5 million for the six months ended June 30, 2019.

Advance payments made to suppliers by the Group in relation to the construction of the Project amounted to ₱432.4 million (June 30, 2019) and ₱213.3 million (December 31, 2018).

DHPC's land, land improvements and infrastructures and building are covered under a real estate mortgage with UCPB (see Note 11). The carrying value of the pledged properties amounted to ₱1,100.2 million and ₱1,102.5 million as of June 30, 2019 and December 31, 2018.

Pursuant to the bank loans, L3 entered into a real estate mortgage and chattel mortgage indenture over the property and equipment to collateralize its bank loans. The carrying value of properties used as collateral amounted to ₱3,837.5 million as of June 30, 2019 and ₱2,786.9 million as of December 31, 2018 (see Note 11).

Fully depreciated property and equipment still used in operations amounted to ₱0.2 million as of June 30, 2019. The Group has no idle property and equipment as of June 30, 2019 and December 31, 2018.

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## **10. 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 and in Tagbilaran, 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 amounting to ₱1,033.2 million which were subsequently reclassified as property and equipment. A deposit for future property acquisition amounting to ₱26.8 million pertains to the 25% partial settlement of the remaining area of 6,725 square meters.

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. As of December 31, 2018, DPRC has already paid ₱84.6 million, which represented 40% of the total purchase price.

As of June 30, 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. There is a remaining payable of ₱11.8 million which represents 5% of the total purchase price plus VAT.

## 11. Loans Payable and Lease Liabilities

	June 30, 2019	December 31, 2018
Short-term loans	<b>P3,850,106,849</b>	P3,848,015,068
Long-term loan	<b>963,330,444</b>	963,330,444
Mortgage loans	<b>2,349,025</b>	3,127,545
	<b>4,815,786,318</b>	4,814,473,057
Less current portion of loans payable	<b>3,851,657,441</b>	3,849,608,994
Noncurrent portion of loans payable	<b>P964,128,877</b>	P964,864,063

### Short-term loans

On June 7, 2017, L3 obtained bank loans from CBC to fund the escrow requirement of the Provisional License (see Notes 5 and 20) and to fund the construction of the first phase of the integrated resort, hotel and casino in Lapu Lapu City, Cebu. The loan amounting to US\$15.0 million that was used to finance the escrow requirement bears an annual interest of 3.5% to 6.25% while the second loan amounting to P900.0 million that was used to mainly fund the construction bears an annual interest of 4.75% to 6.25%.

In October 2018, in connection with the refinancing of the U.S.\$15 million and P900 million facilities, CBC approved a one-year bridge loan facility that extended the tenor of L3's short-term facilities to fund (i) the escrow required to be maintained by L3 pursuant to the Provisional License and (ii) the construction of the Project. The facility is comprised of (a) a Peso loan facility in the aggregate principal amount of up to P3.1 billion, and (b) a Dollar loan facility in the aggregate principal amount of up to U.S.\$15.0 million. The Peso and Dollar facilities were fully drawn on November 26, 2018 bearing interest rates of 9.55% and 6.25%, respectively.

The details of the short-term loans, which will be due for payment on November 21, 2019 are as follows:

	June 30, 2019	December 31, 2018
Principal	<b>P3,868,600,000</b>	P3,888,700,000
Less unamortized debt issue costs	<b>18,493,151</b>	40,684,932
	<b>P3,850,106,849</b>	P3,848,015,068

The Group, through L3, 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 in part fund the ongoing construction and fit-out of the first phase of the Project.

Amortized debt issue costs of ₱17.7 million pertaining to the ₱3.1 billion loan was capitalized to CIP for the six months ended June 30, 2019 and ₱4.5 million for the U.S.\$15.0 million loan was expensed and presented as part of “Interest Expense”.

As of December 31, 2018, restricted fund of ₱140.0 million from the proceeds of the short-term loans as construction costs account by CBC is presented as “Restricted Fund” in the condensed consolidated statements of financial position. This will be released in installments upon presentation of invoices for the payment of relevant construction costs within the term of the loan in relation to the investment commitment as part of the requirements of PAGCOR (see Note 20). Restricted fund was fully withdrawn as of June 30, 2019.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of each of LLC and L3 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), lend money or credit or provide any guarantee, enter into certain profit-sharing arrangements, make voluntary prepayments in respect of its long-term indebtedness, engage in certain activities or incorporate subsidiaries, maintain certain bank accounts, incur certain capital expenditure, issue additional shares without consent, pay interest and dividends, or amend the development or project implementation plans of the Project without consent. In addition, each of LLC and L3 is 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 Project site.

L3’s loans have a corporate guaranty from Udenna and certain stockholders through a Continuing Surety Agreement with CBC (see Note 7). Failure by Udenna or by certain stockholders to repay indebtedness pursuant to agreements unrelated to L3 could trigger a cross default provision.

Interest charges incurred on these loans for the six months ended June 30, 2019 and June 30, 2018, amounted to ₱169.5 million and ₱40.8 million, respectively. The capitalized borrowing costs from the total interest charges amounted to ₱145.6 million and ₱24.6 million for the six months ended June 30, 2019 and June 30, 2018, respectively, equivalent to the effective interest of the ₱3.1 billion loans. Capitalized borrowing costs are included as part of CIP under the “Property and equipment” account in the consolidated statements of financial position (see Note 9).

#### 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 hotel resort in Tawala, Panglao Bohol which was initially funded using advances from DHPC’s related parties.

The details of the long-term loan as of June 30, 2019 and December 31, 2018 is as follows:

Principal	₱975,000,000
Less unamortized debt issue costs	11,669,556
	<u>₱963,330,444</u>

The loan will be repaid in 32 equal quarterly installments commencing on the 27th month from loan drawdown. In the event of voluntary prepayment of the loans, the DHPC shall pay the principal and accrued interest. In addition, 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 Philippine Dealing System Treasury-Reference Rate PM (PDST-R2) at the time of availment or resetting, as the case maybe, 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 for the six months ended June 30, 2019 and June 30, 2018 amounted to ₱38.2 million and nil, respectively.

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 9). The carrying value of the pledged properties amounted to ₱1,100.2 million and ₱1,102.5 million as of June 30, 2019 and December 31, 2018.

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 April 12, 2019, the bank confirmed the deferral of the testing period for the purpose of compliance with certain financial covenants.

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 the PH Travel and DHPC (see Note 7).

#### Mortgage 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 11.86% and 8.50% per annum for the six months ended June 30, 2019 and June 30, 2018 and will mature in 3 years.

The details of the loans are as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Mortgage loans	<b>₱2,349,025</b>	₱3,127,545
Less current portion of mortgage loans payable	<b>1,550,592</b>	1,593,926
Noncurrent portion of the mortgage loans payable	<b>₱798,433</b>	₱1,533,621

Interest expense incurred on these loans for the six months ended June 30, 2019 and June 30, 2018, amounted to ₱0.08 million.

### Lease liabilities

On January 1, 2019, the leases of the Group are accounted under PFRS 16 under the modified retrospective approach. The lease liabilities are initially measured at the present value of the lease payments, discounted using the incremental borrowing rates of 10.04% for 25 years and 9.49% for 3 years. The costs and accumulated depreciation recognized as right-of-use assets amounted to ₱1,183.2 million and ₱25.1 million, respectively (see Note 9).

Gross lease liabilities and present value of minimum lease payments under the Group's lease agreements as of June 30, 2019 are as follow:

	Amount
Within one year	₱132,753,710
More than one year but not more than five years	530,861,983
More than five years	2,395,868,580
Total gross lease liability	3,059,484,273
Less unamortized interest expense	1,883,296,660
Present value of future minimum lease payments	1,176,187,613
Less current portion	14,678,444
Noncurrent portion	₱1,161,509,169

The capitalized interest charges on lease liabilities amounted to ₱59.4 million for the six months ended June 30, 2019. Capitalized interest charges on lease liabilities are included as part of CIP under the "Property and equipment" in the consolidated statements of financial position (see Note 9).

## **12. Trade and Other Payables**

	June 30, 2019	December 31, 2018
Payable to contractors	<b>₱601,004,137</b>	₱309,651,085
Interest payable (Note 7)	<b>60,881,785</b>	54,241,605
Statutory payables	<b>18,247,161</b>	10,317,848
Trade payables	<b>13,598,075</b>	9,680,371
Nontrade payables	<b>12,550,133</b>	—
Accrued expenses	<b>10,577,250</b>	—
Management fees payable (Note 7)	<b>2,765,815</b>	3,472,533
Contract liabilities	<b>71,909</b>	1,384,988
Others	<b>2,206</b>	8,505,863
	<b>₱719,698,471</b>	₱397,254,293

Below are the terms and conditions of the liabilities:

- Payable to contractors are noninterest-bearing and typically settled within three months.
- Interest payables, statutory payables, including withholding taxes, payables to SSS, Pag-IBIG and Philhealth, and accrued documentary stamp taxes, trade and nontrade 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 typically settled by the end of the following month.

Retention payable to suppliers and contractors related to the construction project expected to be completed in 2021 amounted to ₱134.4 million as of June 30, 2019 and ₱85.8 million as of

December 31, 2018. This is classified as a noncurrent liability in the unaudited consolidated statement of financial position.

### 13. Equity

#### Capital Stock

The Parent Company's common shares (at ₱1 par value per share) as of June 30, 2019 and December 31, 2018 consist of the following:

	June 30, 2019		December 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Authorized	<b>8,000,000,000</b>	<b>₱8,000,000,000</b>	8,000,000,000	₱8,000,000,000
Subscribed	<b>4,793,266,504</b>	<b>₱4,793,266,504</b>	4,793,266,504	₱4,793,266,504
Subscription receivables	—	—	—	(406,376,691)
Issued and outstanding	<b>4,793,266,504</b>	<b>4,793,266,504</b>	4,793,266,504	4,386,889,813
Additional paid-in capital	—	—	—	—
Paid-up capital	<b>4,793,266,504</b>	<b>₱4,793,266,504</b>	4,793,266,504	₱4,386,889,813

#### 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% equity interests of Udenna 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 the 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 the 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).

Incremental costs of ₱69.2 million directly attributable to the issuance of shares were deducted from the additional paid-in capital of ₱58.1 million. The balance of ₱11.1 million increased the deficit to ₱110.7 million as of December 31, 2018.

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 remained uncollected as of December 31, 2018. Subscription receivables of ₱306.4 million were collected as of June 30, 2019 and the balance of ₱100.0 million was subsequently collected on July 15, 2019.

#### 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 is accounted for as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Retroactive adjustment of legal capital of			
PH Resorts	<b>₱–</b>	<b>₱–</b>	₱516,107,774
Issuance of additional shares of PH Resorts	<b>4,143,648,309</b>	4,143,648,309	–
Cash consideration	<b>406,351,691</b>	406,351,691	–
Total consideration transferred by PH Resorts	<b>4,550,000,000</b>	4,550,000,000	516,107,774
Elimination of PH Travel Group's			
legal capital	<b>(500,000,000)</b>	(500,000,000)	(500,000,000)
	<b>₱4,050,000,000</b>	₱4,050,000,000	₱16,107,774

#### **14. Other Direct Costs and Expenses**

The other direct costs and expenses consist of:

	For the six months ended	
	<b>June 30, 2019</b>	June 30, 2018
Commissions	<b>₱1,318,605</b>	₱1,401,775
Supplies	<b>1,082,640</b>	2,224,584
Departmental expenses	<b>875,754</b>	355,830
Insurance	<b>227,207</b>	226,795
Rentals	<b>3,000</b>	–
	<b>₱3,507,206</b>	₱4,208,984

## 15. Operating Expenses

	For the six months ended	
	June 30, 2019	June 30, 2018
Salaries and wages (Note 7)	<b>P58,356,892</b>	P19,037,397
Professional fees	<b>17,462,188</b>	15,048,634
Transportation and travel	<b>11,986,253</b>	4,696,586
Depreciation (see Note 9)	<b>6,287,365</b>	1,142,807
Management fees (Note 7)	<b>3,773,054</b>	5,213,270
Utilities and communications	<b>3,437,085</b>	3,693,357
Sales marketing and advertising	<b>3,081,357</b>	2,802,838
Taxes and licenses	<b>2,775,061</b>	28,640,501
Outside services	<b>1,719,467</b>	—
Rent of equipment and office (Note 7)	<b>1,234,667</b>	893,554
Repairs and maintenance	<b>1,204,093</b>	581,988
Office supplies	<b>934,289</b>	104,028
Representation and entertainment	<b>743,233</b>	1,346,263
Insurance	<b>719,581</b>	—
Organization fees	—	4,045,080
Miscellaneous	<b>1,567,509</b>	2,265,863
	<b>P115,282,094</b>	P89,512,166

## 16. Income Taxes

- The current provision for income tax pertains to final withholding taxes on interest income.
- The components of the Group's net deferred income tax assets and liabilities are as follows:

	June 30, 2019	December 31, 2018
Deferred tax assets:		
Contract liabilities	<b>P431,930</b>	P415,497
NOLCO	—	—
	<b>431,930</b>	415,497
Deferred tax liabilities:		
Debt issuance costs	<b>9,023,629</b>	15,706,458
Unrealized foreign exchange gain	—	353,740
	<b>9,023,629</b>	16,060,198
Net deferred tax assets (liabilities)	<b>(P8,591,699)</b>	(P15,644,701)

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

- c. The reconciliation between the benefit from income tax computed at statutory income tax rate and the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	For the six months ended	
	June 30, 2019	June 30, 2018
Benefit from income tax computed at statutory income tax rate of 30%	(P52,194,652)	(P23,523,962)
Tax effects of:		
Movement in NOLCO and unrealized foreign exchange for which no deferred tax asset was recognized	55,367,198	23,693,796
Nondeductible expenses	1,354,628	2,169,430
Interest income subjected to final tax	(2,331,900)	—
Debt issuance costs	(7,052,890)	—
Contract liabilities	21,573	—
	(P4,836,043)	P2,339,264

The Group did not recognize DTA amounting to P149.8 million as of June 30, 2019 and P79.0 million as of December 31, 2018 on the temporary difference arising from NOLCO and unrealized foreign exchange losses. Upon the opening of The Emerald Bay, management will reconsider this position.

As of June 30, 2019 and December 31, 2018, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Period Incurred	Expiry Date	Amount	Applied/ Expired	Unused
2017	December 31, 2020	P81,090,546	P—	P81,090,546
2018	December 31, 2021	246,990,793	—	246,990,793
2019	June 30, 2022	171,178,087	—	171,178,087
		P499,259,426	P—	P499,259,426

## 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 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:

	June 30, 2019	December 31, 2018
Cash and cash equivalents*	<b>₱55,560,717</b>	₱686,386,451
Trade and other receivables	<b>114,378,986</b>	13,986,884
Advances to related parties	<b>3,260,594</b>	45,068,343
Security deposit**	<b>6,999,158</b>	16,329,758
Restricted fund	—	139,955,985
Cash in escrow	<b>1,286,568,657</b>	1,315,918,771
<b>Total credit risk exposure</b>	<b>₱1,466,768,112</b>	<b>₱2,217,646,192</b>

\*Excluding cash on hand

\*\*Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the condensed 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 June 30, 2019 and December 31, 2018.

*Credit Quality per Class of Financial Asset.* The credit quality of financial asset is 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:

	June 30, 2019						December 31, 2018
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit- impaired	Lifetime ECL Simplified Approach	Total	
High grade	<b>₱1,342,129,374</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>₱1,342,129,374</b>	₱2,143,340,151
Medium grade	<b>124,638,738</b>	—	—	—	—	<b>124,638,738</b>	74,306,041
Standard grade	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—
Gross carrying amount	<b>1,466,768,112</b>	—	—	—	—	<b>1,466,768,112</b>	2,217,646,192
Loss allowance	—	—	—	—	—	—	—
<b>Carrying amount</b>	<b>₱1,466,768,112</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>₱1,466,768,112</b>	<b>₱2,217,646,192</b>

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.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due. “Past due but not impaired” financial assets are still collectible but with a history of frequent default. Lastly, “Impaired” items are those that are long outstanding and have been specifically identified as impaired.

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

	June 30, 2019			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	<b>₱55,560,717</b>	<b>₱–</b>	<b>₱–</b>	<b>₱55,560,717</b>
Trade and other receivables	<b>114,378,986</b>	–	–	<b>114,378,986</b>
Advances to related parties	<b>3,260,594</b>	–	–	<b>3,260,594</b>
Security deposits**	<b>6,999,158</b>	–	–	<b>6,999,158</b>
Cash in escrow	<b>1,286,568,657</b>	–	–	<b>1,286,568,657</b>
	<b>₱1,466,768,112</b>	<b>₱–</b>	<b>₱–</b>	<b>₱1,466,768,112</b>

\*Excluding cash on hand

\*\*Presented under “Prepaid and other current assets” and “Other noncurrent assets” accounts in the consolidated statements of financial position.

	December 31, 2018			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	<b>₱686,386,451</b>	<b>₱–</b>	<b>₱–</b>	<b>₱686,386,451</b>
Trade and other receivables	<b>13,986,884</b>	–	–	<b>13,986,884</b>
Advances to related parties	<b>45,068,343</b>	–	–	<b>45,068,343</b>
Security deposits**	<b>16,329,758</b>	–	–	<b>16,329,758</b>
Restricted fund	<b>139,955,985</b>	–	–	<b>139,955,985</b>
Cash in escrow	<b>1,315,918,771</b>	–	–	<b>1,315,918,771</b>
	<b>₱2,217,646,192</b>	<b>₱–</b>	<b>₱–</b>	<b>₱2,217,646,192</b>

\*Excluding cash on hand

\*\*Presented under “Prepaid and other current assets” and “Other noncurrent assets” accounts in the 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 that the Group can generate enough cash from its business operations to satisfy debt service requirements.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as of June 30, 2019 and December 31, 2018, 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.

	June 30, 2019			
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱55,560,717	₱—	₱—	₱55,560,717
Trade and other receivables	110,000,000	4,378,986	—	114,378,986
Advances to related parties	3,260,594	—	—	3,260,594
Security deposits**	—	199,158	6,800,000	6,999,158
Cash in escrow	—	—	1,286,568,657	1,286,568,657
	168,821,311	4,578,144	1,293,368,657	1,466,768,112
Loans payable****	—	4,123,968,880	1,373,238,012	5,497,206,892
Trade and other liabilities***	—	701,451,310	—	701,451,310
Retention payable	—	—	134,395,875	134,395,875
Advances from related parties	509,189,342	—	—	509,189,342
	509,189,342	4,825,420,190	1,507,633,887	6,842,243,419
Liquidity gap	(₱340,368,031)	(₱4,820,842,046)	(₱214,265,230)	(₱5,375,475,307)

\*Excluding cash on hand

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

\*\*\*Excluding statutory payables.

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

	December 31, 2018			
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱686,386,451	₱—	₱—	₱686,386,451
Trade and other receivables	10,000,000	3,986,884	—	13,986,884
Advances to related parties	45,068,343	—	—	45,068,343
Security deposits**	—	9,529,758	6,800,000	16,329,758
Restricted fund	—	139,955,985	—	139,955,985
Cash in escrow	—	—	1,315,918,771	1,315,918,771
	741,454,794	153,472,627	1,322,718,771	2,217,646,192
Loans payable****	—	4,243,851,910	1,648,107,310	5,891,959,220
Trade and other liabilities***	—	386,938,465	—	386,938,465
Retention payable	—	—	85,776,468	85,776,468
Advances from related parties	1,279,332,675	—	—	1,279,332,675
	1,279,332,675	4,630,790,375	1,733,883,778	7,644,006,828
Liquidity gap	(₱537,877,881)	(₱4,477,317,748)	(₱411,165,007)	(₱5,426,360,636)

\*Excluding cash on hand

\*\*Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the condensed 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.

### *Foreign Currency-denominated Financial Assets and Financial Liabilities*

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

	June 30, 2019		December 31, 2018	
	US\$ Value	Peso Equivalent	US\$ Value	Peso Equivalent
<b>Assets</b>				
Cash	\$47,141	P2,415,505	\$447,575	P23,533,494
Receivables	38,979	1,997,284	20,520	1,078,944
Cash in escrow	25,108,678	1,286,568,661	25,026,983	1,315,918,771
	<b>25,194,798</b>	<b>1,290,981,450</b>	25,495,078	1,340,531,209
<b>Liabilities</b>				
Loans payable	15,000,000	768,600,000	15,000,000	788,700,000
<b>Total</b>		<b>P522,381,450</b>		<b>P551,831,209</b>

As of June 30, 2019 and December 31, 2018, the closing exchange rate was P51.24 and P52.58 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). There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
<b>June 30, 2019</b>	<b>Increase by 2.55%</b>	<b>P13,320,726</b>
	<b>Decrease by 2.55%</b>	<b>(13,320,727)</b>
December 31, 2018	Increase by 5.31%	P29,302,238
	Decrease by 5.31%	(29,302,238)

### 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 others 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 changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payment to stockholders, return capital to stockholders or issue new shares. The Group's liability-to-equity ratios are as follows:

	<b>June 30, 2019</b>	December 31, 2018
Total liabilities	<b>₱9,942,849,318</b>	₱6,592,481,194
Total equity	<b>463,398,562</b>	226,168,001
	<b>21.46:1</b>	29.15:1

The Group's goal in capital management is to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio. This will be addressed with its planned suitable financing and capital raising options and expansion projects. The debt 70% debt – 30% equity capital management goal is also in line with L3 and CGLC's Provisional License Agreement with PAGCOR (see Note 20).

## 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 ₱950.3 million is determined by discounting the expected cash flows using the discount rate of 7.07% as of June 30, 2019. Fair value measurement is categorized under Level 3 with significant observable inputs.

## 19. Deconsolidation of a Subsidiary

- a. Analysis of assets and liabilities of AAPI as of January 12, 2018 are as follows:

<i>Assets</i>	
Cash and cash equivalents	₱7,251,958
Advances to a related party	189,785
Prepayments and other current assets	208,965
Property and equipment – net (Note 9)	1,653,882
Deferred input VAT	149,786
Total Assets	9,454,376
<i>Liabilities</i>	
Accounts payable and other current liabilities	71,413
Net assets of deconsolidated subsidiary	₱9,382,963

b. Gain on sale of investment in a subsidiary

Consideration	₱10,000,000
Less net assets of deconsolidated subsidiary	9,382,963
Gain on sale of investment in a subsidiary	₱617,037

As of June 30, 2019 and December 31, 2018, the consideration remains due from a related party and presented as part of “Trade and other receivables” in the condensed consolidated statements of financial position (see Note 6).

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## 20. Commitments and Contingencies

### License Agreement with PAGCOR

- i. As discussed in Note 1, on May 3, 2017, PAGCOR issued a Provisional License (License) authorizing L3 to develop approximately 12.5 hectares in LapuLapu City, Mactan Island, Cebu Province to establish and operate casinos and engage in gaming activities. The term of L3’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 L3’s License may be revoked or suspended upon failure of L3 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, L3’s debt-equity ratio was 78% - 22%, which exceeded the required debt to equity ratio of PAGCOR. On February 19, 2018, the SEC approved the application for the increase in the authorized capital stock of L3 from ₱500.0 million to ₱1,500.0 million. Subsequently, on March 5, 2018, L3 was given an extension by PAGCOR until April 30, 2018 to comply with the 70% debt - 30% equity ratio requirement.

On April 17, 2018, L3 and Udenna Development Corp. (UDEVCO) submitted a request to PAGCOR to:

- Amend the Provisional License to remove UDEVCO as a co-licensee and replace it with its wholly-owned subsidiary, LLC.
- 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 has fully subscribed the remaining ₱1,000.0 million authorized capital stock of L3.

On July 19, 2018, PAGCOR approved the amendments of the Provisional License to remove UDEVCO as a co-licensee and replace it with its wholly-owned subsidiary, LLC and use the pro-forma consolidated 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 L3 and LLC is 69% - 31%.

On March 5, 2019, the management 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 December 31, 2018, is computed using total liabilities, the debt-equity ratio of L3 is 77% - 23% --- higher than the required 70% - 30% debt-equity ratio of PAGCOR. LLC's debt-equity ratio is 57% - 43% as of December 31, 2018 which is in compliance with the ratio requirement.

The debt-equity ratio as of June 30, 2019 of L3 is 85% - 15% while LLC is 58% - 42%. PAGCOR requested L3 and LLC to comply within ninety (90) calendar days from receipt of the letter or by September 15, 2019. As of August 14, 2019, L3 and LLC are not in legal breach of this requirement.

*(b) Investment Commitments*

As required by the License, L3 is required to complete its US\$300.0 million (approximately ₱14,976.9 million) 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 June 30, 2019 and December 31, 2018, capitalized costs related to the Project amounted to ₱3,837.5 million and ₱2,786.9 million, respectively (see Note 9).

As a requirement in developing the aforementioned Project, L3 opened an escrow account with a local bank mutually agreed by PAGCOR and L3. At any given time, the escrow account shall have a maintaining balance of not lower than US\$15.0 million (about ₱748.8 million) (see Note 5). For failure to comply with such maintaining balance requirement, L3 shall be charged by PAGCOR an amount equal to ₱1.0 million for every 15 calendar day period, or a fraction thereof, until the noncompliance is corrected. Withdrawals from the escrow deposit can be made only for the construction costs and other fees for the development of the investment commitment. The investment amount shall be exhausted for each phase of the project. The escrow deposit requirement is effective until the completion of the Project and/or upon the receipt of a written notice from the Licensee, duly acknowledged by PAGCOR, instructing the full withdrawal of the deposit and termination of the escrow agreement, whichever comes first.

*(c) Requirement to Establish a Foundation*

L3, 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 L3 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 L3 as no gaming revenue has been recognized for the six months ended June 30, 2019 and June 30, 2018.

- 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:

*(a) Investment Commitments*

As required by the License Agreement, CGLC is required to invest a minimum of U.S.\$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 shall transfer the amount of U.S.\$20 million within 15 banking days from signing of the License to an Escrow Account into which all funds for development of Clark must be deposited and all funds withdrawn from this account must be used only for such development and should maintain a balance of U.S.\$10 (“maintaining balance”).

*(b) 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 an 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 considers its interest-bearing liabilities as debt in the absence of any specification or definition in the License Agreement. As of December 31, 2018, CGLC’s debt-equity ratio based on interest-bearing liabilities was 0% - 100%. Management believes the Company met the required debt to equity ratio requirement of PAGCOR.

On March 5, 2019, the management sent a letter to PAGCOR to clarify the definition of debt. On June 17, 2019, the Group has 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 December 31, 2018, is computed using total liabilities, the Company’s debt-equity ratio is 82% - 18% --- higher than the required 70% - 30% debt-equity ratio of PAGCOR.

The debt-equity ratio as of June 30, 2019 of CGLC is 82% - 18%. PAGCOR requested CGLC to comply within ninety (90) calendar days from receipt of the letter or by September 15, 2019. As of August 14, 2019, CGLC is not in legal breach of this requirement.

(c) *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 six months ended June 30, 2019 and for the period from March 7 to June 30, 2018.

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## 21. 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:

	Six months ended	
	June 30, 2019	June 30, 2018
Net loss attributable to the equity holders of the Parent Company	(P169,146,130)	(P80,752,470)
Divided by weighted average number of common shares of Parent Company	4,793,266,504	243,241,504
	(P0.0353)	(P0.3320)

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

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## 22. 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 six months ended June 30, 2019 and as of June 30, 2019:

Six months Ended June 30, 2019				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	P35,228,241	P–	P–	P35,228,241
Results				
Direct costs and expenses	(15,378,101)	–	–	(15,378,101)
Operating expenses	(19,170,545)	(89,824,184)	–	(108,994,729)
Foreign exchange loss - net	–	(13,148,529)	–	(13,148,529)
Depreciation	(3,979,877)	(2,307,488)	–	(6,287,365)
Interest expense	(38,251,226)	(42,988,306)	–	(81,239,532)
Interest income	32,245	15,130,991	–	15,163,236
Income tax expense	(6,449)	4,842,492	–	4,836,043
Other non-operating income (expense) - net	738,700	(64,094)	–	674,606
Net loss	(P40,787,012)	(P128,359,118)	P–	(P169,146,130)
June 30, 2019				
	Hotels and Restaurant	Others	Eliminations	Total
Assets and liabilities				
Operating assets	P1,209,994,865	P20,652,962,234	(P11,456,709,219)	P10,406,247,880
Deferred tax asset	–	–	–	–
Total assets	P1,209,994,865	P20,652,962,234	(P11,456,709,219)	P10,406,247,880
Operating liabilities	P182,063,101	P8,527,251,362	(P4,781,709,219)	P3,927,605,244
Loans and borrowings	964,515,196	5,042,137,179	–	6,006,652,375
Deferred tax liabilities	3,085,370	5,506,329	–	8,591,699
Total liabilities	P1,149,663,667	P13,574,894,870	(P4,781,709,219)	P9,942,849,318

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the six months ended June 30, 2018 and as of December 31, 2018:

June 30, 2018				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	P40,084,087	P–	P–	P40,084,087
Results				
Direct costs and expenses	(20,584,708)	–	–	(20,584,708)
Operating expenses	(15,116,157)	(72,004,115)	–	(87,120,272)
Foreign exchange gain - net	–	(4,108,398)	–	(4,108,398)
Depreciation	(353,276)	(789,531)	–	(1,142,807)
Interest expense	–	(16,270,767)	–	(16,270,767)
Interest income	–	7,231,434	–	7,231,434
Income tax expense	(2,073,344)	(265,920)	–	(2,339,264)
Gain on disposal of a subsidiary	–	–	617,037	617,037
Other non-operating income – net	2,881,188	–	–	2,881,188
Net income (loss)	P4,837,790	(P86,207,297)	P617,037	(P80,752,470)

December 31, 2018				
Assets and liabilities				
Operating assets	₱1,209,752,605	₱14,232,825,504	(₱8,623,928,914)	₱6,818,649,195
Deferred tax asset	—	—	—	—
<b>Total assets</b>	<b>₱1,209,752,605</b>	<b>₱14,232,825,504</b>	<b>(₱8,623,928,914)</b>	<b>₱6,818,649,195</b>
Operating liabilities	₱140,688,831	₱3,570,603,519	(₱1,948,928,914)	₱1,762,363,436
Loans payable	964,860,196	3,849,612,861	—	4,814,473,057
Deferred tax liabilities	3,085,481	12,559,220	—	15,644,701
<b>Total liabilities</b>	<b>₱1,108,634,508</b>	<b>₱7,432,775,600</b>	<b>(₱1,948,928,914)</b>	<b>₱6,592,481,194</b>

## 23. Notes to Consolidated Statements of Cash Flows

The following are the noncash investing activities of the Group for the six months ended June 30, 2019:

	June 30, 2019
<b>Noncash investing activities:</b>	
Sale of subsidiary still receivable as of December 31, 2018 (Notes 1, 7 and 19)	
Trade and other receivables	10,000,000
Property and equipment (Note 9)	102,221,813

Changes in liabilities and equity arising from financing activities:

	January 1, 2019	Cash flows	Noncash changes	June 30, 2019
Loans payable	₱4,811,345,512	₱—	₱2,091,781	₱4,813,437,293
Lease liabilities	1,242,563,993	(66,376,380)	—	1,176,187,613
Mortgage loans	3,127,544	(778,519)	—	2,349,025
Interest payable	54,241,605	(70,088,852)	76,729,032	60,881,785
Advances from related parties	1,279,332,675	(770,143,333)	—	509,189,342
Deposit for future stock subscription	—	2,579,000,000	—	2,579,000,000
Retention payables	85,776,468	48,619,407	—	134,395,875
Capital Stock	4,793,266,504	—	—	4,793,266,504
Equity reserve	(4,050,000,000)	—	—	(4,050,000,000)
<b>Total liabilities and equity from financing activities</b>	<b>₱8,219,654,301</b>	<b>₱1,720,232,323</b>	<b>₱78,820,813</b>	<b>₱10,018,707,437</b>

Noncash changes include effect of accrual of interests, amortization of debt issue costs, capitalized borrowings costs accounted under investing activities and capitalized interest charges on lease liabilities and depreciation of right-of-use assets.

## 24. Net Loss/Total Comprehensive Loss

The Group's net loss is the same with the total comprehensive loss for the six months ended June 30, 2019 and June 30, 2018 since the Group does not have other comprehensive income or loss.

## 25. Subsequent Events

Other than those transactions as disclosed in Note 13, there are no material events subsequent to the end this interim period that have not been reflected in the unaudited condensed consolidated financial statements.

## **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 June 30, 2019 and December 31, 2018, and for the six months ended June 30, 2019 and June 30, 2018.

### **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) paid-up capital; and, to a certain extent, (3) cash flow from operations of the Donatela Hotel. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity.

LapuLapu Leisure, Inc. (L3) is the developer of The Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu City, Cebu, Philippines. Construction of The Emerald Bay commenced in December 2017 and is expected to be completed in time for the scheduled opening of The Emerald Bay in December 2020.

Clark Grand Leisure Corp. (CGLC) is the developer of The Base, an integrated tourism resort to be located on a 4.4-hectare site in Clark Global City, Clark Freeport Zone, Pampanga, approximately seven kilometers away from the Clark International Airport (CRK). The Base is expected to be completed by 2023.

Donatela Hotel Panglao Corp. (DHPC) is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the Donatela Hotel in 2017. DHPC was incorporated on November 7, 2017 and Donatela Hotel currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. It is located on a 7.5-hectare property approximately a 10-minute drive from the Bohol-Panglao International Airport (TAG).

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's gaming and hotel operations and fill a number of managerial and administrative roles within the Company's principal office in the third quarter of 2019.

## 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)

		Six months ended June 30	
		2019	2018
<b>I. PROFITABILITY</b>			
<b>Basic Loss per Share</b>	=	(Net income/loss – Preferred dividends)	(169,146,130) (80,752,470)
		Weighted average number of common shares outstanding	4,793,266,504 243,241,504
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.			(0.0353) (0.3320)
<b>Return on Total Assets</b>	=	Net income/loss	(169,146,130) (80,752,470)
		Total Assets	10,406,247,880 3,629,802,622
It measures efficiency of the Group in using its assets to generate net income.			(0.0163) (0.0222)
<b>Return on Equity</b>	=	Net income/loss	(169,146,130) (80,752,470)
		Stockholder's Equity	463,398,562 342,800,147
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			(0.3650) (0.2356)
		<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>II. FINANCIAL LEVERAGE</b>			
<b>Debt Ratio</b>	=	Total Debt	5,130,786,318 4,991,573,058
		Total Assets	10,406,247,880 6,818,649,195
It measures the degree to which the assets of the business are financed by the debt and the shareholders' equity of a business. Total debt includes interest-bearing liabilities only.			0.4930 0.7320
<b>Debt to Equity Ratio</b>	=	Total Debt	5,130,786,318 4,991,573,058
		Shareholder's Equity	463,398,562 226,168,001
It measures the degree to which a company is financing its operations through debt versus wholly owned funds. Total debt includes interest-bearing liabilities only.			11.0721 22.0702

		<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Asset-to-Equity Ratio</b>	=		
	Total assets	10,406,247,880	6,818,649,195
	Stockholders' equity	463,398,562	226,168,001
Relates to the proportion of total assets financed by the Group's equity.		22.4564	30.1486

### III. MARKET VALUATION

<b>Price to Book Ratio</b>	=	Market value/share	5.5400	5.4500
		Book value/share	0.0967	0.0472
Relates the Group's stock market value to its book value per share			57.3042	115.4661

### IV. LIQUIDITY

<b>Current Ratio</b>	=	Current assets	1,884,722,348	950,182,087
		Current liabilities	7,674,223,698*	5,526,195,962*
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.			0.2456*	0.1719*

\*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 Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

	For the six months ended June 30,		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2019	2018	Inc/ (Dec)	%	2019	2018
<b>NET OPERATING REVENUES</b>						
Food and beverage	17,864,332	22,386,425	(4,522,093)	-20%	51%	56%
Rooms	15,597,887	16,523,446	(925,559)	-6%	44%	41%
Others	1,766,022	1,174,216	591,806	50%	5%	3%
	35,228,241	40,084,087	(4,855,846)	-12%	100%	100%
<b>DIRECT COSTS AND EXPENSES</b>						
Inventories consumed	6,341,603	8,167,169	(1,825,566)	-22%	18%	20%
Salaries and wages	5,529,292	6,959,468	(1,430,176)	-21%	16%	17%
Other costs and expenses	3,507,206	4,208,984	(701,778)	-17%	10%	11%
	15,378,101	19,335,621	(3,957,520)	-20%	44%	48%
<b>GROSS INCOME</b>	19,850,140	20,748,466	(898,326)	-4%	56%	52%
<b>OPERATING EXPENSES</b>	115,282,094	89,512,166	25,769,928	29%	327%	223%
<b>OPERATING LOSS</b>	(95,431,954)	(68,763,700)	(26,668,254)	39%	-271%	-172%
<b>NON-OPERATING INCOME</b>						
Interest expense	(81,239,532)	(16,270,767)	(64,968,765)	399%	-231%	-41%
Interest income	15,163,236	7,231,434	7,931,802	110%	43%	18%
Gain on disposal of a subsidiary	-	617,037	(617,037)	-100%	0%	2%
Foreign exchange gain (loss) – net	(13,148,529)	(4,108,398)	(9,040,131)	220%	-37%	-10%
Other income (expenses)	674,606	2,881,188	(2,206,582)	-77%	2%	7%
	(78,550,219)	(9,649,506)	(68,900,713)	714%	-223%	-24%
<b>LOSS BEFORE INCOME TAX</b>	(173,982,173)	(78,413,206)	(95,568,967)	122%	-494%	-196%
<b>PROVISION (BENEFIT FROM) FOR INCOME TAX</b>	(4,836,043)	2,339,264	(7,175,307)	-307%	-14%	6%
<b>NET LOSS</b>	(169,146,130)	(80,752,470)	(88,393,660)	109%	-480%	-201%
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	0%	0%	0%
<b>TOTAL COMPREHENSIVE LOSS</b>	(169,146,130)	(80,752,470)	(88,393,660)	109%	-480%	-201%
<b>Basic and Diluted Loss Per Share</b>	(0.0353)	(0.3320)	0.30	-89%		

## **SIX MONTHS ENDED JUNE 30, 2019 COMPARED TO SIX MONTHS ENDED JUNE 30, 2018**

### **NET OPERATING REVENUE**

The Group reported net operating revenues of ₱35.23 million, representing a 12% decrease from ₱40.08 million in 2018. The decrease in revenue was primarily due to temporary closure of some rooms for two months to start the planned expansion.

### **DIRECT COSTS AND EXPENSES**

Direct costs and expenses of the Group for 2019 registered at ₱15.38 million, representing 20% decrease from ₱19.34 million in 2018. The corresponding decrease in direct operating costs is primarily due to lower operating revenues for the period. Direct cost incurred represents 44% of the total net operating revenues, resulting a 4 percentage-point decrease in the cost-revenue ratio when compared to the previous period last year.

#### Salaries and wages

The Group incurred total salaries and wages expenses of ₱5.53 million, representing payroll of employees directly involved in providing hotel and food and beverage services. This represents 16% of the net operating revenues and there were no significant changes from the prior period.

#### Inventories consumed

The Group reported inventory consumption of ₱6.34 million, which is 18% of net operating revenues and there were no material changes from the prior period.

### **OPERATING EXPENSES**

Total operating expenses are related to the management and administration of The Emerald Bay project, operations of the Donatela Hotel and other organizational expenses. Operating expenses were ₱115.28 million, representing a 31% increase from ₱88.26 million for the same period last year. The increase in operating expenses is primarily due to the ongoing construction of The Emerald Bay.

#### Salaries and wages

Salaries and wages amounted to ₱58.36 million, representing an increase of ₱39.32 million from last year. Salaries and wages increased due to the hiring of a full management and pre-operating team representing a full ramp-up of construction of The Emerald Bay.

#### Taxes and licenses

Taxes and licenses decreased to ₱2.78 million from ₱28.64 million same period last year. The higher taxes and licenses in the previous period was primarily due to documentary stamp taxes for the monthly roll-over of short-term loans and other related taxes paid for the increase in authorized capital stock.

#### Transportation and Travel

Transportation and travel amounted to ₱11.99 million, reflecting an increase of ₱7.29 million. The increase was due to the roadshow transportation and travel expenditures incurred by the Group.

#### Depreciation

Depreciation increased by ₱5.14 million from ₱1.14 million due to the full-period depreciation of the newly acquired property and equipment of the Group.

## **NON-OPERATING EXPENSES**

### Interest Expense

Interest expense incurred on borrowings increased to ₱81.24 million from ₱16.27 million for the same period last year. This is due to full six-month interest of the bridge loan facility of USD15.0 million and ₱900.0 million loan with CBC and the term loan with UCPB amounting to ₱975.0 million.

### Interest income

Interest income increased to ₱15.16 million as compared to ₱7.23 million in 2018 reflecting higher escrow account balances of USD25.0 million, held with local banks, versus USD15.0 million last year.

## **PROVISION FOR/ (BENEFIT FROM) INCOME TAX**

The Group reported a benefit from income tax mainly due to the upfront recognition of deferred taxes on debt issuance costs from borrowings incurred in 2018.

## **NET LOSS**

Net losses widened by ₱88.39 million to ₱169.15 million due to higher pre-operating costs and interest expense reflecting the full ramp-up of construction activity at The Emerald Bay.

## **EARNINGS (LOSS) PER SHARE**

Despite a wider net loss for the period, losses per share declined to ₱0.0353 in 2019 from ₱0.3320 for the same period in 2018 due to a higher number of outstanding shares in the current period.

**Financial Position**  
**(Comparison of June 30, 2019 and December 31, 2018)**

	June 30	December 31	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2019	2018	Movement from prior period	% of Total Assets/Liabilities&Equity	2019	2018
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 55,956,442	P 686,846,385	(P 630,889,943)	-92%	0.54%	10.07%
Trade and other receivables	114,378,986	13,986,884	100,392,102	718%	1.10%	0.21%
Advances to related parties	3,260,594	45,068,343	(41,807,749)	-93%	0.03%	0.66%
Inventories	2,631,935	1,761,369	870,566	49%	0.03%	0.03%
Restricted fund	–	139,955,985	(139,955,985)	-100%	0.00%	2.05%
Advances for future stock acquisition	1,637,000,000	–	1,637,000,000	100%	15.73%	0.00%
Prepayments and other current assets	71,494,391	62,563,121	8,931,270	14%	0.69%	0.92%
<b>Total Current Assets</b>	<b>1,884,722,348</b>	<b>950,182,087</b>	<b>934,540,261</b>	<b>98%</b>	<b>18.12%</b>	<b>13.94%</b>
<b>Noncurrent Assets</b>						
Property and equipment	5,204,068,475	3,932,239,892	1,271,828,583	32%	50.01%	57.67%
Right-of-use assets	1,158,033,059	–	1,158,033,059	-100%	11.13%	0.00%
Deposit for future property acquisition	26,812,449	111,430,494	(84,618,045)	-76%	0.26%	1.63%
Cash in escrow	1,286,568,657	1,315,918,771	(29,350,114)	-2%	12.36%	19.30%
Input value-added tax	388,540,560	280,192,836	108,347,724	39%	3.73%	4.11%
Advances to suppliers	432,363,935	213,337,217	219,026,718	103%	4.15%	3.13%
Other noncurrent assets	25,138,397	15,347,898	9,790,499	64%	0.24%	0.23%
<b>Total Noncurrent Assets</b>	<b>8,521,525,532</b>	<b>5,868,467,108</b>	<b>2,653,058,424</b>	<b>45%</b>	<b>81.88%</b>	<b>86.07%</b>
<b>TOTAL ASSETS</b>	<b>P 10,406,247,880</b>	<b>P 6,818,649,195</b>	<b>P 3,587,598,685</b>	<b>53%</b>	<b>100.00%</b>	<b>100.01%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	P 3,851,657,441	P 3,849,608,994	P 2,048,447	0%	37.01%	56.46%
Trade and other payables	719,698,471	397,254,293	322,444,178	81%	6.92%	5.83%
Advances from related parties	509,189,342	1,279,332,675	(770,143,333)	-60%	4.89%	18.76%
Deposit for future stock subscription	2,579,000,000	–	2,579,000,000	100%	24.78%	0.00%
Lease liabilities	14,678,444	–	14,678,444	100%	0.14%	0.00%
<b>Total Current Liabilities</b>	<b>7,674,223,698</b>	<b>5,526,195,962</b>	<b>2,148,027,736</b>	<b>39%</b>	<b>73.75%</b>	<b>81.05%</b>
<b>Noncurrent Liabilities</b>						
Lease liabilities - net of current portion	1,161,509,169	–	1,161,509,169	100%	11.16%	0.00%
Loans payable - net of current portion	964,128,877	964,864,063	(735,186)	0%	9.26%	14.15%
Retention payable	134,395,875	85,776,468	48,619,407	57%	1.29%	0.00%
Deferred tax liabilities- net	8,591,699	15,644,701	(7,053,002)	-45%	0.08%	0.00%
<b>Total Noncurrent Liabilities</b>	<b>2,268,625,620</b>	<b>1,066,285,232</b>	<b>1,202,340,388</b>	<b>113%</b>	<b>21.80%</b>	<b>15.64%</b>
<b>Total Liabilities</b>	<b>9,942,849,318</b>	<b>6,592,481,194</b>	<b>3,350,368,124</b>	<b>51%</b>	<b>95.55%</b>	<b>97%</b>
<b>Equity</b>						
Capital stock	4,793,266,504	4,793,266,504	–	0%	46.06%	70.30%
Subscription receivables	–	(406,376,691)	(406,376,691)	-100%	0.00%	0.00%
Additional paid-in capital	–	–	–	0%	0.00%	0.00%
Equity reserve	(4,050,000,000)	(4,050,000,000)	–	0%	-38.92%	-59.40%
Retained earnings (deficit)	(279,867,942)	(110,721,812)	(169,146,130)	153%	-2.69%	-1.62%
<b>Total Equity</b>	<b>463,398,562</b>	<b>226,168,001</b>	<b>237,230,561</b>	<b>105%</b>	<b>4.45%</b>	<b>3.32%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 10,406,247,880</b>	<b>P 6,818,649,195</b>	<b>3,587,598,685</b>	<b>53%</b>	<b>100.00%</b>	<b>100.00%</b>

The total assets of the Group increased by P3.59 billion or by 53% compared to the P6.82 billion at the beginning of the year. 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 98% or ₱934.54 million to ₱1.88 billion due to the continuous operations of DHPC and investing activities of the Group. The substantial increase in current assets is primarily due to the increase in trade and other receivables by ₱100.39 million, advances for future stock acquisition by ₱1.64 billion and prepayments and other current assets by ₱8.93 million which were partially offset by the decrease in cash and cash equivalents by ₱630.89 million, advances to related parties by ₱41.81 million and restricted fund by ₱139.96 million compared to the prior year.

Cash and cash equivalents decreased to ₱55.96 million from ₱686.85 million. This is equivalent to a 92% decrease primarily due to payments to contractors and suppliers for The Emerald Bay project.

Trade and other receivables increased to ₱114.38 million from ₱13.99 million mainly due to subscription receivables.

Advances to related parties decreased by 93% or by ₱41.81 million as a result of collections of advances outstanding during the period.

Inventories consisting of food, beverage and operating supplies, increased to ₱2.63 million from ₱1.76 million. These inventories are for DHPC's business operations which started in 2018.

Restricted fund of ₱139.96 million as of December 31, 2018 reflecting Chinabank loan proceeds was fully released in 2019 upon presentation of invoices for the payment of relevant project construction costs.

Advances for future stock acquisition of ₱1.64 billion pertains to advance payments made by the Group for a future business acquisition of LLC.

Prepayments and other current assets increased to ₱71.49 million from ₱62.56 million due to the prepaid rental payments on The Emerald Bay property and deposits made under various contracts with suppliers.

## **NONCURRENT ASSETS**

The Group's noncurrent assets increased by ₱2.65 billion from ₱5.87 billion to ₱8.52 billion. The incremental movement in noncurrent assets is attributable to the increase in property and equipment by ₱1.27 billion, right-of-use assets by ₱1.16 billion, input value-added tax by ₱108.35 million, advances to suppliers by ₱219.03 million and other noncurrent assets by ₱9.79 million which were partially offset by the decrease in deposit for future property acquisition by ₱84.62 million compared to the prior year.

Property and equipment increased by ₱1.27 billion to ₱5.20 billion due to the ongoing construction of The Emerald Bay and acquisition of various parcels of land in Lanang, Davao City.

Right-of-use assets amounted to ₱1.16 billion were recognized in compliance to the new effective standard for leases, PFRS16.

Deposit for future property acquisition decreased to ₱26.81 million from ₱111.43 million due to the application of the deposits made for the acquisition of the Azuela property in Davao City.

Input-value added tax increased to ₱388.54 million from ₱280.19 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 ₱388.54 million from ₱213.34 million in connection with construction of The Emerald Bay.

Other noncurrent assets increased to ₱25.14 million from ₱15.35 million. This account consists of lot right of way and sample or model items of the hotel.

### **CURRENT LIABILITIES**

The Group's current liabilities increased by ₱2.15 billion from ₱5.53 billion to ₱7.67 billion. Current liabilities increased due to the increase in trade and other payables by ₱322.44 million and the deposit for future stock subscription of ₱2.58 billion, which was partially offset by the lower advances from related parties.

Trade and other payables increased to ₱719.70 million from ₱397.25 million due to current billings related to the ongoing construction of The Emerald Bay.

Advances from related parties decreased to ₱509.19 million from ₱1.28 billion due to the repayment of advances from 2018.

### **NONCURRENT LIABILITIES**

The Group's noncurrent liabilities increased by ₱1.20 billion from period to period.

Lease liabilities amounted to ₱1.16 billion were recognized to comply the new effective accounting standards on leases.

Retention payable increased to ₱134.62 million. This is a certain percentage of billings from suppliers and contractors that is being withheld until the completion of each contract.

Deferred tax liabilities decreased to ₱8.59 million mainly due to the amortization of debt issuance costs related to the short-term and long-term loans availed of last year.

### **EQUITY**

The Group's equity increased by ₱237.23 million from ₱226.17 million to ₱463.40 million primarily due to the additional subscription of shares.

## 2.4 Liquidity and Capital Structure

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

### Liquidity

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

Below is the table of consolidated cash flows of the Group for the six months ended June 30, 2019 and June 30, 2018.

	For the six months ended June 30		Movement from prior period	
	2019	2018	Increase (decrease)	Change in %
Net cash provided by (used in) operating activities	₱ 259,425,828	₱ 570,635,147	(₱ 311,209,319)	-55%
Net cash used in investing activities	(2,770,010,964)	(1,453,830,968)	(1,316,179,996)	91%
Net cash provided by financing activities	1,879,746,883	783,331,107	1,096,415,776	140%
Net decrease in cash and cash equivalents	(630,838,253)	(99,864,714)	(530,973,539)	532%
Effect of foreign exchange on cash and cash equivalents	(51,690)	—	(51,690)	-100%
Cash and cash equivalents at beginning of period	686,846,385	165,586,738	686,846,385	100%
<b>Cash and cash equivalents at end of period</b>	<b>₱ 55,956,442</b>	<b>₱ 65,722,024</b>	<b>(9,765,582)</b>	<b>-15%</b>

Cash and cash equivalents decreased by ₱9.77 million or by 15% from ₱65.72 million to ₱55.96 million due to various payments to contractors and suppliers of The Emerald Bay.

The net cash provided by operating activities amounted to ₱259.43 million in 2019 and ₱570.64 million in 2018 primarily due to improved payment terms from suppliers.

The net cash used in investing activities amounted to ₱2.77 billion in 2019 and ₱1.45 billion in 2018. These investing activities include the ongoing construction of The Emerald Bay; an advance made to an affiliate for the acquisition of LLC; advances to suppliers; input value-added tax; and, other noncurrent assets. These were partially offset by the interest income earned.

The net cash provided by financing activities amounted to ₱1.88 billion in 2019 and ₱783.33 million in the prior period. These financing activities mainly represent the advances received from related parties, net of payments made; proceeds from loan borrowings; and, the proceeds from the deposit for future stock subscription by Udenna.

### Capital Sources

Below is the table showing the Group's capital sources as of June 30, 2019 and December 31, 2018.

	June 30,	December 31	Movement from prior period	
	2019	2018	Increase (decrease)	Change in %
Loans payable*	₱ 4,815,786,318	₱ 4,814,473,057	1,313,261	0%
Equity	463,398,562	226,168,001	237,230,561	105%
<b>Total loans payable and equity</b>	<b>₱ 5,279,184,880</b>	<b>₱ 5,040,641,058</b>	<b>238,543,822</b>	<b>5%</b>

\*Includes bridge loan facility

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 remained uncollected as of December 31, 2018. Subscription receivables of ₱306.4 million were collected as of June 30, 2019 and the balance of ₱100.0 million was subsequently collected on July 15, 2019.

## **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, restricted fund, 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 aging of trade and other receivables as of June 30, 2019 is shown below.

Current	₱114,378,986
Past due:	
1 to 90 days	-
Over 90 days	-
Total	₱114,378,986

### **Dividends**

No dividends were declared for the six months ended June 30, 2019 and June 30, 2018.

### **Issuances, Repurchases, and Repayments of Debt and Equity Securities**

On December 26, 2018, there was an issuance of 4,550,025,000 shares pursuant to the increase in authorized capital stock of the Corporation and additional subscription of shares by other investors.

### **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**

None

**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 required by the PAGCOR Provisional Licenses issued to L3 and CGLC. L3 is required to complete a 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, (2) paid-up capital, and, to a certain extent, (3) cash flow from operations of the Donatela Hotel.

**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.)**

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**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*



**LARA C. LORENZANA**

*Chief Financial Officer*

Signed this 14<sup>th</sup> day of August 2019