



July 14, 2021

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

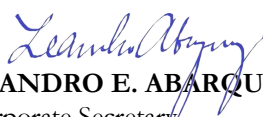
Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Dear Ma'am:

In compliance with the disclosure requirements of the Philippine Stock Exchange, please find the following:

1. Progress Report on the Application of Proceeds from the Follow-on Equity Offering of PH Resorts Group Holdings, Inc. for the quarter ended June 30, 2021
2. Report of Independent Auditors on Factual Findings
3. PH Resorts Group Holdings, Inc. Business Plan

PH RESORTS GROUP HOLDINGS, INC.


LEANDRO E. ABARQUEZ
Corporate Secretary



12 July 2021

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

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Securities and Exchange Commission
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City

Attention: Hon. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

Subject: Summary of the Application of P756 Million Gross Proceeds from the Follow-On Equity Offering

Ladies and Gentlemen:

In line with the follow-on equity offering of PH Resorts Group Holdings, Inc. on November 5, 2020, we submit herewith our report on the application of the actual net proceeds of SEVEN HUNDRED TWENTY-SEVEN MILLION TWO HUNDRED ONE THOUSAND TWO HUNDRED EIGHTY-TWO (PHP 727,201,282).

As of second quarter of 2021, the application of the net proceeds is broken down as follows:

Gross Proceeds	₱ 756,000,000
Direct expenses related to the Follow-on offering	<u>(28,798,718)</u>
Net Proceeds	<u>₱ 727,201,282</u>

(in PHP)	Allocation of Actual Net Proceeds	Actual Disbursements				Remaining Balance per Allocation
		As of December 31, 2020	Q1 2021	Q2 2021	Total	
Expenditures:						
Construction of the first phase of Emerald Bay	707,201,282	(420,384,358)	(56,875,078)	(176,060,100)	(653,319,536)	53,881,746
General Corporate Expenses	20,000,000	-	-	(19,185,082)	(19,185,082)	814,918
Total	727,201,282	(420,384,358)	(56,875,078)	(195,245,182)	(672,504,618)	54,696,664

Thank you.

Very truly yours,

PH Resorts Group Holdings, Inc.

By:

Lara Lorenzana
Chief Financial Officer

Report of Independent Auditors on Factual Findings

Punongbayan & Araullo

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders

PH Resorts Group Holdings, Inc.

20th Floor, Udenna Tower, Rizal Drive
Corner 4th Avenue, Bonifacio Global City
Taguig City, Philippines

We have performed the procedures agreed with you and enumerated in the succeeding pages with respect to the accompanying Progress Report on the Application of Proceeds (the Report) for the quarter ended June 30, 2021, as required by the Philippine Stock Exchange, Inc. (the PSE). The Report covers the utilization of the P727,201,282 net proceeds from and expenses related to the follow-on equity offering of 450.0 million shares (inclusive of overallotment offer) at an offer price of P1.68 per share (the Offering) of PH Resorts Group Holdings, Inc. (the Company) at the PSE on November 5, 2020. The procedures were performed solely to enable the Company to comply with the requirement of the PSE to submit the Report relating to the application of the Offering Proceeds accompanied by an external auditor's report.

Our engagement was undertaken and our report is issued in accordance with Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, applicable to agreed-upon procedures engagements.

We present below the summary of the breakdown and application of the Offering Proceeds for the quarter ended June 30, 2021, based on the information we obtained from the Company.

	<u>Planned Allocation of Offering Proceeds</u>	<u>Application of Offering Proceeds as of March 31, 2021</u>	<u>Application of Offering Proceeds for the Quarter ended June 30, 2021</u>	<u>Unused Offering Proceeds as of June 30, 2021</u>
Construction of the first phase of Emerald Bay	P 707,201,282	P 477,259,436	P 176,060,100	P 53,881,746
General corporate purposes	<u>20,000,000</u>	<u>-</u>	<u>19,185,082</u>	<u>814,918</u>
	<u>P 727,201,282</u>	<u>P 477,259,436</u>	<u>P 195,245,182</u>	<u>P 54,696,664</u>

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/ PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

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Agreed-upon Procedures

The procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
 - a.) The Report;
 - b.) Schedule of planned use of proceeds from the Offering;
 - c.) Trial balance as of June 30, 2021; and,
 - d.) Detailed schedule of utilization of proceeds for the quarter ended June 30, 2021.
2. Compared the schedule of planned application of the proceeds to the Use of Proceeds section of the prospectus. Inquired with the Company's management of the reason for any difference, if any, and requested a copy of the approval by the Board of Directors (BOD) and the PSE, as appropriate, i.e., if it involved reallocation or change in use of proceeds.
3. Compared the disbursements of the net proceeds shown in the Report with the schedule of planned application of proceeds indicated in the Offering and investigate any difference or excess of disbursements over the planned application of proceeds.
4. Performed the following procedures on the schedules obtained:
 - a.) Agreed related totals to the general ledger; and,
 - b.) Assessed reasonableness of the movements in the designated cash in bank ledger with the list of disbursements in the Report.
5. Traced to and examined supporting documents, including approval documents, of significant disbursements in the detailed schedule of utilization of proceeds and traced the total amount of disbursements per category to the Reports.

Results of the Performance of Agreed-Upon Procedures

1. With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules received.
2. With respect to item 2, we compared the schedule of planned application of the proceeds to the Use of Proceeds section of the final offering prospectus. Based on our examination, we noted that the estimated costs and expenses for the Offering of P33,300,000, assuming oversubscription option is exercised in full, exceeded the actual costs and expenses incurred amounting to P28,798,718. The excess amount of P4,501,282 was included in the planned allocation for the construction of the first phase of Emerald Bay.
3. With respect to item 3, we compared the disbursements from the net proceeds shown in the Report with the scheduled planned application of proceeds from the Offering. We noted the following disbursements:
 - a.) The Company intended to utilize up to P707,201,282 of the Offering Proceeds to fund the construction of the first phase of Emerald Bay, as shown in the summary of breakdown and application of Offering Proceeds. Based on the final Offering prospectus, these expenditures are expected to be made in the fourth quarter of 2020. Our examination of the disbursements showed that out of the actual total disbursements related to the construction of the first phase of Emerald Bay amounting to P653,319,536 as of June 30, 2021, a total of P176,060,100 was disbursed in the quarter ended June 30, 2021. Remaining unused proceeds allocated for this purpose amounted to P53,881,746.

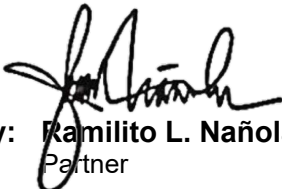
- b.) According to management and as disclosed in the final offering prospectus, there is no estimated date of completion of disbursement for proceeds allocated to general corporate purposes and disbursements will be based on the needs of the Company from time to time and will be subjected to market conditions. A total of P19,185,082 was disbursed in the quarter ended June 30, 2021 related to this purpose. Remaining unused proceeds allocated for this purpose amounted to P814,918.
4. With respect to items 4 and 5, we have not noted any exceptions based on the procedures performed.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of proceeds based on the said standards. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

PUNONGBAYAN & ARAULLO


By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8533235, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019 2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

July 14, 2021



PH RESORTS GROUP HOLDINGS, INC.

Report on the Company's Business Plan

PHR is the holding entity for the gaming and hospitality business of the Udenna Group of companies. PHR is the parent company holding shares to wholly-owned subsidiaries, which, in turn, hold the assets and undertake gaming and tourism industry-related operations.

EMERALD BAY

LapuLapu Leisure, a corporation registered in the Philippines on January 25, 2017 under Company Registration No. CS201702631, is the developer of Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu City, Cebu, Philippines. On May 3, 2017, LapuLapu Leisure and UDEVCO were granted a provisional license by the Philippine Amusement and Gaming Corporation (“PAGCOR”) to establish Emerald Bay on a prime beachfront area on Mactan Island, Lapu-Lapu City, Cebu. In July 2018, upon the request of the Company, PAGCOR approved the substitution of LapuLapu Land as a new co-licensee of the Emerald Provisional License in place of UDEVCO. Emerald Bay will be located on a 12.4-hectare site located on the Punta Engaño peninsula of Mactan Island, which is approximately six kilometers away from Mactan-Cebu International Airport. LapuLapu Leisure leases the site on which Emerald Bay will be located from LapuLapu Land, which became its wholly-owned subsidiary on October 14, 2019.

Construction of Emerald Bay commenced in December 2017. Construction of Hotel Tower A and Tower B commenced in the third quarter 2018. Construction of the podium is underway. Construction of the central utility plant structures as well as the architectural blockwork started in the third quarter of 2018, while construction of the facades commenced in the first quarter of 2020. In addition, Emerald Bay’s mock-up rooms were completed at the end of 2018 while the administration building is expected to be completed by the third quarter of 2022. In summary, the following milestones have been completed to date:

Commencement of Foundation Work	April 2018
Start of Superstructure Work	September 2018
Primary Structural Steel (AHU Deck)	Completed in March 2020
Top-off of Podium	Completed in July 2020
Top-off of Tower B	Completed in March 2021

Overall completion as of June 30, 2021 is 40.35% wherein the main building concrete pouring is at 97.95% (Podium – 97.95%, Hotel structure – 99.92%). Interior and fit-out will commence upon completion of concrete pouring.

Emerald Bay will be constructed in two phases, of which, the first phase of Emerald Bay is expected to be completed in the third quarter of 2022. The first phase of Emerald Bay is expected to have approximately 4,514 square meters of aggregate gaming floor area, with approximately 600 electronic gaming machines, approximately 122 gaming tables, a five-star hotel, with approximately 270 hotel bays, an open-air promenade, 5 F&B outlets, and one pool complementing a partially completed 300-meter-long beach front that will be open to resort guests. The second phase is expected to have approximately 8,210 square meters of aggregate gaming floor area, with approximately 729 electronic gaming machines, approximately 146 gaming tables, a five-star hotel with approximately 780 hotel bays, including five villas, four pools, approximately 16 F&B outlets covering an area of approximately 11,186 square meters, and MICE facilities of approximately 1,558 square meters.

	Phase 1	Phase 1 and 2
Description	Q3 2022	2023-2026
Description		
F&B, MICE, Retail and Others		
Casino façade	✓	✓
Building envelope	✓	✓
Main Casino	✓	✓
Restaurants	5	16
Pools	1	4
Beachfront	Partial	Full
Ballroom / convention	-	✓
Retail	-	✓
Kids Club Tent	-	✓
Meeting rooms and business center	-	✓
Spa and fitness	-	✓
Gaming and Hotel		
Mass	78	94+
Premium Mass	22	26+
Junket	22	26+
Total tables	122	146+
EGMs	600	729+
Hotel room bays	270	780
Villas	-	5
Cumulative Construction cost (US\$ millions)	238.5	465.4

The Company is working closely with its primary design (Steelman Partners), project management (Tenman HK Limited) and construction (Terp Asia Construction Corporation) teams to ensure that phase 1 of Emerald Bay is completed and will commence full operations on budget and on track for the targeted opening in the third quarter of 2022.

The Company has already committed the majority of the contracts necessary for the construction of Emerald Bay and is in the process of evaluating the contracts relating to the design and fit-out and the FF&E packages of Emerald Bay. For efficiency purposes, the Company has opted to separate the development process of Emerald Bay into several work packages. In line with this approach, the Company is working with 24 different consultants in relation to the design and construction, and 25 different contractors in relation to the construction and fit-out, of the various aspects of Emerald Bay and intends to work with certain additional consultants and approximately 45 additional contractors in connection with the design, construction and fit-out of Emerald Bay. The Company believes that working with multiple contractors in relation to each specific work package will enable a more streamlined construction process and ensure the expected timeline of Emerald Bay remains on target. Most of the contractors for the construction and fit-out works were or are being procured through open tender, and definitive contracts are already in place for all main construction works of Emerald Bay with reputable, qualified contractors on reasonable commercial terms.

The Company has also initiated the necessary planning and development work in the critical areas of facility and operations readiness, brand image and marketing, and finance of Emerald Bay. As a result of the



Company's extensive critical path operational planning, the Company expects to complete all of its significant pre-launch activities for Emerald Bay by its expected opening in 2022.

The anticipated cost and targeted completion and opening date for Emerald Bay are based on indicative or proposed budgets, design, construction and fit-out plans, as well as schedule estimates that the Company has prepared with the assistance of Tenman HK Limited and its contractors.

A maximum of 70% of total capitalization for the project will be funded by the proceeds from the Company's existing debt facility (currently amounting to ₱5.2 billion and US\$15 million) and through the expected availment of additional debt. This is within the acceptable debt-to-equity ratio for a project of this size in this industry and is also acceptable with the provisional license issued by PAGCOR which requires a maximum of 70% to 30% debt-to-equity ratio. It is also compliant with the debt covenants of the Company as each of Lapulapu Leisure and Lapulapu Land is required to maintain, on a combined basis, a debt-to-equity ratio of not more than 2.33 to 1.0.

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. However, the management is hopeful that with the improvement in the number of Covid cases in NCR Plus, a lifting of strict quarantine measures imposed on Panglao Island, Bohol as well as the gradual resumption of international flights, there will be improvement in Donatela's operations. 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.

COVID-19 PANDEMIC

The construction of the Emerald Bay Project initially faced challenges in view of the implementation of measures to mitigate the effects of and to prevent the exposure of workers onsite to the COVID-19 pandemic. The situation onsite has gradually gotten back to normal, with continued compliance with all applicable government directives.

Furthermore, the operations of Donatela Resort & Sanctuary were temporarily suspended beginning March 2020 in response to the lockdown measures imposed by the Philippine government. It resumed operations in July 2020 as local government restrictions eased.

The Company's management has taken a proactive approach in business continuity due to the effects of COVID-19. In managing the Company, major strategic and support functions were implemented such as the imposition of work-from-home measures for its staff and strict health and safety standards at the construction site. Thus far, the implementation of work-from-home measures and the transition of work in digital space has been promising and shows long-term feasibility.

The Company's teams are in constant communication with its personnel on-site, project management team and sub-contractors to make sure the Company remains on schedule with its construction targets.

The safety and wellbeing of on-site employees is of utmost importance to the Company. The Company has adjusted the work arrangements of its personnel to provide a safe working environment and to prevent the spread of COVID-19. Specifically, they have implemented the following precautionary measures and policies to minimize the possibility of COVID-19 infections at the worksite:



- taking the temperature of workers and personnel when they enter the site and maintaining an adequate supply of hand sanitizers for use at the premises;
- requiring all personnel to wear face masks at all times;
- reminding all personnel to be aware of the importance of maintaining good personal and workplace hygiene;
- regularly cleaning and ventilating offices and facilities;
- minimizing in-person meetings;
- monitoring the travel history of personnel; and
- monitoring the latest information released by the Government and keeping personnel informed about material updates, such as any mandatory quarantine imposed in different areas.

FUNDING AND CAPITAL SOURCES

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 is current on all of its loan accounts and does not anticipate having any cash flow or liquidity problems over the next 12 months.

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 retail offer last November 2020. 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.

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 ₱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.

On December 4, 2020, the ₱2.58 billion deposit for future 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 combined issuance of 2.14 billion common shares (par value of ₱1) at a subscription price of ₱1.68/share resulted in ₱1.41 billion in additional paid-in capital.

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.