

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

info@phresorts.com

Company's Telephone Number

(632) 8838-1985

Mobile Number

N/A

No. of Stockholders

22

Annual Meeting (Month / Day)

3rd Wednesday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Lara Lorenzana

Email Address

lara.lorenzana@phresorts.com

Telephone Number/s

(632) 8838-1985

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

20th Flr. Udenna Tower, Rizal Drive cor. 4th Ave. 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: **September 30, 2021**
2. SEC Identification No. **CS200901269**
3. BIR Tax Identification No. **007-236-853-000**
4. Exact name of registrant as specified in its charter:
PH RESORTS GROUP HOLDINGS, INC.
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code : _____ (SEC Use Only)
7. Address of principal office and Postal Code:
20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City 1634
8. Registrant's telephone no. and area code: **(632) 8838-1985**
9. Former name, address, and fiscal year, if changed since last report:
PHILIPPINE H2O VENTURES CORP., GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023

10. Securities registered pursuant to Sections 4 & 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock</u>				<u>of</u>	<u>Debt</u>		
	<u>Outstanding</u>	<u>&/or Amount</u>						
	<u>Outstanding</u>							
Common Stock, ₱ 1 par value	7,282,017,027 shares							

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes ☒ No ☐

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

There are 5,243,266,504 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 ☐

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PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
(with Comparative Audited Figures as of December 31, 2020)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱45,501,266	₱596,846,911
Trade and other receivables (Notes 5, and 6)	11,514,318	11,853,059
Advances to related parties (Note 6)	2,039,741	2,039,341
Inventories - at cost	2,835,806	2,157,160
Prepayments and other current assets (Notes 7)	41,272,846	39,943,523
Total Current Assets	103,163,977	652,839,994
Noncurrent Assets		
Property and equipment		
Construction-in-progress and others - at cost (Notes 8, 9, and 10)	7,567,389,058	6,731,798,799
Land - at revalued amount (Notes 8 and 9)	7,733,031,432	7,662,366,513
Right-of-use-assets (Note 11)	26,868,619	49,439,123
Deposits for future property acquisition (Note 9)	61,812,449	36,812,449
Cash in escrow (Notes 5 and 19)	256,551,373	241,759,396
Input value-added tax (VAT) - net (Note 7)	669,468,840	619,534,480
Advances to contractors (Note 8)	610,366,564	566,890,807
Other noncurrent assets	72,015,213	38,919,155
Total Noncurrent Assets	16,997,503,548	15,947,520,722
TOTAL ASSETS	₱17,100,667,525	₱16,600,360,716
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 10)	₱6,083,424,556	₱6,878,300,083
Trade and other payables (Notes 6 and 12)	882,648,737	700,392,513
Advances from related parties (Note 6)	564,126,183	564,126,183
Current portion of lease liabilities (Note 11)	10,322,128	12,845,441
Total Current Liabilities	7,540,521,604	8,155,664,220
Noncurrent Liabilities		
Loans payable - net of current portion (Note 10)	847,823,370	—
Retention payable (Note 8)	81,985,685	189,126,913
Lease liabilities - net of current portion (Note 11)	22,125,782	41,123,604
Advances from related parties (Note 6)	2,207,856,477	2,085,357,006
Deferred tax liabilities (Notes 8 and 16)	664,903,615	845,263,513
Other payables (Note 6)	371,341,526	250,157,015
Total Noncurrent Liabilities	4,196,036,455	3,411,028,051
Total Liabilities	11,736,558,059	11,566,692,271
Equity		
Capital stock (Note 14)	7,282,017,027	6,929,576,027
Additional paid-in capital (Note 14)	1,629,450,205	1,407,028,663
Deposit for future stock subscription (Notes 13 and 14)	—	—
Equity reserve (Notes 2 and 14)	(4,126,935,056)	(4,126,935,056)
Revaluation surplus (Notes 8 and 16)	1,978,576,859	1,846,671,735
Deficit (Note 14)	(1,398,999,569)	(1,022,672,924)
Total Equity	5,364,109,466	5,033,668,445
TOTAL LIABILITIES AND EQUITY	₱17,100,667,525	₱16,600,360,716

See accompanying Notes to the Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
NET OPERATING REVENUES				
Food and beverage	₱283,527	₱111,476	₱1,711,427	₱4,986,321
Rooms	75,029	34,795	582,954	4,378,108
Others	3,237	21,471	139,785	269,412
	361,793	167,742	2,434,166	9,633,841
DIRECT COSTS AND EXPENSES				
Salaries and wages	1,098,395	1,343,161	3,474,135	5,572,773
Inventories consumed	116,479	50,115	767,148	1,915,892
Other costs and expenses	74,652	740,593	366,243	2,522,884
	1,289,526	2,133,869	4,607,526	10,011,549
GROSS INCOME (LOSS)	(927,733)	(1,966,127)	(2,173,360)	(377,708)
OPERATING EXPENSES (Note 15)	73,338,296	37,532,701	166,183,902	162,374,048
OPERATING LOSS	(74,266,029)	(39,498,828)	(168,357,262)	(162,751,756)
NON-OPERATING INCOME (EXPENSES)				
Interest expense (Notes 6 and 10)	(29,873,046)	(27,716,211)	(90,369,957)	(83,113,016)
Foreign exchange gain (loss) – net	(121,541,870)	63,079,582	(166,024,479)	100,603,048
Interest income (Note 5)	149,462	1,465,582	800,231	8,015,960
Other income (expenses) – net	(29,866)	(96,778)	267,337	716,891
	(151,295,320)	36,732,175	(255,326,868)	26,222,883

(Forward)

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
LOSS BEFORE INCOME TAX	(225,561,349)	(2,766,653)	(423,684,130)	(136,528,873)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)				
Current	23,398	884,225	789,655	1,873,140
Deferred	(24,728,451)	20,106,074	(48,147,140)	19,710,452
	(24,705,053)	20,990,299	(47,357,485)	21,583,592
NET LOSS/ COMPREHENSIVE LOSS (Note 20)	(P200,856,296)	(P23,756,952)	(P376,326,645)	(P158,112,465)
Basic and Diluted Loss Per Share (Note 20)	(P0.0288)	(P0.0050)	(P0.0540)	(P0.0330)

See accompanying Notes to the Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	Capital Stock (Notes 1 and 14)	Additional paid-in Capital (Note 14)	Subscriptions Receivable (Note 14)	Deposit for Future Stock Subscription (Note 13)	Equity Reserve (Notes 2 and 14)	Revaluation Surplus (Notes 8 and 16)	Retained Earnings (Deficit) (Note 14)	Total
Balance as of December 31, 2020	₱6,929,576,027	₱1,407,028,663	₱–	₱–	(₱4,126,935,056)	₱1,846,671,735	(₱1,022,672,924)	₱5,033,668,445
Deposits received	–	–	–	–	–	–	–	–
Issued capital stock (Note 14)	352,441,000	222,421,542	–	–	–	–	–	574,862,542
Revaluation gain adjustment related to the new tax law	–	–	–	–	–	131,905,124	–	131,905,124
Total comprehensive loss	–	–	–	–	–	–	(376,326,645)	(376,326,645)
Balance at September 30, 2021	₱7,282,017,027	₱1,629,450,205	₱–	₱–	(₱4,126,935,056)	₱1,978,576,859	(₱1,398,999,569)	5,364,109,466
Balance at December 31, 2019	₱4,793,266,504	–	–	₱2,579,000,000	(₱4,126,935,056)	₱1,772,972,494	(₱680,412,816)	₱4,337,891,126
Deposits received	–	–	–	254,000,000	–	–	–	254,000,000
Total comprehensive loss	–	–	–	–	–	–	(158,112,465)	(158,112,465)
Balance at September 30, 2020	₱4,793,266,504	₱–	₱–	₱2,833,000,000	(₱4,126,935,056)	₱1,772,972,494	(₱838,525,281)	₱ 4,433,778,661

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P423,684,130)	(P136,528,873)
Adjustments for:		
Interest expense (Notes 6 and 10)	90,369,957	83,113,016
Unrealized foreign exchange gain	168,710,119	(99,393,817)
Depreciation and amortization (Note 8)	22,999,840	20,702,556
Interest income (Note 5)	(800,231)	(8,015,960)
Loss before working capital changes	(142,404,445)	(140,123,078)
Decrease (increase) in:		
Trade and other receivables	373,646	528,840
Inventories	(678,646)	2,049,010
Prepayments and other current assets (Note 7)	(1,329,323)	665,657
Increase (decrease) in trade and other payables (Note 12)	4,152,444	(39,920,834)
Net cash used in operations	(139,886,324)	(176,800,405)
Income taxes paid	(789,655)	(1,873,140)
Net cash used in operating activities	(140,675,979)	(178,673,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property and equipment (Note 8)	(627,967,168)	(330,942,153)
Land	(70,664,920)	—
Increase in:		
Input VAT	(49,934,360)	(62,616,327)
Advances to related parties	(400)	(5,283,578)
Advances to contractors	(43,475,757)	(37,395,121)
Deposits for future property acquisition (Note 9)	(25,000,000)	—
Other noncurrent assets	(33,096,057)	(1,049,741)
Transfer of cash from (to):		
Escrow fund (Note 5)	(516,073)	506,760,918
Interest received	765,325	9,081,354
Net cash provided (used in) investing activities	(849,889,410)	78,555,352
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 14)	599,149,700	—
Increase in advances from related parties	—	81,705,005
Proceeds from:		
Deposit for future stock subscription (Notes 13 and 14)	—	254,000,000

(Forward)

CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interest	(113,382,164)	(319,004,890)
Debt issuance cost	(21,964,352)	(14,521,388)
Mortgage loan (Note 10)	(270,818)	(952,627)
Lease liabilities	—	(41,024)
Share issuance cost (Note 14)	(24,287,159)	—
Net cash provided by (used in) financing activities	439,245,207	1,185,076
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(551,320,182)	(98,933,117)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	(25,463)	(6,677,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
	596,846,911	224,973,403
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 5)		
	₱45,501,266	₱119,362,725

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.

(Formerly Philippine H2O Ventures, Corp.)

AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

The unaudited interim condensed consolidated financial statements as of September 30, 2021 and December 31, 2020 and for the nine months ended September 30, 2021 and September 30, 2020 were authorized for issue by the Board of Directors (BOD) on November 12, 2021.

PH Resorts Group Holdings, Inc. in its current form was renamed from Philippine H2O Ventures Corp. (H2O) after the change in ownership in 2018 through its acquisition by Udenna Corporation. Consequently, PH Resorts became a holding company for the gaming and tourism-related businesses of Udenna Corporation.

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

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

As of September 30, 2021, the Group's application with the SEC for the approval of the above is still in process.

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

Subsidiaries of PH Resorts

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

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

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

As of September 30, 2021 and December 31, 2020, PH Travel holds ownership interests in the following entities incorporated in the Philippines:

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

**Indirect ownership through LLI.*

- a) On January 12, 2018, PH Travel sold its 100% interest ownership in Aetos Air Philippines, Inc. (AAPI) to Udenna Management & Resources Corp. (a related party) for a consideration of ₱10.0 million which is equal to the investment cost of AAPI in PH Travel's books (see Notes 6).
- b) On October 14, 2019, LLI and Udenna Land Inc. (formerly, UDEVCO), a related party, executed the Deed of Absolute Sale on the common shares of stock of LLC for a total consideration of ₱1.6 billion. This resulted in LLC being a wholly-owned subsidiary of LLI. The acquisition of LLC was accounted for as an acquisition of an asset as LLC does not qualify as a business.

Provisional Licenses

On May 3, 2017, Philippine Amusement and Gaming Corporation (PAGCOR) issued a Provisional License (License) authorizing LLI to develop a property on Mactan Island, LapuLapu City, Cebu and to establish and operate casinos and engage in gaming activities. The term of LLI's License is for a period of 15 years or until May 3, 2032, which may be renewed subject to the terms of conditions of the License. On August 27, 2020, the PAGCOR Board of Directors extended the term of the License to be co-terminus with PAGCOR's current franchise or until July 11, 2033.

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 ("Clark Resort").

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

Status of Operations

The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the third quarter of 2022. The Group is also engaged in the operation of a resort which started commercial operations in 2018. For the nine months ended September 30, 2021 and 2020, the Group reported a net loss of ₱376.3 million and ₱158.1 million, respectively, resulting in a deficit of ₱1,399.0 million and ₱1,022.7 million, as of September 30, 2021 and December 31, 2020, respectively, primarily due to ongoing construction activities at Emerald Bay. In addition, the Group's current liabilities exceeded its current assets by ₱7,437.4 million and ₱7,502.8 million as at September 30, 2021 and December 31, 2020, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a

going concern and, therefore, that the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

In November 2020, PH Resorts successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at ₱1.68 and the shares were listed on the PSE on November 5, 2020. PH Resorts received ₱756.0 million in gross proceeds from the offer (see Note 14).

In August 2021, PH Resorts successfully conducted a top-up placement from a selected group of Qualified Institutional Buyer (QIB) investors as defined under the Securities Regulation Code. The transaction consisted of 352, 441,000 shares sold by PHR's parent Udenna Corp at ₱1.70 per share. With the proceeds, Udenna Corp subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into the latter. The proceeds will be used for the continued construction of Emerald Bay. The top-up placement was successfully consummated despite the re-imposition of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time.

The Group has ongoing negotiations with its lenders for the conversion of a bridge loan to a long-term project loan, availment of an additional long-term loan, deferral of principal and interest payments and testing of a subsidiary's debt to equity ratio. The Group also has ongoing plans for other suitable financing and capital raising options. Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects. As such, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

The status of operations of the subsidiaries is as follows:

LLI and LLC. Construction of Emerald Bay, an integrated tourism resort located in Mactan Island, Lapu-Lapu, Cebu, commenced in December 2017. Emerald Bay will be constructed in two phases with the first phase expected to be completed in the first quarter of 2023.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). On October 5, 2021, CGLC received approval from PAGCOR of its voluntarily suspension of PAGCOR Provisional License. This voluntary suspension allows PH Resorts to focus all efforts for the construction and development of Emerald Bay.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the resort in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a wine cellar. Due to the March 2020 lockdown and implementation of local community quarantine restrictions, Donatela was temporarily closed and only reopened in July 2020. In the first quarter of 2021, due to a return of restrictive quarantine measures, existing bookings were cancelled and the expected number of reservations were not achieved. There was a re-imposition in the third quarter of 2021 of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces. This led to a low number of bookings which would have led to operating losses. Thus, in October 2021, management decided to temporarily close the property until further reassessment of the situation.

Management will strategically assess when Donatela can resume its operations once the economy has achieved some level of normalcy, capitalizing heavily on the Philippines' robust local tourist base. The property's low density design is ideal for the required protocols like social distancing. Prior to the Covid-19 pandemic, DHPC was in the design and development phase for its plans for expansion to improve its business prospects and operations.

The other entities within the Group have no material operations as of September 30, 2021.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The interim consolidated financial statements of the Group as of September 30, 2021 and December 31, 2020 and for the nine months ended September 30, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2020.

Basis of Consolidation

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

The interim consolidated statements of financial position presented in the interim condensed consolidated financial statements are retroactively adjusted to reflect the legal capital (i.e. the number and type of capital stock issued, additional paid-in capital and retained earnings (deficit)) 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 consolidated statements of financial position.

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

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

Reverse acquisition applies only to the unaudited interim consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its wholly owned subsidiaries as at September 30, 2021. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period of the Parent Company, using consistent accounting policies.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2020, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated

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

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

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before September 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2021.

4. Significant Accounting Judgments, Estimates and Assumptions

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2020.

Assessment of Going Concern

The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the third quarter of 2022. The Group is also engaged in the operation of a resort which started commercial operations in 2018. For the nine months ended September 30, 2021 and 2020, the Group reported a net loss of ₱376.3 million and ₱158.1 million, respectively, resulting in a deficit of ₱1,399.0 million and ₱1,022.7 million, as of September 30, 2021 and December 31, 2020, respectively, primarily due to ongoing construction activities at Emerald Bay. In addition, the Group's current liabilities exceeded its current assets by ₱7,437.4 million and ₱7,502.8 million as at September 30, 2021 and December 31, 2020, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realize its assets and discharge its liabilities in the normal course of business (see Notes 8,10,14 and 17).

As of November 12, 2021, the Group has ongoing negotiations with its lenders for the conversion of a bridge loan to a long-term project loan, availment of additional long-term loan and deferral of 2020 and 2021 principal and interest payments and testing of debt to equity ratio. Management believes that considering the progress of the steps undertaken to date, the above financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects. Accordingly, the accompanying condensed consolidated financial statements have been prepared on a going concern basis of accounting.

In November 2020, PH Resorts successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at ₱1.68 and the shares were listed on the PSE on November 5, 2020. The Company received ₱756.0 million in gross proceeds from the offer (see Note 14).

In August 2021, PH Resorts successfully conducted a top- up placement from a selected group of Qualified Institutional Buyer (QIB) investors as defined under the Securities Regulation Code. The transaction consisted of 352, 441,000 shares sold by PHR's parent Udenna Corp at ₱1.70 per share. With the proceeds, Udenna Corp subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into the latter. The proceeds will be used for the continued construction of Emerald Bay. The top-up placement was successfully consummated despite the re-imposition of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time.

5. Cash and Cash Equivalents

As of September 30, 2021, and December 31, 2020, the Group's cash on hand and in banks amounted to ₱45.5 million and ₱596.8 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash and cash equivalents amounted to ₱0.4 million for the nine months ended September 30, 2021 and 2020, respectively.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱256.6 million and ₱241.8 million as of September 30, 2021 and December 31, 2020, respectively. Cash in escrow is presented under the "Noncurrent Assets" section of the unaudited interim consolidated statements of financial position. Interest income earned on cash in escrow amounted to ₱0.4 million for nine months ended September 30, 2021 and ₱7.6 million for nine months ended September 30, 2020.

Accrued interest receivable as of September 30, 2021 and December 31, 2020 amounted to ₱49,132 and ₱14,227, respectively, and is presented under the "Trade and other receivables" account in the consolidated statements of financial position. The Group's escrow account represents the aggregate balance of short-term placements maintained in local banks primarily to meet the requirements of the License Agreement with PAGCOR in relation to LLI and CGLC's investment commitments (see Note 19).

6. Related Party Transactions

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

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

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

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

Outstanding balances at year-end are unsecured and non-interest bearing and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment assessment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would be needed to be set to 100%. For the nine months ended September 30, 2021 and 2020, 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	CGLC Cultural Heritage Foundation, Inc. Chelsea Shipping Corp. Dennison Holdings Corp. Emerald Development Holdings Ltd. (Emerald) Enderun Hospitality Management and Consultancy Services (Enderun) Global Gateway Development Corp. (GGDC) L3 Concrete Specialists Inc. Lapulapu Cultural Heritage Foundation, Inc. LapuLapu Land Corp. (LLC)* Phoenix Petroleum Philippines, Inc. Udenna Land Inc. (ULI, formerly UDEVCO) Udenna Management & Resources Corp. Udenna Tower Corporation (UTOW) Udenna Water & Integrated Services, Inc. Value Leases Inc.

* Acquired by LLI in 2019 (see Note 1).

The unaudited interim consolidated statements of financial position include the following amounts with respect to the balances with related parties as of September 30, 2021 and December 31, 2020:

	Amount/ Volume of Transactions		Outstanding Receivable (Payable)		
	2021 (Nine months)	2020 (One Year)	2021	2020	Terms & Conditions
Udenna, Ultimate Parent Company					
Cash advances to a related party for working capital	₱—	₱—	₱—	₱—	Unsecured; Noninterest-bearing; not impaired; due and demandable
Udenna, Ultimate Parent Company					
Cash advances from a related party for working capital and project completion	—	28,901,808	(29,695,735)	(29,695,735)	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock subscription (see Note 13) (a)(iv)	—	254,000,000	—	—	Non-refundable
Entities under Common Control					
Cash advances to related parties	400	25,800	2,039,742	2,039,341	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital	—	14,531,126	(45,830,448)	(45,830,448)	Unsecured; Noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (ii)	—	—	(2,579,198,003)	(2,335,514,021)	Unsecured; Interest-bearing; with terms
Cash advances from related parties for working capital (b) (ii)	—	38,600,000	(353,600,000)	(353,600,000)	Unsecured; Interest-bearing; due and demandable
Interest payable on advances (b)	29,925,813	242,731,559	(134,620,981)	(104,695,168)	Unsecured; due within 1 to 2 years
Capitalized lease payments (see Notes 8 and 11) (c) (ii)	—	—	—	—	Unsecured; Noninterest-bearing; due and demandable
Management and consultancy services (see Notes 12 and 14) (d) (iii)	—	—	(7,220,127)	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable

	Amount/ Volume of Transactions		Outstanding Receivable (Payable)		
	2021 (Nine months)	2020 (One Year)	2021	2020	Terms & Conditions
Due from a related party for sale of a subsidiary (see Notes 1, and 6) (i)	–	–	10,000,000	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder					
Cash advances from a stockholder for working capital	–	–	(135,000,000)	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees					
Advances to employees (i)	324,455	2,104,746	164,784	233,982	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of September 30, 2021 and December 31, 2020.

ii. Outstanding balance is included in Advances from related parties as of September 30, 2021 and December 31, 2020.

iii. Outstanding interest is included in Trade and other payables as of September 30, 2021 and December 31, 2020.

iv. Outstanding balance is presented under the Equity section in the unaudited interim consolidated statements of financial position as of September 30, 2021 and December 31, 2020.

(a) Deposit for future stock subscription

In 2020 and 2019, the Group received a deposit for future stock subscription from the Ultimate Parent Company. On December 4, 2020, a share subscription agreement was executed between the Company and the Ultimate Parent Company for the total amount of deposits received (see Note 13). Accordingly, this deposit was converted into 1.69 billion common shares with a subscription price of ₱1.68/share (see Notes 13 and 14).

From the total proceeds of the deposits of ₱2.83 billion, the Group paid ₱1.64 billion to an entity under common control for the acquisition of LLC on an arms-length basis. On October 14, 2019, the Deed of Absolute Sale on the common shares of stock of LLC was executed. LLC owns the land where Emerald Bay is located.

(b) Interest-bearing cash advances from related parties

i. Emerald Development Holdings Ltd. (EDHL)

On October 17, 2019, PH Resorts obtained an advance of US\$42.5 million from EDHL, an offshore entity wholly-owned by Udenna. The proceeds of the advance were used to fund the ongoing construction of Emerald Bay (see Note 15). The principal and interest totaling \$60.3 million was originally due in 2021. On December 28, 2020, PH Resorts and Emerald agreed to extend the payment of the advance to April 30, 2022 and was further extended to October 30, 2022. In accordance with PFRS, the Group recalculated the present value of the principal and interest using the extended term and as a result, the present value of the advance decreased by \$4.4 million (see Note 18). The difference between the carrying value and the present value of the advance amounting to \$4.4 million was adjusted against capitalized borrowing cost in 2021 (see Note 8). As of September 30, 2021 and December 31, 2020, total advances from a related party including accrued interest amounted to ₱2,579.2 million and ₱2,335.5 million, respectively.

Interest charges incurred on this advance, as well as other cash advances, for the nine months ended September 30, 2021 and 2020 were ₱103.0 million and ₱334.2 million, respectively. There was a significant decrease in the interest charges for the nine months ended September 30, 2021 due to the adjustment from the recalculation of the present value of the principal and interest as discussed above. Capitalized borrowing costs are included as part of CIP under the “Property and equipment” account in the consolidated statements of financial position (see Note 8).

ii. Other related parties

Various related parties granted advances to the Group to finance the operating activities and financing requirements. Total advances amounted to ₱353.6 million as of September 30, 2021. These are unsecured, with interest rates ranging from 8.5% to 12%, and are due and demandable.

Interest incurred on these advances for the nine months ended September 30, 2021 and 2020 were ₱29.9 million and ₱18.9 million, respectively. Interest payable of ₱134.6 million and ₱104.7 million as of September 30, 2021 and December 31, 2020, respectively, are included under "Trade and other payables" account in the consolidated statements of financial position (see Note 12).

(c) Lease

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

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

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

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

The estimated annual minimum rentals under these lease agreements are shown below:

Period	September 30, 2021	December 31, 2020
Within one year	₱12,421,853	₱16,475,380
More than 1 year to 2 years	13,042,945	17,255,159
More than 2 years to 3 years	10,144,513	18,117,917
More than 3 years to 4 years	–	9,279,910
	₱35,609,311	₱61,128,366

As of September 30, 2021 and December 31, 2020, right-of use asset amounted to ₱26.9 million and ₱49.4 million. As of September 30, 2021 and December 31, 2020, the lease liabilities amounting to ₱32.4 million and ₱54.0 million, respectively, were presented under current and noncurrent liabilities section of the unaudited interim consolidated statements of financial position. Interest expense on lease liabilities for the nine months ended September 30, 2021 and 2020 amounted to ₱2.4 million and ₱3.4 million. (see Note 11).

(d) Guarantees

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

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

(e) Compensation and Other Benefits of Key Management Personnel

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱30.3 million and ₱31.3 million for the nine months ended September 30, 2021 and 2020 respectively.

7. Prepayments and Other Current Assets

	September 30, 2021	December 31, 2020
Creditable withholding taxes	₱27,604,668	₱23,285,782
Prepaid insurance	6,024,943	4,511,653
Input VAT	5,066,847	2,539,392
Advances to contractors	976,757	5,381,165
Short-term security deposits	351,158	351,158
Prepaid rent (Note 6)	-	1,245,861
Others	1,248,473	2,628,512
	₱41,272,846	₱39,943,523

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

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

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

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

8. Property and Equipment

At Cost

September 30, 2021							
	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 6, 10 and 19)	Total
Cost							
Beginning balances	₱8,107,498	₱68,776,345	₱30,202,215	₱5,322,085	₱39,335,100	₱6,616,162,263	₱6,767,905,506
Additions	—	—	60,215	213,689	12,167	850,001,275	850,287,346
Reclassification to land at revalued amount	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—
Ending balances	8,107,498	68,776,345	30,262,430	5,535,774	39,347,267	7,466,163,538	7,618,192,852
Accumulated Depreciation							
Beginning balances	1,350,758	7,670,834	15,707,496	2,902,422	8,475,197	—	36,106,707
Depreciation (Note 15)	434,962	2,466,768	4,859,229	1,044,055	5,892,073	—	14,697,087
Disposals	—	—	—	—	—	—	—
Ending balances	1,785,720	10,137,602	20,566,725	3,946,477	14,367,270	—	50,803,794
Net Book Value	₱6,321,778	₱58,638,743	₱9,695,705	₱1,589,297	₱24,979,997	7,466,163,538	₱7,567,389,058

December 31, 2020							
	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 6, 10 and 19)	Total
Cost							
Beginning balances	₱8,107,498	₱68,776,345	₱29,598,988	₱5,322,085	₱5,639,222	₱5,232,879,630	₱5,350,323,768
Additions	—	—	603,227	—	33,695,878	1,383,282,633	1,417,581,738
Reclassification to land at revalued amount	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—
Ending balances	8,107,498	68,776,345	30,202,215	5,322,085	39,335,100	6,616,162,263	6,767,905,506
Accumulated Depreciation							
Beginning balances	770,807	4,381,811	8,544,169	1,795,268	573,521	—	16,065,576
Depreciation (Note 15)	579,951	3,289,023	7,163,327	1,107,154	7,901,676	—	20,041,131
Disposals	—	—	—	—	—	—	—
Ending balances	1,350,758	7,670,834	15,707,496	2,902,422	8,475,197	—	36,106,707
Net Book Value	₱6,756,740	₱61,105,511	₱14,494,719	₱2,419,663	₱30,859,903	6,616,162,263	₱6,731,798,799

The CIP account reflects expenditures related to the US\$300.0 million investment commitment of LLI required by the License Agreement with PAGCOR. Total Project cost includes land acquisition; costs related to securing development rights; construction and development costs; and all other direct expenses. The CIP account also includes capitalized borrowing costs of ₱470.7 million and ₱674.7 million for the nine months period ended September 30, 2021 and for the year ended December 31, 2020, respectively, equivalent to the effective interest incurred on the loans (see Note 10).

Advances to contractors of ₱610.4 million and ₱566.9 million as of September 30, 2021 and December 31, 2020, respectively, relates to initial deposits made for the ongoing construction of Emerald Bay. Retention payable to suppliers and contractors related to the construction project expected to be completed in 2023 amounted to ₱82.0 million and ₱189.1 million as at September 30, 2021 and December 31, 2020, respectively.

Land at Revalued Amounts

	September 30, 2021	December 31, 2020
Land at the beginning of the year		
At fair value	₱7,662,366,513	₱7,552,344,305
At cost, reclassification of land at cost	—	—
Addition/disposal during the year	70,664,919	4,737,577
Revaluation increment during the year recognized in other comprehensive income	—	105,284,631
Balance at end of year	₱7,733,031,432	₱7,662,366,513

Land consists primarily of a 12.5 hectares of prime beachfront property located in Lapu Lapu City, Mactan Island, Cebu. The latest appraisal dated December 31, 2020 values the land at ₱6.07 billion. The bulk of this property was acquired in 2019 in connection with the Group's purchase of LLC which owns the project site of Emerald Bay.

The Group also owns the Donatela Resort and Sanctuary situated on 7.2 hectares of land in Panglao Island, Bohol as well as 2,000 sqm of commercial property adjacent to Alona Beach, which were purchased in 2018. In 2021, DHPC paid ₱70.6 million as costs related to the taxes and transfer of titles of the land. The latest appraisal dated December 31, 2020 values the land at ₱1,358.0 million.

In addition, the Group owns 3,134 sqm of land in Azuela Cove in Davao City, a 25-hectare master planned mixed use township co-developed by Ayala Land and the Alcantara Group of Companies. The land purchase was completed in 2019 with appraised value of ₱226.0 million as of December 31, 2020, which is the latest appraisal date.

The market values were based on the valuation performed by independent appraisers. Revaluation increment on land are as follows:

	September 30, 2021	December 31, 2020
Balance at beginning of the period, net of tax	₱1,846,671,735	₱1,772,972,494
Revaluation increment during the year	—	105,284,631
Revaluation gain adjustment related to the new tax law	131,905,124	—
Deferred tax liability (see Note 16)	—	(31,585,390)
Balance at end of period, net of tax	₱1,978,576,859	₱1,846,671,735

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

Valuation technique	Significant unobservable input	Range
Sales comparison approach	Selling price of identical piece of land	₱20,000 to
		₱77,000 per square meter
	External factor adjustments	-20% to 20%
	Internal factor adjustments	-60% to 40%
	Average fair value after internal and external factor adjustments	₱4,510 to
		₱72,000 per square meter

Management has assessed that there are no significant changes to the status and condition of the Group's land as of September 30, 2021. As such, the 2020 valuation reports are considered appropriate.

The value of the land was estimated by using the "Sales Comparison Approach". The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size, improvements and developments, and time element.

DHPC's land, land improvements and infrastructures and building are used as a real estate mortgage with UCPB (see Note 10). The carrying value of the pledged properties was ₱1.4 billion as of September 30, 2021 and December 31, 2020, respectively.

Pursuant to the bank loans, LLI and LLC entered into a real estate mortgage and chattel mortgage indenture over its property and equipment to collateralize its bank loans. The carrying value of properties used as collateral was ₱13.0 billion and ₱12.3 billion as of September 30, 2021 and December 31, 2020. (see Note 10).

9. Deposits for Future Property Acquisition

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

The Deed of Absolute Sale for the 67,853 square meters were executed in August 2018 for a total consideration of ₱1.04 billion which was subsequently reclassified as property and equipment. As of September 30, 2021 and December 31, 2020, deposit for future property acquisition amounting to ₱61.8 million and ₱36.8 million, respectively, pertains to the partial settlement pertaining to the remaining area. As of September 30, 2021 and December 31, 2020, DHPC has already paid ₱1.09 billion and ₱1.07 billion which represent 96% and 94% of the total purchase price, respectively.

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

10. Loans Payable

	September 30, 2021	December 31, 2020
Short-term loans:		
Peso denominated loans (a)	₱5,200,000,000	₱5,200,000,000
US dollar denominated loans* (a)	762,660,000	720,345,000
Long-term loan classified as current **(b)	—	975,000,000
Long-term loan** (b)	975,000,000	—
Auto loans (c)	72,851	383,380
	6,937,732,851	6,895,728,380
Debt issuance costs	(6,484,925)	(17,428,297)
Loans payable	6,931,247,926	6,878,300,083
Less Noncurrent portion of loans payable	847,823,370	—
Current portion of loans payable	₱6,083,424,556	₱6,878,300,083

*Dollar denominated loan amounting to \$15.0 million was translated to Philippine Peso using foreign exchange closing rate of \$1:₱50.8 on September 30, 2021 and \$1:₱48.02 on December 31, 2020.

** As of December 31, 2020, the Group's long-term loan was classified as a current liability as an accounting adjustment due to the delay in final lender approvals on the deferment of financial ratio testing as a result of enhanced community quarantine and work from home arrangements. The Group's lender confirmed on April 8, 2021 that the Group is not considered in default. Thus, the Group can classify this current liability as non-current. As of September 30, 2021, the Company classified the loan as non-current in line with its September 2028 maturity date.

a. CBC Short-term Loans

- i. On June 7, 2017, LLI obtained a ₱900.0 million bank loan from CBC to fund the construction of the first phase of Emerald Bay and a US\$15.0 million loan to fund the escrow requirement of the Provisional License (see Note 19). In 2017, the Peso loan had an annual interest rate of 4.75% to 6.25% while the US\$ loan had an annual interest of 3.5% to 6.25%.

In October 2018, CBC approved a bridge loan facility that extended the tenor of LLI's short-term loan facilities until November 21, 2019. This is composed of (a) a ₱3.1 billion Peso loan facility (increased from ₱900.0 million in 2018); and (b) a US\$15.0 million loan facility. The Peso and Dollar facilities were fully drawn on November 26, 2018 with interest rates of 9.55% and 6.25%, respectively. On November 21, 2019, interest rates were reduced to 8.00% and 5.00%, respectively.

In 2020, in connection with Republic Act No.11469 or the Bayanihan to Heal as One Act and Republic Act No.11494 or the Bayanihan to Recover as One Act, the loan was rolled over until December 18, 2020. CBC extended this loan to June 18, 2021 and further extended it to September 14, 2021 with a further extension in process.

In 2017, LLC obtained a ₱2.1 billion Peso loan facility from CBC to finance the acquisition of parcels of land at Punta Engano, Mactan, Cebu. In October 2018, CBC approved a bridge loan facility that extended the tenor of LLC's short-term loan facilities until November 21, 2019.

In 2020, in connection with Republic Act No.11469 or the Bayanihan to Heal as One Act and Republic Act No.11494 or the Bayanihan to Recover as One Act, the loan was rolled over until December 18, 2020. CBC extended this loan to June 18, 2021 and further extended it to September 14, 2021 with a further extension in process.

The details of the short-term loans (in PHP equivalent) are as follows:

	September 30, 2021	December 31, 2020
Principal	₱5,962,660,000	₱5,920,345,000
Less unamortized debt issue costs	—	9,446,680
	₱5,962,660,000	₱5,910,898,320

Amortized debt issue costs of ₱27.5 million and ₱26.1 million for the nine months ended September 30, 2021 and 2020 pertaining to the ₱5.2 billion loan were capitalized to CIP as of September 30, 2021 and December 31, 2020, respectively.

Amortized debt issue costs pertaining to the US\$15.0 million loan amounted to ₱3.9 million and ₱3.8 million for the nine months ended September 30, 2021 and 2020 was proportionately expensed and presented as part of "Interest expense" in the consolidated statements of comprehensive income.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of LLC and LLI to, among other things, create or incur certain indebtedness or liens in respect of its property or assets, consolidate or merge with other entities, redeem shares or repay subordinated indebtedness if such redemption or repayment would result in a debt to equity ratio of greater than 2.33 to 1.0 (on a combined basis). In addition, LLI and LLC are required to maintain on a combined basis a debt to equity ratio of not more than 2.33 to 1.0, maintain its property and insurance, and ensure exclusive use of Emerald Bay site. As of September 30, 2021 and December 31, 2020, the combined debt to equity ratio of LLI and LLC is compliant with the required debt to equity ratio at 0.65x and 0.69x, respectively.

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

The carrying value of properties used as collateral amounted to ₱13.0 billion and 12.3 billion as of September 30, 2021 and December 31, 2020. (see Note 8).

Interest charges incurred on these loans amounted to ₱374.7 million and ₱375.1 million for the nine months ended September 30, 2021 and 2020. Of these interest charges, capitalized borrowing costs amounted to ₱364.1 million for the nine months ended September 30, 2021 and ₱362.1 million for the nine months ended September 30, 2020. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position (see Note 8).

As of November 12, 2021, the Group (through LLI and LLC) and CBC continue to be in the process of syndicating a term loan facility. Upon securing this term loan facility, the Group expects to use the proceeds of such loan to refinance the CBC bridge loan facility and fund the ongoing construction and fit-out of the first phase of Emerald Bay (see Note 1).

b. UCPB Long-term Loan

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

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

	September 30, 2021	December 31, 2020
Principal	₱975,000,000	₱975,000,000
Less unamortized debt issue costs	6,484,925	7,981,617
	968,515,075	967,018,383
Less current portion of long-term loan	120,691,705	967,018,383
Noncurrent portion of long-term loan	₱847,823,370	₱—

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

The loan bears an annual interest rate based on the one-year PH Bloomberg Valuation Rate (PH BVAL) at the time of availment or resetting, as the case may be, plus a spread of 3.0% per annum. In no case, however, shall the interest be lower than 6.0% per annum. Interest shall be subject to resetting on the anniversary date of the availment and every year thereafter. Interest expense incurred on this loan amounted to ₱52.4 million and ₱49.4 million for the nine months ended September 30, 2021 and 2020, respectively. Amortized debt issue costs of ₱1.5 million and ₱1.3 million for the nine months ended September 30, 2021 and 2020, respectively, were expensed and presented as part of “Interest expense” in the consolidated statements of comprehensive income.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 8). The carrying value of the pledged properties amounted to ₱1.4 billion as of September 30, 2021 and December 31, 2020.

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. On April 8, 2021, the bank confirmed that the testing period for the debt to equity ratio will only commence on December 31, 2021.

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

c. Auto loans

In 2018 and 2017, the Group entered into various mortgage loan agreements with local banks to finance the acquisition of transportation equipment amounting to ₱3.7 million and ₱1.9 million, respectively. The loans bear effective interest rate of 7.75% for the nine months ended September 30, 2021 and 2020 and will mature in 1 year.

The details of the loans are as follows:

	September 30, 2021	December 31, 2020
Auto loans	₱72,851	₱383,380
Less current portion	72,851	383,380
Noncurrent portion	₱—	₱—

11. Right-of-Use Assets and Lease Liabilities

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

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

	September 30, 2021	December 31, 2020
Cost		
Beginning balance	₱69,889,274	₱69,889,274
Additions (see Note 6)	—	—
Lease modification adjustment	(14,990,209)	—
Balance at end of the year	54,899,065	69,889,274
Accumulated amortization		
Beginning balance	20,450,151	6,446,501
Amortization (see Note 15)	7,580,295	14,003,650
Capitalization to CIP	—	—
Effect of acquisition of LLC (see Note 1)	—	—
Balance at end of the year	28,030,446	20,450,151
Net Book Value	₱26,868,619	₱49,439,123

The rollforward analysis of lease liabilities follows:

	September 30, 2021	December 31, 2020
Balance at beginning of year	₱53,969,045	₱72,159,678
Interest expense (see Note 6)	2,424,090	4,489,687
Lease payable and payments	(23,945,225)	(22,680,320)
Additions	—	—
Interest capitalized to CIP	—	—
Effect of acquisition of LLC	—	—
Balance at end of the year	32,447,910	53,969,045
Current portion of lease liabilities	10,322,128	12,845,441
Lease liabilities - net of current portion	₱22,125,782	₱41,123,604

Gross lease liabilities and present value of minimum lease payments under the Group's lease agreements as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Within one year	₱12,421,853	₱16,475,380
More than one year but not more than five years	23,187,458	44,652,986
Total gross lease liabilities	35,609,311	61,128,366
Less unamortized interest expense	3,161,401	7,159,321
Present value of future minimum lease payments	32,447,910	53,969,045
Less current portion	10,322,128	12,845,441
Noncurrent portion	₱22,125,782	₱41,123,604

12. Trade and Other Payables

	September 30, 2021	December 31, 2020
Payable to contractors (Note 8)	₱338,808,987	478,953,556
Interest payable (Notes 6, 10 and 11)	488,108,183	₱175,566,492
Statutory payables	14,971,638	14,423,139
Trade payables	5,784,269	12,780,304
Management fees payable (Note 6)	7,220,127	7,220,127
Contract liabilities	164,817	254,441
Others	27,590,716	11,194,454
	₱882,648,737	₱700,392,513

Below are the terms and conditions of the liabilities:

- Payable to contractors are noninterest-bearing and normally settled within three months.
- Interest payables, statutory payables, including withholding taxes, payables to SSS, Pag-IBIG and Philhealth, and accrued documentary stamp taxes, trade payables, and management fees payable are noninterest-bearing and are normally settled within the following month.
- Trade payables from nonrelated parties are non-interest bearing and are normally settled within the following month.

- Contract liabilities and other payables (which include various accrued expenses such as professional fees and marketing fees) are noninterest-bearing and are normally settled within the following month.

13. Deposit for Future Stock Subscription

On December 4, 2020, PH Resorts and Udenna Corporation executed a share subscription agreement for 1.69 billion common shares with a subscription price of ₱1.68/share. The issuance of common shares eliminated the ₱2.58 billion deposit for future stock subscription from Udenna (see Note 14).

14. Equity

Capital Stock

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

	September 30, 2021		December 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Authorized	8,000,000,000	₱8,000,000,000	8,000,000,000	₱8,000,000,000
Subscribed				
Balance at beginning of the year	6,929,576,027	₱6,929,576,027	4,793,266,504	₱4,793,266,504
Issuance during the year	352,441,000	352,441,000	2,136,309,523	2,136,309,523
Subscription receivables	—	—	—	—
Collection of subscription receivable	—	—	—	—
Issued and outstanding	7,282,017,027	7,282,017,027	6,929,576,027	₱6,929,576,027

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
November 5, 2020	Issued	450,000,000	5,243,266,504
December 4, 2020	Issued	1,686,309,523	6,929,576,027
August 18, 2021	Issued	352,441,000	7,282,017,027

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 (see Note 1).

As discussed in Notes 1 and 2, Udenna and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% of its equity interest in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₱1.00 per share to be issued by PH Resorts to Udenna out of 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 PH Resorts occurred on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. On the same date, PH Travel became a legal subsidiary of PH Resorts (see Note 1).

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

On November 5, 2020, PH Resorts conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). The offer was priced at ₱1.68 and the shares were listed on the PSE on November 5, 2020. The PH Resorts received ₱756.0 million in gross proceeds from the offer.

On December 4, 2020, PH Resorts and Udenna Corporation executed a share subscription agreement for 1.69 billion common shares with a subscription price of ₱1.68/share. The issuance of common shares resulted to a reclassification of the ₱2.58 billion deposit for future stock subscription from Udenna to common stock (see Note 13). The difference between the subscription price and the par value was recognized as additional paid-in capital.

In August 2021, PH Resorts successfully conducted a top-up placement from a selected group of Qualified Institutional Buyer (QIB) investors as defined under the Securities Regulation Code. The transaction consisted of 352, 441,000 shares sold by PHR's parent Udenna Corp at P1.70 per share. With the proceeds, Udenna Corp subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into the latter. The proceeds will be used for the continued construction of Emerald Bay. The top-up placement was successfully consummated despite the re-imposition of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time.

Equity Reserve

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

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

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

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

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

15. Operating Expenses

	2021	2020
Salaries and wages (Note 6)	₱62,091,457	₱59,901,457
Depreciation and amortization (Notes 8 and 11)	22,999,840	20,702,556
Professional fees (Note 6)	19,443,205	54,348,213
Taxes and licenses (Note 6)	11,860,482	10,124,040
Dues and subscription	2,318,725	6,959,351
Rentals	2,940,857	1,707,800
Sales marketing and advertising	1,630,959	575,792
Transportation and travel	2,306,686	1,931,943
Utilities and communications	2,107,119	2,236,897
Insurance	1,028,725	1,008,922
Repairs and maintenance	1,012,504	986,920
Office supplies	217,429	329,907
Outside services	168,213	17,472
Representation and entertainment	37,470	177,734
Miscellaneous	36,020,231	1,365,044
	₱166,183,902	₱162,374,048

Professional fees were incurred from various engagements with lawyers and other consultants for the follow-on offering and financing arrangements of the Group.

16. Income Taxes

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

	For the nine months ended	
	September 30, 2021	September 30, 2020
Benefit from income tax computed at statutory income tax rate of 25% in 2021 and 30% in 2020	(₱105,921,033)	(₱40,958,662)
Tax effects of:		
Movement in unrecognized deferred tax asset	61,690,903	63,232,124
Nondeductible expenses	2,565,126	1,739,345
Movement in deferred tax liability and income subjected to final tax rate	(5,692,481)	(2,429,215)
	(47,357,485)	₱21,583,592

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

	September 30, 2021	December 31, 2020
Deferred tax liabilities:		
Revaluation surplus (see Note 8)	₱659,525,621	₱791,430,745
Debt issuance costs	1,621,231	5,228,489
Unrealized foreign exchange gain	3,756,763	48,604,279
Deferred tax liabilities	₱664,903,615	₱845,263,513

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

The Group did not recognize the following deferred tax assets. Upon the opening of Emerald Bay, management will reconsider this position.

	September 30, 2021	December 31, 2020
Unrecognized deferred tax assets:		
NOLCO	₱371,838,860	₱372,177,549
Net lease liabilities	1,394,823	1,358,977
Unrealized foreign exchange loss	—	207,847
Unrecognized deferred tax assets	₱373,233,683	₱373,744,373

As of September 30, 2021 and December 31, 2020, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Applied/ Expired	Unapplied/ Unexpired
2017	December 31, 2020	₱81,090,546	₱—
2018	December 31, 2021	—	246,990,793
2019	December 31, 2022	—	568,815,620
2020	December 31, 2025	—	424,785,417
2021	September 30, 2024	—	246,763,611
		₱81,090,546	₱1,487,355,441

Pursuant to the “Bayanihan to Recover As One Act” and Revenue Regulation No. 25-2020 issued by the Bureau of Internal Revenue (BIR) on September 30, 2020, NOLCO incurred by the Company in taxable year 2020 can be carried over and claimed as deduction from the regular taxable income (RCIT) for the next five (5) consecutive taxable years.

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, cash in escrow, trade and other liabilities, loans payable, lease liabilities, retention payables and other payables.

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

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by dealing only with recognized and creditworthy financial institutions and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents*	₱45,370,592	₱596,733,157
Trade and other receivables	11,514,318	11,853,059
Advances to related parties	2,039,741	2,039,341
Security deposit**	55,794,995	20,935,345
Cash in escrow	256,551,373	241,759,396
Total credit risk exposure	₱371,271,019	₱873,320,298

*Excluding cash on hand

**Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the 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 September 30, 2021 and December 31, 2020.

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:

September 30, 2021						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Lifetime ECL Simplified Approach	Total
High grade	₱301,921,965	₱—	₱—	₱—	₱—	₱301,921,965
Medium grade	69,349,054	—	—	—	—	69,349,054
Standard grade	—	—	—	—	—	—
Default	—	—	—	—	—	—
Gross carrying amount	371,271,019	—	—	—	—	371,271,019
Loss allowance	—	—	—	—	—	—
Carrying amount	₱371,271,019	₱—	₱—	₱—	₱—	₱371,271,019

December 31, 2020						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit- impaired	Lifetime ECL Simplified Approach	Total
High grade	₱838,492,553	₱—	₱—	₱—	₱—	₱838,492,553
Medium grade	34,827,745	—	—	—	—	34,827,745
Standard grade	—	—	—	—	—	—
Default	—	—	—	—	—	—
Gross carrying amount	873,320,298	—	—	—	—	873,320,298
Loss allowance	—	—	—	—	—	—
Carrying amount	₱873,320,298	₱—	₱—	₱—	₱—	₱873,320,298

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

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

September 30, 2021				
	High Grade	Medium Grade	Standard Grade	Total
Cash and cash equivalents*	₱45,370,592	₱—	₱—	₱45,370,592
Trade and other receivables	11,514,318	—	—	11,514,318
Advances to related parties	2,039,741	—	—	2,039,741
Security deposits**	55,794,995	—	—	55,794,995
Cash in escrow	256,551,373	—	—	256,551,373
	₱371,271,019	₱—	₱—	₱371,271,019

*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, 2020				
	High Grade	Medium Grade	Standard Grade	Total
Cash and cash equivalents*	₱596,733,157	₱—	₱—	₱596,733,157
Trade and other receivables	11,853,059	—	—	11,853,059
Advances to related parties	2,039,341	—	—	2,039,341
Security deposits**	20,935,345	—	—	20,935,345
Cash in escrow	241,759,396	—	—	241,759,396
	₱873,320,298	₱—	₱—	₱873,320,298

*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 to raise adequate capital, obtain long-term financing and when applicable, generate enough cash from its business operations to satisfy debt service requirements. As of September 30, 2021 and December 31, 2020, management is undertaking the necessary steps to apply for an increase in authorized capital stock and convert its bridge financing to a long-term facility.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as of September 30, 2021 and December 31, 2020, 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.

September 30, 2021				
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱45,370,592	₱—	₱—	₱45,370,592
Trade and other receivables	10,000,000	1,514,318	—	11,514,318
Advances to related parties	2,039,741	—	—	2,039,741
Security deposits**	—	351,158	55,443,837	55,794,995
Cash in escrow	—	—	256,551,373	256,551,373
	57,410,333	1,865,476	311,995,210	371,271,019
Loans payable****	—	6,083,424,556	847,823,370	6,931,247,926
Trade and other liabilities***	—	867,677,099	—	867,677,099
Retention payable	—	—	81,985,685	81,985,685
Lease liabilities	—	10,322,128	22,125,782	32,447,910
Advances from related parties*****	564,126,183	—	2,579,198,003	3,143,324,186
	564,126,183	6,961,423,783	3,531,132,840	11,056,682,806
Liquidity gap	(₱506,715,850)	(₱6,959,558,307)	(₱3,219,137,630)	(₱10,685,411,787)

*Excluding cash on hand

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

***Excluding statutory payables.

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

*****Including accrued interest

	December 31, 2020			Total
	Due and Demandable	Less Than One Year	More than One Year	
Cash and cash equivalents*	₱596,733,157	₱—	₱—	₱596,733,157
Trade and other receivables	10,000,000	1,853,059	—	11,853,059
Advances to related parties	2,039,341	—	—	2,039,341
Security deposits**	—	741,026	20,194,319	20,935,345
Cash in escrow	—	—	241,759,396	241,759,396
	608,772,498	2,594,085	261,953,715	873,320,298
Loans payable****	—	6,878,300,083	—	6,878,300,083
Trade and other liabilities***	—	685,969,372	—	685,969,372
Retention payable	—	—	189,126,913	189,126,913
Lease liabilities	—	12,845,441	41,123,604	53,969,045
Advances from related parties*****	564,126,183	—	2,335,514,021	2,899,640,204
	564,126,183	7,577,114,896	2,565,764,538	10,707,005,617
Liquidity gap	₱44,646,315	(₱7,574,520,811)	(₱2,303,810,823)	(₱9,833,685,319)

*Excluding cash on hand

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

***Excluding statutory payables.

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

*****Including accrued interest

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

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

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

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

	September 30, 2021		December 31, 2020	
	US\$ Value	Peso Equivalent	US\$ Value	Peso Equivalent
Assets				
Cash	\$117,068	₱5,952,197	\$6,064,015	₱291,212,192
Receivables	966	49,133	296	14,215
Cash in escrow	5,045,852	256,551,373	5,034,242	241,759,404
	5,163,886	262,552,703	11,098,553	532,985,811
Liabilities				
Loans payable	15,000,000	762,660,000	15,000,000	720,345,000
Advances from related parties	50,727,677	2,579,198,003	48,633,814	2,335,514,021
	65,727,677	3,341,858,003	63,633,814	3,055,859,021
Total		(₱3,079,305,300)		(₱2,522,873,210)

As of September 30, 2021 and December 31, 2020, the closing exchange rate was ₱50.8 and ₱48.02 for each US\$, respectively.

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

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
September 30, 2021	Increase by 1.06%	₱49,884,747
	Decrease by 1.06%	(49,884,747)
December 31, 2020	Increase by 5.16%	₱117,272,144
	Decrease by 5.16%	(117,272,144)

Capital Management

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

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

	September 30, 2021	December 31, 2020
Total debt	₱6,931,247,926	₱6,878,300,083
Total capitalization	15,842,715,158	15,214,904,773
	0.44:1	0.45:1

Total debt is defined by the Group as its bank loans from financial institutions while total capitalization as used in the table above is defined as debt, capital stock and APIC. The Group's goal in capital management is to maintain an optimum capital structure of a debt to capitalization ratio of not higher than 70%. This will be maintained with its planned suitable financing and capital raising options.

18. Fair Value Information

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

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, 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 ₱1,043.2 million and ₱1,089.9 million is determined by discounting the expected cash flows using the discount rate 6.41% and 2.84% as of September 30, 2021 and December 31, 2020, respectively. Fair value measurement is categorized under Level 3.

Land at fair value. As of September 30, 2021 and December 31, 2020, the fair value of land amounting to ₱7,733.0 million and ₱7,662.4 million are determined by external, independent property appraisers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being appraised (see Note 8). The appraised value was determined using the sales comparison approach wherein the market prices for comparable property listings are adjusted to account for the marketability, nature, bargaining allowance, location and size of the specific properties (Level 3). Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

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

19. Commitments and Contingencies

License Agreement with PAGCOR

- a) As discussed in Note 1, on May 3, 2017, PAGCOR issued a Provisional License (License) authorizing LLI to develop an integrated resort and casino in LapuLapu City, Mactan Island, Cebu Province and to establish and operate casinos and engage in gaming activities. The term of LLI's License shall be for a period of 15 years or until May 3, 2032. On August 27, 2020, the PAGCOR Board of Directors extended the term of the License to be co-terminus with PAGCOR's current franchise or until July 11, 2033. The License may be renewed subject to certain terms and conditions.

i. Debt-Equity Ratio Requirement

The License provides, among others, that LLI's License may be revoked or suspended upon failure of LLI to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. Testing date as stated in the License is to be performed every June and December.

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

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

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

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

As of June 30, 2021 and December 31, 2020, both LLI and LLC are in compliance with the debt-equity ratio requirement. Below is the report submitted to PAGCOR.

	June 30, 2021	December 31, 2020
LLI	46% - 54%	48% - 52%
LLC	49% - 51%	49% - 51%

ii. *Investment Commitments*

As required by the License, LLI is required to complete its US\$300.0 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 September 30, 2021 and December 31, 2020, capitalized costs related to the Project amounted to ₱7.1 billion and ₱6.6 billion, respectively (see Note 8).

As a requirement in developing the aforementioned Project, LLI is required to maintain a \$15 million escrow account into which all funds for development of Emerald Bay must be deposited.

iii. *Requirement to Establish a Foundation*

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

On August 16, 2017, LapuLapu Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by LLI as no gaming revenue has been recognized as of September 30, 2021 and December 31, 2020.

- b) 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. The term of Clark’s License shall be for a period of 15 years from issuance date or until July 11, 2033. The License may be renewed subject to certain terms and conditions under the Clark Provisional License, CGLC shall, among others, comply with the following:

i. *Investment Commitments*

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

As a requirement in developing the aforementioned Project, CGLC is required to maintain a \$10 million escrow account into which all funds for development of Clark must be deposited.

ii. *Debt-Equity Ratio Requirement*

The License Agreement provides, among others, that CGLC's License may be revoked or suspended upon failure of CGLC to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. There should be a certification from the Comptroller together with the certification from its independent external auditor that CGLC complies with the 70% Debt – 30% Equity ratio requirement of PAGCOR within sixty (60) calendar days after the end of each semi-annual period of each year. Furthermore, CGLC shall submit its semi-annual unaudited financial statements sixty (60) calendar days after the end of the applicable semi-annual period and an annual audited financial statements, within one hundred twenty (120) days after CGLC's year end.

As of June 30, 2021 and December 31, 2020, CGLC's debt-equity ratio were 10% -90% and 3%-97%, respectively, which is in compliance with the ratio requirement.

iii. *Requirement to Establish a Foundation*

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized as of September 30, 2021 and December 31, 2020.

- c) On October 5, 2021, CGLC received approval from PAGCOR of its voluntarily suspension of PAGCOR Provisional License. This voluntary suspension allows PH Resorts to focus all efforts for the construction and development of Emerald Bay.

Compliance with Provisional License

As discussed in Note 1, in 2017 and 2018, PAGCOR issued a Provisional License (License) authorizing LLI and CGLC to develop an integrated resort and casino and to establish and operate casinos and engage in gaming activities. The term of License shall be for a period of 15 years and the License may be renewed subject to certain terms and conditions. Under the License, LLI and CGLC shall, among others, comply with (i) investment commitments; (ii) escrow account with maintaining balance of \$15.0 million for LLI and \$10.0 million for CGLC; (iii) debt-to-equity ratio of 70:30; and (iv) establish a Foundation. Under the Provisional License, PAGCOR has enumerated grounds for revocation or suspension of the License subject to notice and due process.

PAGCOR allows the Group to utilize the escrow account subject to certain conditions such as (i) drawdowns must be used exclusively for the development of the project; (ii) the Group must furnish PAGCOR with a monthly report of drawdowns and bank's statement of the escrow account; and, (iii) replenishment of maintaining balance not later than 15 calendar days from the date escrow account fell below the maintaining balance.

There are certain charges from PAGCOR related to the escrow maintaining balance. These are reflected in trade and other payables and operating expenses accounts.

As of September 30, 2021 and December 31, 2020, the Group's cash in escrow amounted to ₱256.6 million and ₱241.8 million, respectively. The Group utilized the escrow for the development of the project.

20. Loss Per Share

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

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

	Nine months ended	
	September 30, 2021	September 30, 2020
Net loss attributable to the equity holders of the Parent Company	(₱376,326,645)	(₱158,112,465)
Divided by weighted average number of common shares of Parent Company	6,971,096,474	4,793,266,504
	(₱0.0540)	(₱0.0330)

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

21. Segment Information

Segment information is prepared on the following bases:

Business Segments

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

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

Business Segment Data

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

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments:

September 30, 2021				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱2,434,166	₱99,513,230	(₱99,513,230)	₱2,434,166
Results				
Direct costs and expenses	(4,607,526)	—	—	(4,607,526)
Operating expenses	(18,045,661)	(125,138,401)	—	(143,184,062)
Foreign exchange gain – net	—	(166,024,479)	—	(166,024,479)
Depreciation	(5,857,403)	(17,142,437)	—	(22,999,840)
Interest expense	(52,411,523)	(279,486,580)	241,528,145	(90,369,958)
Interest income	3,515	796,716	—	800,231
Income tax expense	(702)	(788,953)	—	(789,655)
Benefit from deferred tax	399,081	47,748,059	—	48,147,140
Gain on disposal of a subsidiary	—	—	—	—
Other non-operating expense – net	315,636	(48,298)	—	267,338
Net loss	(₱77,770,417)	(₱440,571,143)	₱142,014,915	(₱376,326,645)
Assets and liabilities				
Operating assets	1,604,228,409	39,222,323,243	(23,725,884,127)	17,100,667,525
Deferred tax asset	—	—	—	—
Total assets	1,604,228,409	39,222,323,243	(23,725,884,127)	17,100,667,525
Operating liabilities	472,506,412	14,301,115,244	(9,785,391,770)	4,988,229,886
Loans payable	968,515,075	5,114,909,481	—	6,083,424,556
Deferred tax liabilities	83,530,803	581,372,814	—	664,903,617
Total liabilities	1,524,552,290	19,997,397,539	(9,785,391,770)	11,736,558,059

September 30, 2020				
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱9,633,841	₱28,177,859	(₱28,177,859)	₱9,633,841
Results				
Direct costs and expenses	(10,011,549)	—	—	(10,011,549)
Operating expenses (net of depreciation)	(19,768,054)	(121,903,438)	—	(141,671,492)
Foreign exchange gain – net	—	100,603,048	—	100,603,048
Depreciation	(5,832,877)	(14,869,679)	—	(20,702,556)
Interest expense	(52,129,402)	(30,983,614)	—	(83,113,016)
Interest income	6,115	8,009,845	—	8,015,960
Provision for/ (benefit from) from tax	273,568	(21,857,160)	—	(21,583,592)
Other non-operating income (expense) – net	581,336	135,555	—	716,891
Net loss	(₱77,247,022)	(₱52,687,584)	(₱28,177,859)	(₱158,112,465)

September 30, 2020				
	Hotels and Restaurant	Others	Eliminations	Total
Assets and liabilities				
Operating assets	₱1,436,175,358	₱35,713,450,230	(₱20,779,710,360)	₱16,369,915,228
Deferred tax asset	—	—	—	—
Total assets	₱1,436,175,358	₱35,713,450,230	(₱20,779,710,360)	₱16,369,915,228
Operating liabilities	₱266,762,784	₱11,982,728,338	(₱8,032,583,274)	₱4,216,907,848
Loans and borrowings	966,586,574	5,957,073,515	—	6,923,660,089
Deferred tax liabilities	80,485,568	715,083,062	—	795,568,630
Total liabilities	₱1,313,834,926	₱18,654,884,915	(₱8,032,583,274)	₱11,936,136,567

22. Other Matters

For presentation purposes in order to facilitate a period over period comparison, interest expense and salaries and wages for the nine months ending September 30, 2020 were adjusted by ₱160.0 million and ₱18.3 million, respectively. This is to reflect treatment in line with the 2020 annual audited financial statements. Net loss therefore decreased by the same amount to ₱178.3 million.

Covid-19. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region (NCR). The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension.

In 2021, the Philippines has been under different levels of community quarantine, the most restrictive of which was the enhance community quarantine imposed.

The outbreak of COVID-19 has adversely impacted Philippine economic activity. The COVID-19 pandemic resulted in travel restrictions and employment adjustments such as flexible work arrangements during lockdowns which caused delays in delivery of construction materials. This led to a slowdown in project site construction. Construction resumed after the lifting of community quarantine restrictions.

The Group reported net operating revenues of ₱2.4 million and ₱9.6 million for the nine month period ending September 30, 2021 and 2020, respectively. The decrease in revenues was primarily due to the travel restrictions caused by the COVID-19 pandemic.

There was a re-imposition in the third quarter of 2021 of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces. This led to a low number of bookings which would have led to operating losses. Thus, in October 2021, management decided to temporarily close the property until further reassessment of the situation.

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

The following management's discussion and analysis relate to the condensed consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of September 30, 2021 and December 31, 2020, and for the nine months ended September 30, 2021 and September 30, 2020.

2.1 Overview and Plan of Operation

Plan of Operations

The Company mainly relies on the following sources of liquidity: (1) financing lines provided by various creditors; and, (2) shareholder advances and/or paid-up capital.

The Company expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from additional borrowings, and proceeds from the successful top up placement last August 2021. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

LLI and LLC. Construction of Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu, Cebu, commenced in December 2017. Emerald Bay will be constructed in two phases with the first phase expected to be completed in the first quarter of 2023.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). On October 5, 2021, CGLC received approval from PAGCOR of its voluntary suspension of PAGCOR Provisional License. This voluntary suspension allows PH Resorts to focus all efforts for the construction and development of Emerald Bay.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the resort in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a wine cellar. Due to the March 2020 lockdown and implementation of local community quarantine restrictions, Donatela was temporarily closed and only reopened in July 2020. In the first quarter of 2021, due to a return of restrictive quarantine measures, existing bookings were cancelled and the expected number of reservations were not achieved.

There was a re-imposition in the third quarter of 2021 of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces. This led to a low number of bookings which would have led to operating losses. Thus, in October 2021, management decided to temporarily close the property until further reassessment of the situation.

Management will strategically assess when Donatela can resume its operations once the economy has achieved some level of normalcy, capitalizing heavily on the Philippines' robust local tourist base. The property's low density design is ideal for the required protocols like social distancing. Prior to the Covid-19 pandemic, DHPC was in the design and development phase for its plans for expansion to improve its business prospects and operations.

The other entities within the Group have no material operations as of September 30, 2021.

2.2 Key Performance Indicators and Relevant Ratios

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

		For the nine months ended September 30	
		2021	2020
I. PROFITABILITY			
Basic Loss per Share	=	(Net income/loss – Preferred dividends)	(376,326,645) (158,112,465)
		Weighted average number of common shares outstanding	6,971,096,474 4,793,266,504
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.		(0.0540)	(0.0330)
Return on Total Assets	=	Net income (loss)	(376,326,645) (158,112,465)
		Total Assets	17,100,667,525 16,369,915,228
It measures efficiency of the Group in using its assets to generate net income.		-2.20%	-0.97%
Return on Equity	=	Net Income/Loss	(376,326,645) (158,112,465)
		Stockholder's Equity	5,364,109,466 4,433,778,662
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		-7.02%	-3.57%
II. FINANCIAL LEVERAGE			
		September 30, 2021	December 31, 2020
Liabilities to Assets Ratio	=	Total Liabilities	11,736,558,059 11,566,692,271
		Total Assets	17,100,667,525 16,600,360,716
It measures the degree to which the assets of the business are financed by the debt and the shareholders' equity of a business.		0.6863	0.6968

Debt to Capitalization Ratio	=	Total Debt	6,931,247,926	6,878,300,083
		Total Capitalization	15,842,715,158	15,214,904,773

It measures the degree to which a company is financing its operations through debt versus total capitalization.

0.4375 0.4521

Liabilities to Equity Ratio	=	Total Liabilities	11,736,558,059	11,566,692,271
		Shareholder's Equity	5,364,109,466	5,033,668,445

It measures the degree to which a company is financing its operations through debt versus wholly owned funds.

2.1880 2.2979

Asset to Equity Ratio	=	Total Assets	17,100,667,525	16,600,360,716
		Shareholder's Equity	5,364,109,466	5,033,668,445

It relates to the proportion of total assets financed by the Group's equity.

3.1880 3.2979

III. MARKET VALUATION

Price to Book Ratio	=	Market value/share	1.2000	2.8100
		Book value/share	0.7366	0.7264
Relates the Group's stock market value to its book value per share			1.6291	3.8684

IV. LIQUIDITY

Current Ratio	=	Current assets	103,163,977	652,839,994
		Current liabilities	7,540,521,604*	8,155,664,220*

It measures the Group's ability to pay its current liabilities with cash generated from its current assets.

0.0137 0.0800

IV. INTEREST RATE COVERAGE RATIO

For the nine months ended
September 30

2021 2020

Interest Coverage Ratio	=	EBIT	(333,314,173)	(53,415,857)
		Interest Expense	90,369,957	83,113,016

It measures the Group's ability to pay interest on its outstanding debt.

(3.6883) (0.6427)

*Current liabilities include a bridge loan facility. The Group has an ongoing negotiation with its lender for the conversion of this bridge loan to a long-term project loan. As of December 31, 2020, the Group's long-term loan was classified as a current liability as an accounting adjustment due to the delay in final lender approvals on the deferment of financial ratio testing as a result of enhanced community quarantine and work from home arrangements. The Group's lender confirmed on April 8, 2021 that the Group is not considered in default. Thus, the Group can classify this current liability as non-current. As of September 30, 2021, the Company classified the loan as non-current in line with its September 2028 maturity date.

2.3 Results of Operations

Operating Results for the Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

	FOR THE NINE MONTHS ENDED SEPTEMBER 30		HORIZONTAL ANALYSIS Change from Prior Year		VERTICAL ANALYSIS % to Revenues	
	2021	2020	Amount	% of Change	2021	2020
NET OPERATING REVENUES						
Food and beverage	1,711,427	4,986,321	(3,274,894)	-66%	70%	52%
Rooms	582,954	4,378,108	(3,795,154)	-87%	24%	45%
Others	139,785	269,412	(129,627)	-48%	6%	3%
	2,434,166	9,633,841	(7,199,675)	-75%	100%	100%
DIRECT COSTS AND EXPENSES						
Salaries and wages	3,474,135	5,572,773	(2,098,638)	-38%	143%	58%
Inventories consumed	767,148	1,915,892	(1,148,744)	-60%	32%	20%
Other costs and expenses	366,243	2,522,884	(2,156,641)	-85%	15%	26%
	4,607,526	10,011,549	(5,404,023)	-54%	189%	104%
GROSS INCOME	(2,173,360)	(377,708)	(1,795,652)	475%	-89%	-4%
OPERATING EXPENSES	166,183,902	162,374,048	3,809,854	2%	6827%	1685%
OPERATING LOSS	(168,357,262)	(162,751,756)	(5,605,506)	3%	-6916%	-1689%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(90,369,957)	(83,113,016)	(7,256,941)	9%	-3713%	-863%
Foreign exchange gain (loss)- net	(166,024,479)	100,603,048	(266,627,527)	-265%	-6821%	1044%
Interest income	800,231	8,015,960	(7,215,729)	-90%	33%	83%
Other income - net	267,337	716,891	(449,554)	-63%	11%	7%
	(255,326,867)	26,222,883	(281,549,750)	-1074%	-10489%	272%
LOSS BEFORE INCOME TAX	(423,684,130)	(136,528,873)	(287,155,257)	210%	-17406%	-1417%
PROVISION (BENEFIT FROM) FOR INCOME TAX	(47,357,485)	21,583,592	(68,941,077)	-319%	-1946%	224%
NET LOSS	(376,326,645)	(158,112,465)	(218,214,180)	138%	-15460%	-1641%
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-	0%	0%	0%
TOTAL COMPREHENSIVE LOSS	(376,326,645)	(158,112,465)	(218,214,180)	138%	-15460%	-1641%
Basic and Diluted Loss Per Share	(0.0540)	(0.0330)	(0.0210)	0.6366		

NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

NET OPERATING REVENUE

The Group reported net operating revenues of ₱2.4 million for the first nine months of 2021 (9ME2021), a 75% decrease from ₱9.6 million for the first nine months of 2020 (9ME2020). The decrease in revenues was primarily due to lower occupancy of the Donatela Resort & Sanctuary caused by the COVID-19 pandemic.

DIRECT COSTS AND EXPENSES

Direct costs and expenses pertaining to operations of the Donatela Resort & Sanctuary registered at ₱4.6 million for 9ME2021, representing a 54% decrease from ₱10.0 million for 9ME2020. The decrease was directly due to lower occupancy and operating revenues during the period. Direct costs and expenses as a percentage of operating revenue rose to 189% from 104%. This increase is due to fixed expenses such as salaries and wages for critical resort staff and maintenance expenses that the company needs to cover despite significantly lower guest occupancy.

Salaries and wages

Salaries and wages were ₱3.5 million in 9ME2021, a 38% decrease from the previous period, which represents the payroll of employees directly involved in providing hotel and food and beverage services. The decrease is due to the management decision for reduced work hours beginning May 2020 as a result of the COVID-19 pandemic.

Inventories consumed

Inventory consumption was ₱0.8 million and ₱1.9 million, representing 32% and 20% of net operating revenues in 9ME2021 and 9ME2020, respectively. The decrease in inventory consumption is due to lower occupancy and reflective of lower net operating revenues for the period.

Other costs and expenses

Other costs and expenses were ₱0.4 million and ₱2.5 million for 9ME2021 and 9ME2020, respectively, representing 15% and 26% of net operating revenues for each period. These expenses are commission expenses, recreation and entertainment expenses. The decrease in other costs and expenses is due to lower occupancy and reflective of lower net operating revenues for the period.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of Emerald Bay, operations of Donatela Resort & Sanctuary and other organizational expenses. Operating expenses were ₱166.2 million for 9ME2021, up from ₱162.4 million for the same period last year. The increase is due to some one-time charges for severance pay (₱3.7 million) and PAGCOR-related charges (₱42 million), which offset the operating cost savings made in the last 2 quarters.

Salaries and wages

Salaries and wages amounted to ₱62.0 million for 9ME2021, a 3.6% increase from the previous period reflective of one-time charges for severance pay.

Professional fees

Professional fees decreased by ₱34.9 million to ₱19.4 million. Professional fees include audit, legal counsel and other professional fees paid in connection with various reporting and regulatory requirements and financing activities of the Group. The decrease is due to the various payments made in 9ME2020 for professional fees related to follow-on offering activities.

Taxes and Licenses

Taxes and licenses increased by ₱1.7 million to ₱11.9 million, primarily due to one-time registration fees and documentary stamp tax incurred for the real estate mortgage entered by the Group.

Dues and subscription

Dues and subscriptions were primarily payables to PSE and SEC which amounted to ₱2.3 million in 9ME2021 versus ₱7.0 million for the same period last year. The previous period was higher due to various processing and filing fees in PSE and SEC for follow on public offering.

Miscellaneous

Miscellaneous expenses increased by ₱34.6 million to ₱36.0 million primarily due to PAGCOR related charges.

NON-OPERATING EXPENSES

Interest Expense

Interest expense incurred on borrowings increased to ₱90.4 million in 9ME2021 from ₱83.1 million for the same period last year. The increase is primarily due to the financing costs incurred from advances of a related party.

Interest income

Interest income decreased to ₱0.8 million as compared to ₱8.0 million in 9ME2020 due to a lower escrow balance for the current period.

PROVISION FOR/ (BENEFIT FROM) INCOME TAX

The Group reported benefit from income tax of ₱47.4 million resulting from foreign exchange translations for the period and lower tax rates brought by the new tax law.

NET LOSS

The Group's net loss widened by ₱218.2 million to ₱376.3 million, primarily due to a foreign exchange loss of ₱166.0 million.

EARNINGS/ (LOSS) PER SHARE

Loss per share increased to ₱0.0540 in 2021 from ₱0.0330 for the same period last year due to the increase in losses, despite higher outstanding shares for the period.

Financial Position

(Comparison of September 30, 2021 and December 31, 2020)

	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	September 30	December 31	Movement from prior period	% to Total Assets/Liabilities&Equity
	2021	2020	Change in Peso	Change in %
ASSETS				
Current Assets				
Cash and cash equivalents	P 45,501,266	P 596,846,911	(P 551,345,645)	-92%
Trade and other receivables	11,514,318	11,853,059	(338,741)	-3%
Advances to related parties	2,039,741	2,039,341	400	0%
Inventories	2,835,806	2,157,160	678,646	31%
Prepayments and other current assets	41,272,845	39,943,523	1,329,323	3%
Total Current Assets	103,163,977	652,839,994	(549,676,017)	-84%
Noncurrent Assets				
Property and equipment	15,300,420,490	14,394,165,312	906,255,178	6%
Right-of-use assets	26,868,619	49,439,123	(22,570,504)	-46%
Deposit for future property acquisition	61,812,449	36,812,449	25,000,000	68%
Cash in escrow	256,551,373	241,759,396	14,791,977	6%
Input value-added tax	669,468,840	619,534,480	49,934,360	8%
Advances to suppliers	610,366,564	566,890,807	43,475,757	8%
Other noncurrent assets	72,015,212	38,919,155	33,096,057	85%
Total Noncurrent Assets	16,997,503,548	15,947,520,722	1,049,982,826	7%
TOTAL ASSETS	P 17,100,667,525	P 16,600,360,716	P 500,306,809	3%
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	P 6,083,424,556	P 6,878,300,083	(P 794,875,527)	-12%
Trade and other payables	882,648,737	700,392,513	182,256,224	26%
Advances from related parties	564,126,183	564,126,183	0	0%
Lease liabilities	10,322,128	12,845,441	(2,523,313)	-20%
Total Current Liabilities	7,540,521,604	8,155,664,220	(615,142,616)	-8%
Noncurrent Liabilities				
Loans payable - net of current portion	847,823,370	-	847,823,370	100%
Advances from related parties	2,207,856,477	2,085,357,006	122,499,471	6%
Retention payable	81,985,685	189,126,913	(107,141,228)	-57%
Lease liabilities - net of current portion	22,125,782	41,123,604	(18,997,822)	-46%
Other Payables	371,341,526	250,157,015	121,184,511	48%
Deferred tax liabilities- net	664,903,615	845,263,513	(180,359,898)	-21%
Total Noncurrent Liabilities	4,196,036,455	3,411,028,051	785,008,404	23%
Total Liabilities	11,736,558,059	11,566,692,271	169,865,788	1%
Equity				
Capital stock	7,282,017,027	6,929,576,027	352,441,000	5%
Additional paid-in capital	1,629,450,205	1,407,028,663	222,421,542	0%
Revaluation Reserve	1,978,576,859	1,846,671,735	131,905,124	7%
Equity reserve	(4,126,935,056)	(4,126,935,056)	-	0%
Deficit	(1,398,999,569)	(1,022,672,924)	(376,326,644)	37%
Total Equity	5,364,109,466	5,033,668,444	330,441,022	7%
TOTAL LIABILITIES AND EQUITY	P 17,100,667,525	P 16,600,360,716	500,306,809	3%

The total assets of the Group net increased by ₱500.3 million to ₱17.10 billion as of September 30, 2021 primarily from the construction in progress of Emerald Bay. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the capital investments, project construction, loan borrowings, business acquisition/group restructuring in 2018, and pre-operating activities of the Group from 2017 - 2021.

CURRENT ASSETS

The Group's current assets decreased by ₱549.7 million to ₱103.1 million primarily due to cash utilized to fund the ongoing construction of Emerald Bay.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱1.05 billion to ₱17.00 billion. This was primarily driven by the increase in (i) property and equipment by ₱906.2 million; (ii) deposit for future property acquisition by ₱25 million; (iii) input value-added tax by ₱50.0 million; (iv) advances to suppliers by ₱43.5 million and (v) Other noncurrent assets ₱33.1 million

Property and equipment increased by ₱906.3 million in 9ME2021 to ₱15.30 billion primarily due to the ongoing construction of Emerald Bay.

Deposit for future property acquisition increased by ₱25.0 million to ₱61.8 million due to a scheduled payment for land previously acquired by DHPC.

Input-value added tax increased to ₱669.5 million from ₱619.5 million due to the additional VAT paid mainly on construction which will be utilized against the Group's output VAT upon the start of operations.

Advances to suppliers increased to ₱610.4 million from ₱566.9 million reflecting construction-related payments for Emerald Bay.

Other noncurrent assets increased by ₱33.1 million to ₱72.0 million mainly due to a deposit made for a fixed asset acquisition.

CURRENT LIABILITIES

The Group's current liabilities decreased from ₱8.16 billion to ₱7.54 billion. This was mainly due to the decrease in current loans payable by ₱794.9 million when the Group's UCPB loan was reclassified into a noncurrent liability in Q12021.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities increased by ₱785.0 million to ₱4.20 billion as of September 30, 2021 from December 31, 2020 due to the reclassification of a ₱847.8 million current loan as a noncurrent liability, increase in advances from related parties by ₱122.5 million and other payables by ₱121.2 million, partially offset by the decrease in deferred tax liabilities by ₱180.4 million, retention payable by ₱107.1 million, and noncurrent lease liabilities by ₱19.0 million.

Advances from related parties increased from ₱2.09 billion to ₱2.20 billion due to an increase in foreign exchange rates.

Other payables increased by ₱121.2 million to ₱371.3 million due to accrued interest from advances from a related party.

Deferred tax liabilities decreased by ₱180.4 million to ₱664.9 million mainly as a result of the recorded adjustment from a lower tax rate under the CREATE Act.

EQUITY

The Group's equity increased by ₱330.4 million to ₱4.9 billion as of September 30, 2021 as a result of the top-up placement and revaluation reserve adjustment partially offset by a ₱376.3 million net loss. The top-up placement increased the Capital Stock and Additional Paid-In Capital by ₱352.4 million and ₱222.4 million, respectively, while the revaluation reserve increase was due to a revaluation gain adjustment of ₱131.9 million from a lower tax rate under the CREATE Act.

2.4 Liquidity and Capital Structure

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

Liquidity

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

Below is the table of consolidated cash flows of the Group for the nine months ended September 30, 2021 and September 30, 2020.

	For the Nine Months Ended September 30		Movement from Prior Period	
	2021	2020	Change in PHP	Change in %
Net cash used in operating activities	(P 140,675,979)	(P 178,673,545)	P 37,997,566	-21%
Net cash provided by (used in) investing activities	(849,889,410)	78,555,352	(928,444,762)	-1182%
Net cash provided by (used in) financing activities	439,245,207	1,185,076	438,060,131	36965%
Net increase (decrease) in cash and cash equivalents	(551,320,182)	(98,933,117)	(452,387,065)	457%
Effect of foreign exchange on cash and cash equivalents	(25,464)	(6,677,561)	6,652,097	-100%
Cash and cash equivalents at beginning of period	596,846,911	224,973,403	371,873,508	165%
Cash and cash equivalents at end of period	P 45,501,266	P 119,362,725	(P 73,861,459)	-62%

Net cash used in operating activities of P140.6 million and P178.7 million in 9ME2021 and 9ME2020 respectively primarily represents payment of operating and pre-development expenses.

Net cash used in investing activities of P849.9 million in 9ME2021 primarily represents payments to contractors for the ongoing construction of Emerald Bay and deposits for future property acquisition. Net cash provided by investing activities of P78.6 million in 9ME2020 was primarily due to withdrawal of cash from escrow for expected project-related payments.

Net cash provided by financing activities was P439.2 million which is composed of P574.9 million in net proceeds from the top-up placement offset by: (1) the P113.4 million Q1 interest payment, and (2) P22.0 million debt issuance cost for the loan extension. Net cash provided by financing activities were P1.2 million in 9ME2020, which mainly represent the proceeds from the deposit for future stock subscription by Udenna and advances from related parties, partially offset by payments of interest, rentals, and auto mortgage loans.

Capital Sources

Below is the table showing the Group's capital sources as of September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Loans payable*	6,931,247,926	P 6,878,300,083
Advances from related party	2,207,856,477	2,085,357,006
Capital stock	7,282,017,027	6,929,576,027
Additional paid-in capital	1,629,450,205	1,407,028,663
Total	P 18,050,571,635	P 17,300,261,779

*The Group has an ongoing negotiation with its lender for the conversion of this bridge loan to a long-term project loan.

On November 5, 2020, PHR successfully conducted a follow-on equity offering of 450.0 million primary common shares (inclusive of the overallotment offer). According to the Lead Underwriter and Issue Manager, Unicapital, Inc., and Co-Lead Underwriter Abacus Capital and Investment Corporation, the issue was more than 2.5x oversubscribed. The offer was priced at P1.68 and the shares were listed on the PSE on November 5, 2020. The Company received P756.0 million in gross proceeds from the offer.

On December 4, 2020, the ₱2.58 billion deposit for future stock subscription was converted into 1.69 billion common shares with a subscription price of ₱1.68/share through a subscription agreement entered into by PH Resorts and Udenna Corporation.

The follow-on equity offering and the deposit for future stock subscription resulted in a combined issuance of 2.14 billion common shares with a par value of ₱1. At a subscription price of ₱1.68/share, this resulted in ₱1.41 billion in additional paid-in capital.

In August 2021, PH Resorts successfully conducted a top-up placement from a selected group of Qualified Institutional Buyer (QIB) investors as defined under the Securities Regulation Code. The transaction consisted of 352,441,000 shares sold by PHR's parent Udenna Corp at P1.70 per share. With the proceeds, Udenna Corp subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into the latter. The proceeds will be used for the continued construction of Emerald Bay. The top-up placement was successfully consummated despite the re-imposition of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time.

2.5 Risk Related to Financial Instruments

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

2.6 Other Financial Information

Aging of Trade and other receivables

The Group's trade and other receivables of ₱11.5 million are all current and not past due as of September 30, 2021.

Dividends

No dividends were declared for the nine months ended September 30, 2021 and September 30, 2020.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

In August 2021, PH Resorts successfully conducted a top-up placement from a selected group of Qualified Institutional Buyer (QIB) investors as defined under the Securities Regulation Code. The transaction consisted of 352,441,000 shares sold by PHR's parent Udenna Corp at P1.70 per share. With the proceeds, Udenna Corp subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into PH Resorts. The proceeds will be used for the continued construction of Emerald Bay. The top-up placement was successfully consummated despite the re-imposition of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time.

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

None.

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

None.

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

In 2020, the Philippine government has implemented measures in a move to contain the COVID-19 outbreak. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The outbreak of COVID-19 has adversely impacted Philippine economic activity which has directly impacted the operations of the Group. The COVID-19 pandemic resulted in travel restrictions and employment adjustments such as flexible work arrangements during lockdowns which caused delays in delivery of construction materials. This led to a slowdown in project site construction of Emerald Bay. Construction resumed after the lifting of community quarantine restrictions.

In 2021, the Philippines has been under different levels of community quarantine, the most restrictive of which was the enhanced community quarantine re-imposed in Q3.

The Group reported net operating revenues of ₱2.4 million and ₱9.6 million for the nine month period ending September 30, 2021 and 2020, respectively. The decrease in revenues was primarily due to the travel restrictions caused by the COVID-19 pandemic. There was a re-imposition in the third quarter of 2021 of the Enhanced Community Quarantine (ECQ) restriction in the National Capital Region (NCR) and certain adjacent provinces. This led to a low number of bookings which would have led to operating losses. Thus, in October 2021, management decided to temporarily close the property until further reassessment of the situation.

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

Incorporated in the discussion under “Plan of Operations” and “Financial Position”.

Seasonal Aspects that have 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 under the PAGCOR Provisional Licenses issued to L3 as the developer of Emerald bay. L3 is required to complete a minimum US\$300.0 million investment commitment. The cost of Emerald Bay includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project.

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

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

Incorporated in the discussion under “Plan of Operations” and “Financial Position”

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

PART II. OTHER INFORMATION

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

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of September 30, 2021
Schedule I. Schedule for Listed Companies with a Recent Offering of Securities to the Public
(In Philippine peso)

1. Gross and net proceeds as disclosed in the final prospectus

Gross Proceeds	P756.0 Million (450,000 shares at P1.68)
Net proceeds	P722.7 Million

2. Actual gross and net proceeds

Gross Proceeds	P756.0 Million (450,000 shares at P1.68)
Net proceeds	P727.2 Million

3. Each expenditure item where the proceeds were used

Gross Proceeds	756,000,000
Direct Expenses related to the Follow on offering	(28,798,718)
Net Proceeds	<u>727,201,282</u>
Expenditures:	
Construction	(707,201,282)
General Corporate Expenses	<u>(20,000,000)</u>
Balance of the proceeds as of 9/30/2021	<u><u>-</u></u>

4. Balance of the proceeds as of end of reporting period

Balance of the proceeds as of 9/30/2021	<u>-</u>
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SIGNATURES

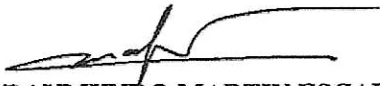
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PH RESORTS GROUP HOLDINGS, INC.

By:



DENNIS A. UY
Chairman of the Board



RAYMUNDO MARTIN ESCALONA
President and Chief Executive Officer



LARA C. LORENZANA
Chief Financial Officer

Signed this 12 day of Nov. 2021