SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**

2. SEC Identification Number **CS200901269** 3. BIR Tax Identification No. **007-236-853-000**

4. Exact name of issuer as specified in its charter **PH RESORTS GROUP HOLDINGS, INC.**

5. **PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City** — **1634**
   Address of principal office — Postal Code

8. **(632) 8838-1985**
   Issuer's telephone number, including area code

9. **PHILIPPINE H2O VENTURES, CORP.**
   GGDC Administrative Services Building, Clark Global City,
   Clark Freeport Zone, Pampanga, Philippines 2023
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1 par value	**7,282,017,027**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [X] 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. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the registrant as of May 13, 2022 are as follows:

(a) Total number of shares held by non-affiliates as of May 13, 2022 is 1,631,478,498 shares.
(b) Closing price of the Registrant's share on the exchange as of May 13, 2022 is ₱1.42 per share.
(c) Aggregate market price of (a) as of May 13, 2022 is ₱2,316,699,467.

14. Documents Incorporated by Reference

No documents were incorporated by reference to any report in this SEC Form 17-A.

SEC FORM17-A TABLE

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. 1 Business Development

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp., "PH Resorts", "H2O", or the "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 Company are listed and traded in the Philippine Stock Exchange (PSE). The new registered office address of the Company is at 20th Floor Udenna Tower, Rizal Drive corner, 4th Avenue Bonifacio Global City, Taguig City.

As of December 31, 2020, the Company is a majority-owned subsidiary of Udenna Corporation ("Ultimate Parent Company" or "Udenna"), a company incorporated in the Philippines.

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

- Change of corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.

- Change the primary purpose of H2O from "to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act" to "to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest".

- Change of registered principal office address from 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023.

- Change the number of directors from seven to nine.

- Increase in authorized capital stock from ₱500.0 million, consisting of 500.0 million common shares with a par value of ₱1.00 per share to ₱8.00 billion consisting of 8.00 billion common shares with a par value of ₱1.00 per share.

1.2 Business of Issuer

Overview

PH Resorts Group Holdings, Inc. was incorporated primarily to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest.

PH Resorts Group Holdings, Inc. is the parent company of PH Travel and Leisure Holdings Corp. ("PH Travel"), the holding company for the gaming and hospitality arm of the Udenna Group, which includes LapuLapu Leisure, Inc. ("LapuLapu Leisure", "LLI") and Donatela Hotel Panglao Corp ("DHPC", "Donatela Resort & Sanctuary").

LapuLapu Leisure 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 Corp. ("LapuLapu Land", "LLC") as a new co-licensee of the Emerald Bay 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 subsidiary on October 14, 2019. Construction of Emerald Bay commenced in December 2017. Emerald Bay will be constructed in two phases, of which, the first phase of Emerald Bay is expected to be completed in the first quarter of 2023. 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 management team is pushing for a soft opening by the first quarter of 2023, and will continue to increase its gaming capacity and hotel rooms starting in the second quarter of 2023.The second phase is expected to have approximately 12,164 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.

DHPC, a corporation registered in the Philippines on November 7, 2017 under Company Registration No. CS201736837, is the Company's other indirect subsidiary that owns and manages its other project, the Donatela Resort & Sanctuary, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. In October 2021, in a proactive response to preserve the Company's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations were not achieved. With the steady resumption of both domestic and international flights, the Company is assessing reopening options and the optimal time to re-open Donatela. The Company believes that it can quickly re-open Donatela when the necessary pre-conditions are met.

The Company's other remaining indirect subsidiaries have no material operations as of the date of this annual report.

The Company expects Emerald Bay to take advantage of the growing market for gaming in Asia, as evidenced by Macau, the world's largest gaming market in 2019, recording total casino revenues of U.S.$36.60 billion in 2019. Macau's total casino revenues had a 2015 to 2019 CAGR of total casino revenues of 6.7%. Despite casino revenues shrinking by 79.3% in 2020, the Macau's Gaming Inspection and Coordination Bureau recorded U.S.$10.82 billion of revenues in 2021. This is a 43.7% year-on-year growth from 2020 given several disruptions to the tourism business in the second half of the year, due to community cases of COVID-19.

Upon foreseeable recovery, the Company believes that Emerald Bay will be able to take advantage of this strong demand by providing an attractive gaming option for Philippine and regional Mass Market and VIP players, with its combination of high-end design, varied gaming and non-gaming offerings, five-star amenities and high-quality customer service.

The Company believes that Emerald Bay will be one of the Philippines' premier integrated tourism resort and gaming complexes, offering a premium gaming experience to all of its customers in a gaming facility designed and operated according to world-class standards. The Company believes the Donatela Resort & Sanctuary will enhance the Company's five-star offerings and complement the establishment of Emerald Bay by offering additional upscale facilities to its gaming and non-gaming guests.

Competition

Emerald Bay

As an integrated resort designed, planned and developed according to world-class industry standards, Emerald Bay will compete with integrated tourism resorts and casinos domestically in the Philippines, including Resorts World Manila, Solaire Resort & Casino, City of Dreams Manila and Okada Manila, which are currently operating, each of which is in Entertainment City. Emerald Bay will also compete with other integrated tourism resorts and casinos in Macau, Singapore, Cambodia and other parts of Asia. The Company believes these Philippine and regional resorts of the same high-end design and international quality will generally be the major competitors of Emerald Bay. The Company also expects that Emerald Bay will compete against facilities in the world's other major gaming centers, including in Las Vegas, Nevada and Australia. In particular, with respect to VIP customers, the Company expects to compete primarily with Macau, Singapore and Australia for customers of independent junket promoters, while the Company expects Singapore to be strong competition for VIP Direct customers. Chinese High Rollers are still seen as a key component of the world market for casino VIP gambling.

In line with the memorandum of agreement between UDEVCO and the City Government of Lapu-Lapu, which provides effective exclusivity to UDEVCO with respect to the operation of a casino in Lapu-Lapu City for a period of seven years from the commencement of commercial operations of Emerald Bay, the Company expects Emerald Bay to be the only integrated resort in Lapu-Lapu City in the immediate future, and the only integrated resort in Mactan, Cebu until other openings such as that of Gokongwei-led Universal Hotels and Resorts Inc. in Cebu City. In terms of its integrated tourism resort and tourism business, the Company will compete domestically with both Philippine and foreign-owned hotels and resorts. With respect to its gaming business in particular, Emerald Bay is expected to compete domestically with PAGCOR gaming facilities, existing privately- owned casinos and the facilities, if any, to be built by the other developers granted provisional licenses by PAGCOR. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

The Company believes its gaming competitors may, to the extent they have not already, partner with international gaming companies. Although these companies and their partners may have substantial experience and/or resources in constructing and operating resorts and gaming establishments and may be supported by conglomerates with access to more capital than the Company, the Company believes that Emerald Bay will be able to compete effectively with these entrants by offering a differentiated product that will appeal to the preferences of all segments of the Philippine gaming market, which is expected to grow significantly over the next few years.

Donatela Resort & Sanctuary

The Donatela Resort & Sanctuary is one of several upscale hotels in the Bohol and Cebu area. As an upscale resort, the Donatela Resort & Sanctuary competes with other upscale hotels both domestically and internationally. The Donatela Resort & Sanctuary is subject to competition from many large hotels with established international brands, as well as smaller, “boutique” style hotels including Eskaya Resort and Amorita within Bohol, Abaca Boutique Resort and Kandaya Resort within the Cebu region, and Purist Villas Indonesia and Como Point Yamu Thailand within the Southeast Asian region. Given the development of Emerald Bay on Mactan Island, Cebu and the current shortage or rooms required to meet the expected influx of visitors, the Company expects a number of new hotels to be developed in the coming years. The opening of the new Bohol-Panglao International Airport (TAG) in November 2018 has improved access to Bohol. The members of the management team of DHPC, the operator of the Donatela Resort & Sanctuary, have significant experience in successfully operating upscale resorts. As such, the Company believes that the Donatela Resort & Sanctuary will be able to compete effectively with existing and future hotels in the region.

Intellectual Property

As of the date of this annual report, the Company has registered for the relevant trademark with respect to the name Emerald Bay. The Company’s application in respect of “Emerald Bay Resort and Casino” trademark was approved by the Intellectual Property Office of the Philippines on October 13, 2019, and is valid until October 13, 2029.

The Company expects to apply to register additional trademarks for its logos, club names, restaurants and other property as needed to protect its brand names.

Government License and Regulatory

<u>The Emerald Bay Provisional License</u>

PAGCOR issued a provisional license (including, where the context requires, any regular license issued to replace the provisional license as described below, the “Emerald Provisional License”) for the development of an integrated casino, hotel and entertainment complex within Lapu-Lapu City (“Emerald Bay”) on May 3, 2017 to LapuLapu Leisure, Inc. and UDEVCO. On July 19, 2018, PAGCOR approved the substitution of Lapulapu Land in place of UDEVCO as co-licensee in respect of the Emerald Bay Provisional License. LapuLapu Leisure and LapuLapu Land are the only licensees permitted to develop and operate an integrated resort and casino in Lapu-Lapu City.

The Emerald Bay Provisional License is expected to be replaced with a regular casino gaming license upon Emerald Bay’s completion and PAGCOR’s approval of a final report of Emerald Bay’s construction. The Emerald Bay Provisional License, as well as any regular license issued to replace it (which shall have the same terms and conditions as the Emerald Bay Provisional License) is co-terminus with PAGCOR’s franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed when PAGCOR’s franchise is renewed by law.

<u>The Clark Provisional License</u>

PAGCOR issued a provisional license (including, where the context requires, any regular license issued to replace the provisional license as described below, the “Clark Provisional License”) for the development of an integrated casino, hotel and entertainment complex within Clark Freeport Zone (“Clark Freeport”) on August 6, 2018 to CGLC. CGLC is also one of five licensees permitted to develop and operate an integrated resort and casino in Clark Freeport Zone.

On 5 October 2021, CGLC received approval from PAGCOR of its request to voluntarily suspend the Clark Provisional License. CGLC sought for the voluntary suspension of its license on the back of PHR's strategic plan to prioritize its current resources towards the completion of Emerald Bay. The voluntary suspension shall be effective until further notice. Notwithstanding the voluntary suspension, CGLC reserves the right to apply for the lifting of the suspension, subject to the approval of the PAGCOR Board of Directors.

CGLC may seek to apply for the lifting of the suspension for the following reasons such as, but not limited to potential new joint venture partners and/or investors; and, improved market conditions.

As present financial projections center on PHR's plans for Emerald Bay, the voluntary suspension of CGLC's license will have no effect on current financial numbers. Thus, PHR expects that the suspension will have little to no impact on the business of PHR.

Research and Development

Research and development expense mainly pertained to feasibility studies in connection with gaming market assessments for Emerald Bay and the Clark Resort. No research and development expense were incurred in 2021.

Employees

As of December 31, 2021, the Company has 18 full-time employees, comprising 4 executives and 14 supervisors and rank and file employees. At least eight months prior to its launch, the Company expects to commence the hiring process for Emerald Bay's gaming and hotel operations, and fill a number of managerial and administrative roles within the Company's principal office.

Emerald Bay's employees are not subject to collective bargaining agreements and were not represented by any labor union as of December 31, 2021. The Company has not encountered any significant difficulties with its employees in connection with Emerald Bay and believes that its relations with such employees are generally good. No major strikes or collective actions have been staged by the employees. In addition, no significant difficulties have been encountered between any of the Company's construction contractors and their employees.

The Company is, and intends to continue to be, in compliance with all applicable Philippine labor and employment regulations. The Company currently has in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, the Company, through its human resources and legal departments, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations. The Company also intends to monitor compliance by its suppliers and contractors, as well as by its expected retail tenants, with such regulations.

Discussion of Risks

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects.

<u>Risks relating to the construction and development of Emerald Bay</u>

Emerald Bay is currently under construction and development and is subject to significant risks and uncertainties. The Company could encounter problems that substantially increase the costs of completing Emerald Bay and delay or prevent its opening. The timeline and project cost of Emerald Bay may also be materially and adversely affected by the performance of third-party contractors and other factors beyond the Company's control. Construction of Emerald Bay is subject to hazards that may cause personal injury or loss of life, thereby subjecting the Company to liabilities and possible losses, which may not be covered by insurance. In addition, the Company will require additional equity or debt financing, and its ability to obtain such financing may be limited, which could delay or prevent the opening of Emerald Bay. Lastly, even if Emerald Bay is completed and opened as planned, it may not be financially successful.

Risks relating to the operation of Emerald Bay and the Donatela Resort & Sanctuary

Emerald Bay will face competition in the Philippines and elsewhere in Asia, and the Company may not compete successfully and may be unable to gain or sustain market share, including when Emerald Bay commences operations. The Company may be unable to maintain, or develop additional, successful relationships with reputable independent gaming promoters, or compete for such relationships as the Philippine gaming industry grows. The success of Emerald Bay will depend on the reputation and integrity of the independent gaming promoters it engages, and the Company may be adversely affected by a lack of probity and integrity of such operators. The success of Emerald Bay depends on the effective execution of the Company's business strategy and its inability to do so may affect its results of operations and financial condition. The Company's strategy to attract VIP Direct and Premium Mass customers to Emerald Bay may not be effective. VIP gaming customers may cause significant volatility in the Company's revenues and cash flows. The Company may be exposed to credit risk on credit extended to its clients. The Company's business may be adversely affected by the crackdown by China on junkets and overseas gaming operators looking to attract Chinese nationals overseas for the purpose of gambling. The Company may experience difficulty in managing its expected rapid growth. Emerald Bay will require a substantial number of qualified managers and employees, and there is no guarantee that the Company will be able to successfully recruit, train and retain a sufficient number of such qualified personnel. The Casino's ability to generate revenues depends to a substantial degree on the development of Cebu as a tourist and gaming destination. Transport and tourism infrastructure in Cebu may limit the development of the gaming industry in such area. The loss of members of the Company's management team may adversely affect the Company's operations, particularly given the Company's lack of experience in the hospitality industry and in planning and operating integrated tourism resorts such as Emerald Bay. The win rates for Emerald Bay's gaming operations depend on a variety of factors, some of which are beyond the control of the Company. The Company may be unable to maintain effective internal controls. The Company may not be able to prevent money laundering at Emerald Bay. The Company's properties could encounter security issues from time to time. The Company may not be able to prevent cheating and fraud at Emerald Bay. The Company's gaming business will initially depend entirely on Emerald Bay, which may subject the Company to greater risk than its competitors with multiple operating properties. Changes in public acceptance of gaming in the Philippines may adversely affect Emerald Bay. The improper use or disclosure of customer data gathered by the Company could harm the Company's reputation and have a material adverse effect on the Company's business and prospects. Default on some of the financing agreements will allow Lenders to foreclose on real estate and chattel currently used or to be used by Emerald Bay and Donatela Resort & Sanctuary.

Risks relating to the Provisional Licenses and regulation of the Philippine gaming and hotel industries

The Company's gaming operations are dependent on the Provisional Licenses issued by PAGCOR. PAGCOR may impose regulations on casino operations that may interfere with the Company's ability to provide certain services to customers. The Company may be required to obtain a legislative franchise in the event that either of House Bill 6111 or 6514 is approved by Congress and signed into law by the President of the Philippines.

Any additional gaming licenses issued by PAGCOR, or any breach, termination or unenforceability of the memorandum of agreement between UDEVCO and the City Government of Lapu-Lapu, could increase competition, diminish the value of Emerald Bay's Provisional License and cause the Company to lose or be unable to gain market share. The Company's business may also be adversely affected by policy changes and modified or additional conditions on Emerald Provisional License. The Company's gaming operations in Clark, when pursued, are dependent on the Clark Provisional License issued by PAGCOR. The gaming industry in the Philippines is highly regulated. Allegations of bribery involving PAGCOR and other holders of licenses granted by PAGCOR may result in investigations of all such provisional licenses. Titles over land owned by LapuLapu Land may be contested by third parties.

General risks relating to the Company

The planning, design, construction and development, and any future development of Emerald Bay, the Donatela Resort & Sanctuary and the Company's other projects may preoccupy the Company's management time and resources, which could lead to delays, increased costs and other inefficiencies in the course of such developments. All of the Company's business and assets are in the Philippines, and the Company expects a significant number of its customers to be from China, and other parts of Asia. Any downturn in the Philippine or regional Asian economies may negatively impact the Company's business and results of operations. The Company's gaming and hotel businesses are vulnerable to global and regional economic downturns. The COVID-19 pandemic and the government-mandated lockdowns following its transmission in the Philippines may have a lasting negative effect on the expected financial performance of the Company's projects, the implementation of construction deadlines, and the Company's cash flow. The Company's majority shareholder, Udenna, and its Chairman, Dennis A. Uy may exert significant control over the Company and its interests may conflict with those of other shareholders. The Company is a holding company and its ability to pay dividends is dependent upon the earnings of, and distributions by, its subsidiaries. The Company's insurance coverage may be inadequate. The Company may, from time to time, be involved in legal and other proceedings.

Risks relating to the Philippines

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses. The Company's business may be disrupted by terrorist acts, crime, natural disasters and outbreaks of infectious diseases in Cebu, Luzon or the Philippines generally or fears of such occurrences. Political or social instability in the Philippines could destabilize the country and may have a negative effect on the Company. The Company's land and real property may be subject to compulsory acquisition by the Government. Changes in foreign exchange control regulations in the Philippines may limit the Company's access to foreign currency. The sovereign credit ratings of the Philippines may adversely affect the Company's business. In addition, territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Item 2. Properties

Emerald Bay

The aggregate land area for Emerald Bay site comprises 12.4 hectares. LapuLapu Land, a wholly-owned subsidiary of LapuLapu Leisure, owns the land on which Emerald Bay is being constructed following the purchase of several lots of land from third parties. Pursuant to the lease agreements entered into in July 2017 and August 2018 (the "Emerald Bay Lease Agreements"), LapuLapu Leisure has leased the relevant land from LapuLapu Land for a period of 25 years, subject to renewal for an additional 25 years at the option of LapuLapu Leisure. The Emerald Bay Lease Agreements were entered into on arm's-length terms. Both entities are wholly-owned subsidiaries of the Company.

Other Properties

DHPC owns and manages the Company's other project, the Donatela Resort & Sanctuary, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. In October 2021, in a proactive response to preserve the Company's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations were not achieved. With the steady resumption of both domestic and international flights, the Company is assessing reopening options and the optimal time to re-open Donatela. The Company believes that it can quickly re-open Donatela when the necessary pre-conditions are met.

The Company’s other remaining indirect subsidiaries have no material operations as of the date of this annual report.

Item 3. Legal Proceedings

Neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary’s interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

There are no matters that were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II –OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

5.1 Market Information

There are 5,243,266,504 common shares of the Company that are listed on the Philippine Stock Exchange. There are 2,038,750,523 common shares that are issued and outstanding shares but are currently not listed in any exchange.

The high and low sales prices for each quarter within the last two years for each quarter are indicated in the table below:

Quarter	High	Low
1st quarter 2022	1.40	0.69
4th quarter 2021	1.26	0.73
3rd quarter 2021	1.98	1.13
2nd quarter 2021	2.35	1.69
1st quarter 2021	3.63	1.94
4th quarter 2020	3.70	2.07
3rd quarter 2020	2.70	2.01
2nd quarter 2020	4.00	1.66
1st quarter 2020	5.14	3.10

The price of the shares as of May 12, 2022, or the latest practicable trading date, is ₱1.32 per share. The market capitalization of PHR as of December 31, 2021, based on the closing price of ₱0.78 per share is ₱ 5,679,973,281. As of December 31, 2020, PHR's market capitalization stood at ₱19,472,108,636 based on the closing price on December 29, 2020 of ₱2.81 per share and a total issued and outstanding capital stock of 6,929,576,027 common shares.

5.2 Holders

As of December 31, 2021, the Company has over 100 beneficial shareholders. The top 20 shareholders are the following:

Shareholder	Number of Common Shares	Percentage of Ownership
Udenna Corporation	5,643,037,228	77.49%
PCD Nominee Corp. (Filipino)	954,085,353	13.10%
PCD Nominee Corp. (Non Filipino)	684,771,061	9.40%
Yu Kok See	106,272	0.00%
Marcial Ronald T. Asturias	7,200	0.00%
Rogelio N. Pascua	3,024	0.00%
Miguel De Castro Marana or Bituin De Castro Marana	3,000	0.00%
Lilian G. Morelos	2,160	0.00%
Eric O. Recto	1,000	0.00%
Vicente L. Pang	432	0.00%
Dondi Ron R. Limengco	111	0.00%
Shareholders' Association of the Philippines, Inc.	100	0.00%
Owen Nathaniel S. Au (ITF: Marcus Li)	75	0.00%
Ernesto S. Isla	2	0.00%
Dexter E. Quintana	2	0.00%
Rodolfo L. See	1	0.00%
Lourdes G. Ting	1	0.00%
Jolly L. Ting	1	0.00%
Nanette T. Ongcarranceja	1	0.00%

Cherylyn C. Uy	1	0.00%
Dennis A. Uy	1	0.00%
Ortud T. Yao	1	0.00%

5.3 Dividends

The Company did not declare any dividends for the past four years.

5.4 Recent Sales of Unregistered or Exempt Securities, including recent issuance of Securities constituting an exempt transaction

In 2020, the Company issued a total of 1,686,309,523 common shares to Udenna Corporation at ₱1.68 per share.

On 18 August 2021, the Company and Udenna Corporation executed a subscription agreement for the issuance of 352,441,000 common shares to Udenna Corporation at ₱1.70 per share.

Item 6. Management's Discussion and Analysis and Plan of Operations

The following management's discussion and analysis relate to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying audited financial statements and related notes of the Group as of December 31, 2021 and 2020, and for the years-ended December 31, 2021, 2020, and 2019.

6.1 Overview and Plan of Operation

Plan of Operations

The Company is expected to rely on the following sources of liquidity for the next 12 months: (1) shareholder advances and/or paid-up capital; and (2) financing lines provided by various creditors. It has several ongoing discussions and negotiations for other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Please refer to Item 2 Business of Issuer for ongoing projects.

6.2 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)*

			December	
I. PROFITABILITY			**2021**	2020
Basic Loss per Share	=	(Net income/loss – Preferred dividends)	(447,350,867)	(342,260,108)
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.		Weighted average number of common shares outstanding	7,059,930,917	4,987,048,304

		(0.0634)	(0.0686)

Return on Total Assets =	Net income (loss)	(447,350,867)	(342,260,108)
	Total Assets	17,555,210,578	16,600,360,716
It measures efficiency of the Group in using its assets to generate net income.		-2.55%	-2.06%

Return on Equity =	Net Income (loss)	(447,350,867)	(342,260,108)
	Stockholder's Equity	5,600,289,596	5,033,668,445
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		-7.80%	-6.80%

II. FINANCIAL LEVERAGE

Liabilities to Assets Ratio =	Total Liabilities	11,954,920,982	11,566,692,271
	Total Assets	17,555,210,578	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.		0.6810	0.6968
Debt to Capitalization Ratio =	Total Debt	6,922,203,292	6,878,300,083
	Total Capitalization	15,833,670,524	15,214,904,773
It measures the degree to which a company is financing its operations through debt versus total capitalization.		0.4372	0.4521

Liabilities to Equity Ratio =	Total Liabilities	11,954,920,982	11,566,692,271
	Shareholder's Equity	5,600,289,596	5,033,668,445
It measures the degree to which a company is financing its operations through debt versus wholly owned funds.		2.1347	2.2979

Asset to Equity Ratio =	Total Assets	17,555,210,578	16,600,360,716
	Shareholder's Equity	5,600,289,596	5,033,668,445

It relates to the proportion of total assets financed by the Group's equity.		3.1347	3.2979

III. MARKET VALUATION

Price to Book Ratio =	Market value/share	0.7800	2.8100
	Book value/share	0.7691	0.7264
Relates the Group’s stock market value to its book value per share		1.0142	3.8684

IV. LIQUIDITY

Current Ratio =	Current assets	107,216,326	652,839,994
	Current liabilities	8,607,219,405*	8,155,664,220*
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.		0.0125	0.0800*

IV. INTEREST RATE COVERAGE RATIO

Interest Coverage Ratio =	EBIT	(385,678,591)	(148,667,951)
	Interest Expense	109,646,676	154,389,353
It measures the Group's ability to pay interest on its outstanding debt.		(3.5175)	(0.9629)

**Current liabilities include a bridge loan facility. The Group has ongoing negotiations with its lender for the conversion of its bridge loan to a long-term project loan. The Group’s long-term loan was classified as a current liability simply as an accounting adjustment as final lender approvals on the Group’s request to defer the commencement of DE ratio testing were received past the December 31, 2021 cutoff date. The reclassification is only for financial statement presentation and does not affect the term loan’s original maturity of September 2028 as confirmed by the lender. The Group will classify the loan as a noncurrent liability in the next reporting period.*

6.3 Results of Operations

Operating Results for the Year Ended December 31, 2021 and 2020

	For the Year Ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2021	2020	Amount	% of Change	2021	2020
NET OPERATING REVENUES						
Food and beverage	1,711,427	5,502,229	(3,790,802)	-68.90%	70.00%	51.00%
Rooms	577,342	4,901,339	(4,323,997)	-88.22%	24.00%	46.00%
Others	158,448	356,403	(197,955)	-55.54%	6.00%	3.00%
	2,447,217	10,759,971	(8,312,754)	-77.26%	100.00%	100.00%
DIRECT COSTS AND EXPENSES						
Salaries and wages	6,217,007	6,813,898	(596,891)	-8.76%	254.00%	63.00%
Inventories consumed	781,882	1,839,919	(1,058,037)	-57.50%	32.00%	17.00%
Other costs and expenses	1,598,444	3,273,589	(1,675,145)	-51.17%	65.00%	30.00%
	8,597,333	11,927,406	(3,330,073)	-27.92%	351.00%	111.00%
GROSS LOSS	(6,150,116)	(1,167,435)	(4,982,681)	426.81%	-251.00%	-11.00%
OPERATING EXPENSES	209,080,644	288,841,554	(79,760,910)	-27.61%	8544.00%	2684.00%
OPERATING LOSS	(215,230,760)	(290,008,989)	74,778,229	-25.78%	-8795.00%	-2695.00%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(109,646,676)	(154,389,353)	44,742,677	-28.98%	-4480.00%	-1435.00%
Foreign exchange gain (loss)- net	(175,664,097)	130,643,039	(306,307,136)	-234.46%	-7178.00%	1214.00%
Interest income	1,026,560	10,061,192	(9,034,632)	-89.80%	42.00%	94.00%
Other income - net	4,189,706	636,807	3,552,899	557.92%	171.00%	6.00%
	(280,094,507)	(13,048,315)	(267,046,192)	2046.60%	-11445.00%	-121.00%
LOSS BEFORE INCOME TAX	(495,325,267)	(303,057,304)	(192,267,963)	63.44%	-20240.00%	-2817.00%
PROVISION (BENEFIT FROM) FOR INCOME TAX	(47,974,401)	39,202,804	(87,177,205)	-222.37%	-1960.00%	364.00%
NET LOSS	(447,350,867)	(342,260,108)	(105,090,758)	30.70%	-18280.00%	-3181.00%
OTHER COMPREHENSIVE INCOME	439,109,476	73,699,241	365,410,236	495.81%	17943.00%	685.00%
TOTAL COMPREHENSIVE LOSS	(8,241,389)	(268,560,867)	260,319,477	-96.93%	-337.00%	-2496.00%
Basic and Diluted Loss Per Share	(0.0614)	(0.0686)	0.0072	-10.49%		

NET OPERATING REVENUE

The Group reported net operating revenues of ₱2.4 million, a 77% decrease from ₱10.8 million in 2020. The decrease in revenues was primarily due to the temporary closure 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 ₱8.6 million, representing a 28% decrease from ₱11.9 million in 2020. The decrease was directly due to lower occupancy and operating revenues during the period.

<u>Salaries and wages</u>
Salaries and wages were lower by 9% at ₱6.2 million, which represented the payroll of employees directly involved in providing hotel and food and beverage services. The decrease is due to reduced work hours as a result of the temporary closure of the resort.

<u>Inventories consumed</u>
Inventory consumption decreased by 58% to ₱0.8 million from ₱1.8 million in 2020. The decrease in inventory consumption is due to lower occupancy as well as the temporary closure

<u>Other costs and expenses</u>

Other costs and expenses declined by 51% to ₱1.6 million from ₱3.3 million the previous year. These expenses are commission expenses, recreation and entertainment expenses. The decline was a result of the temporary closure of the resort.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of Emerald Bay, operations of the Donatela Resort & Sanctuary and other organizational expenses. Despite PAGCOR related charges of ₱36 million, operating expenses were lower by ₱79.8 million (-28%) at ₱209.1 million primarily due to the decrease in: i) professional fees by ₱76.9 million (-74%) to ₱26.9 million as a result of lower expenses related to fundraising; and ii) salaries and wages by ₱21.4 million (-22%) to ₱75.4 million owing to the rationalization of payroll expenses.

NON-OPERATING EXPENSES

Interest Expense
Interest expense incurred on borrowings decreased by 29% to ₱109.6 million from ₱154.4 million the previous year. This is due to lower interest charges on advances from affiliates.

Interest income
Interest income declined to ₱1.0 million (-90%) from ₱10.1 million in 2020 due to a lower average escrow balance in 2021.

PROVISION FOR (BENEFIT FROM) INCOME TAX

The Group reported a benefit from income tax of ₱48.0 million. This was a result of the foreign exchange loss recognized in 2021, a reversal from the foreign exchange gain recognized in 2020.

NET LOSS

The Group's net loss widened by ₱105.1 million to ₱447.4 million mainly due to reported FX losses of ₱ 175.7 million on the Group's USD-denominated liabilities, a reversal from the previous year's forex gain of ₱130.6 million. Notably, the Philippine Peso weakened against the US Dollar settling at ₱51.00 as of end-2021 from ₱48.02 as of end-2020.

OTHER COMPREHENSIVE INCOME

Other comprehensive income of ₱439.1 million pertain to the gain on revaluation of the land properties owned by the Group.

EARNINGS/ (LOSS) PER SHARE

Loss per share decreased to ₱0.0614 in 2021 from ₱0.0686 of the same period last year, due to lower net loss for the period and new issuance of shares from the Group's top-up placement made during the year.

Operating Results for the Year Ended December 31, 2020 and 2019

	For the Year Ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2020	2019	Amount	% of Change	2020	2019
NET OPERATING REVENUES						
Food and beverage	5,502,229	32,447,286	(26,945,057)	-83%	51%	53%
Rooms	4,901,339	26,749,949	(21,848,610)	-82%	46%	43%
Others	356,403	2,521,282	(2,164,879)	-86%	3%	4%
	10,759,971	61,718,517	(50,958,546)	-83%	100%	100%
DIRECT COSTS AND EXPENSES						
Salaries and wages	6,813,898	12,100,897	(5,286,999)	-44%	63%	20%
Inventories consumed	1,839,919	13,831,198	(11,991,279)	-87%	17%	22%
Other costs and expenses	3,273,589	3,403,350	(129,761)	-4%	30%	6%
	11,927,406	29,335,445	(17,408,039)	-59%	111%	48%
GROSS INCOME	(1,167,435)	32,383,072	(33,550,507)	-104%	-11%	52%
OPERATING EXPENSES	288,841,554	447,478,205	(158,636,651)	-35%	2684%	725%
OPERATING LOSS	(290,008,989)	(415,095,133)	125,086,144	-30%	-2695%	-673%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(154,389,353)	(190,736,563)	36,347,210	-19%	-1435%	-309%
Foreign exchange gain (loss)- net	130,643,039	13,849,122	116,793,917	843%	1214%	22%
Interest income	10,061,192	25,084,128	(15,022,936)	-60%	94%	41%
Other income - net	636,807	1,533,821	(897,014)	-58%	6%	2%
	(13,048,315)	(150,269,492)	137,221,177	-91%	-121%	-243%
LOSS BEFORE INCOME TAX	(303,057,304)	(565,364,625)	262,307,321	-46%	-2817%	-916%
PROVISION (BENEFIT FROM) FOR INCOME TAX	39,202,804	4,326,379	34,876,425	806%	364%	7%
NET LOSS	(342,260,108)	(569,691,004)	227,430,896	-40%	-3181%	-923%
OTHER COMPREHENSIVE INCOME	73,699,241	1,772,972,494	(1,699,273,253)	-96%	685%	2873%
TOTAL COMPREHENSIVE INCOME (LOSS)	(268,560,867)	1,203,281,490	(1,471,842,357)	-122%	-2496%	1950%
Basic and Diluted Loss Per Share	(0.0686)	(0.1189)	0.0502	-42%		

YEAR ENDED DECEMBER 31, 2020 COMPARED TO YEAR ENDED DECEMBER 31, 2019

NET OPERATING REVENUE

The Group reported net operating revenues of ₱10.8 million, an 83% decrease from ₱61.7 million in 2019. The significant decrease in revenues was primarily due to the temporary closure 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 ₱11.9 million for the year 2020, representing a 59% decrease from ₱29.3 million in 2019. 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 111% from 48%. 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 having no revenues due to temporary closure.

<u>Salaries and wages</u>

Salaries and wages were ₱6.8 million for the year 2020, a 44% 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 reduced work hours due to the temporary closure of the resort.

Inventories consumed

Inventory consumption was ₱1.8 million and ₱13.8 million, representing 17% and 22% of net operating revenues in 2020 and 2019, 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 ₱3.3 million and ₱3.4 million for 2020 and 2019, respectively, representing 30% and 6% of net operating revenues for each period. These expenses are commission expenses, recreation and entertainment expenses. Other supplies expenses increased due to spoilage as a result of the temporary closure of the resort.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of Emerald Bay, operations of the Donatela Resort & Sanctuary and other organizational expenses. Operating expenses were ₱288.8 million for 2020, down from ₱447.5 million for the same period last year. The decrease was due to rationalization of payroll expenses and cost cutting measures effected during the lockdown/quarantine period and lower expenses related to fundraising, partially offset by the full ramp-up of construction activity for Emerald Bay.

Salaries and wages

Salaries and wages amounted to ₱96.8 million for 2020, a decrease of ₱34.8 million from 2019 reflective of cost cutting measures implemented by the Group as well as capitalization of salaries directly related to the construction of Emerald Bay.

Transportation and Travel

Transportation and travel amounted to ₱2.7 million, reflecting a decrease of ₱14.1 million. The decrease was due to travel restrictions and community lockdowns imposed by the government. The higher amount incurred in previous year was due to roadshow transportation and travel expenses of the Group in 2019.

Professional fees

Professional fees decreased by ₱50.7 million to ₱103.8 million. The 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.

Taxes and licenses

Taxes and license fees decreased by ₱51.3 million from ₱67.5 million of the same period last year. The higher taxes incurred in 2019 were primarily due to the taxes paid related to the financing arrangements of the Group.

NON-OPERATING EXPENSES

Interest Expense

Interest expense incurred on borrowings decreased to ₱154.4 million from ₱190.7 million of the same period last year. The decrease is primarily due to capitalization of interest for the loans related to the Emerald Bay project and a lower interest rate for the United Coconut Planters Bank (UCPB) loan.

Interest income

Interest income decreased to ₱10.1 million as compared to ₱25.1 million in 2019 due to a lower escrow balance for the current period.

PROVISION FOR/ (BENEFIT FROM) INCOME TAX
The Group reported a provision for income tax of ₱39.2 million. This was due to the foreign exchange translations and upfront recognition of deferred taxes on debt issuance costs for the year.

NET LOSS
The Group's net loss declined by ₱227.4 million to ₱342.3 million from ₱569.7 million for the same period last year primarily due to lower pre-operating costs. This is in connection with continued construction activity in Emerald Bay.

OTHER COMPREHENSIVE INCOME
Other comprehensive income of ₱73.7 million was recognized due to revaluation gain on land properties owned by the Group.

EARNINGS/ (LOSS) PER SHARE
Loss per share decreased to ₱0.0686 in 2020 from ₱0.1189 of the same period last year, due to lower net loss for the period and new issuance of shares from the Group's follow-on-offering and conversion of deposit for future stock subscription during the year.

Operating Results for the Year Ended December 31, 2019 and 2018

	For the Year Ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2019	2018	Amount	% of Change	2019	2018
NET OPERATING REVENUES						
Food and beverage	32,447,286	43,889,021	(11,441,735)	-26%	53%	53%
Rooms	26,749,949	35,148,627	(8,398,678)	-24%	43%	42%
Others	2,521,282	3,720,804	(1,199,522)	-32%	4%	4%
	61,718,517	82,758,452	(21,039,935)	-25%	100%	100%
DIRECT COSTS AND EXPENSES						
Salaries and wages	12,100,897	11,272,482	828,415	7%	20%	14%
Inventories consumed	13,831,198	19,786,070	(5,954,872)	-30%	22%	24%
Other costs and expenses	3,403,350	4,963,537	(1,560,187)	-31%	6%	6%
	29,335,445	36,022,089	(6,686,644)	-19%	48%	44%
GROSS INCOME	32,383,072	46,736,363	(14,353,291)	-31%	52%	56%
OPERATING EXPENSES	447,478,205	175,162,104	272,316,101	155%	725%	212%
OPERATING LOSS	(415,095,133)	(128,425,741)	(286,669,392)	223%	-673%	-155%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(190,736,563)	(81,354,913)	(109,381,650)	134%	-309%	-98%
Foreign exchange gain (loss)- net	13,849,122	(16,185,103)	30,034,225	-186%	22%	-20%
Interest income	25,084,128	20,643,486	4,440,642	22%	41%	25%
Gain on disposal of a subsidiary	-	617,037	(617,037)	-100%	0%	1%
Other income - net	1,533,821	(344,375)	1,878,196	-545%	2%	0%
	(150,269,492)	(76,623,868)	(73,645,624)	96%	-243%	-93%
LOSS BEFORE INCOME TAX	(565,364,625)	(205,049,609)	(360,315,016)	176%	-916%	-248%
PROVISION (BENEFIT FROM) FOR INCOME TAX	4,326,379	19,251,973	(14,925,594)	-78%	7%	23%
NET LOSS	(569,691,004)	(224,301,582)	(345,389,422)	154%	-923%	-271%
OTHER COMPREHENSIVE INCOME	1,772,972,494	-	1,772,972,494	100%	2873%	0%
TOTAL COMPREHENSIVE INCOME (LOSS)	1,203,281,490	(224,301,582)	1,427,583,072	-636%	1950%	-271%
Basic and Diluted Loss Per Share	(0.1189)	(0.7209)	0.6020	-84%		

YEAR ENDED DECEMBER 31, 2019 COMPARED TO YEAR ENDED DECEMBER 31, 2018

NET OPERATING REVENUE

The Group reported net operating revenues of ₱61.8 million, a 25% decrease from ₱82.8 million in 2018. The decrease in revenues was primarily due to lower occupancy and temporary closure of some rooms in the Donatela Resort & Sanctuary earlier during the year in connection with the planned expansion.

DIRECT COSTS AND EXPENSES

Direct costs and expenses pertaining to operations in the Donatela Resort & Sanctuary registered at ₱29.3 million in 2019, representing a 19% decrease from ₱36.0 million in 2018. The decrease was primarily due to lower operating revenues during the period. These represent 48% and 44% of the total net operating revenues in 2019 and 2018 respectively.

Inventories consumed
Inventory consumption was ₱13.8 million and ₱19.8 million in 2019 and 2018, representing 22% and 24% of net operating revenues in 2019 and 2018, respectively. The decrease in inventory consumption is due to the decrease in net operating revenues for the period.

Salaries and wages
Salaries and wages were ₱12.1 million in 2019 with a 7% increase from the previous year, representing the payroll of employees directly involved in providing hotel and food and beverage services. In 2019, the Resort & Sanctuary hired management and marketing employees to replace the ended management contract with Enderun Colleges. Salaries and wages account for 20% and 14% of net operating revenues in 2019 and 2018, respectively.

Other costs and expenses
Other cost and expenses were at ₱3.4 million and ₱5.0 million in 2019 and 2018, representing 6% of net operating revenues of each of both years presented. These expenses are commission expenses, recreation and entertainment expenses, and other supplies expenses.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of the Emerald Bay project, operations of the Donatela Resort & Sanctuary and other organizational expenses. Operating expenses were ₱447.5 million, up from ₱175.2 million of the same period last year. The increase was primarily due to the full ramp-up of construction activity for Emerald Bay, professional fees, taxes and other operating expenses incurred during the period.

Salaries and wages
Salaries and wages amounted to ₱131.6 million, an increase of ₱67.9 million from last year due to the hiring of a full management and pre-operating team as a result of the full ramp-up of construction of Emerald Bay.

Professional fees
Professional fees of ₱154.4 million were incurred in various engagements with lawyers, auditors and other consultants for the follow-on offering and financing arrangements of the Group.

Transportation and Travel
Transportation and travel amounted to ₱16.8 million, reflecting an increase of ₱7.8 million. The increase was due to roadshow transportation and travel expenditures incurred by the Group.

Depreciation

Depreciation increased by ₱15.0 million from ₱3.8 million significantly due to depreciation expenses of right-of-use assets recognized in compliance with the new accounting standard for leases, PFRS 16.

Taxes and licenses
Taxes and license fees increased to ₱67.5 million from ₱34.6 million of the same period last year. The higher taxes for the period were primarily due to the taxes paid related to the financing arrangements of the Group.

NON-OPERATING EXPENSES

Interest Expense

Interest expense incurred on borrowings increased to ₱190.7 million from ₱81.4 million for the same period last year. This is due to the full-year interest charges on the ₱975.0 million term loan from UCPB and the US$15.0 million and ₱5.20 billion bridge loans from China Banking Corporation (CBC).

Interest income

Interest income increased to ₱25.1 million as compared to ₱20.6 million in 2018 due to an additional escrow account opened with a local bank in June 2018.

PROVISION FOR/ (BENEFIT FROM) INCOME TAX

The Group reported a provision for income tax of ₱4.3 million. This was due to the foreign exchange translations and upfront recognition of deferred taxes on debt issuance costs from borrowings incurred in 2018.

NET LOSS

The Group's net loss widened by ₱345.4 million to ₱569.7 million due to higher pre-operating costs and financing-related expenses reflecting the full ramp-up of construction activity at Emerald Bay.

OTHER COMPREHENSIVE INCOME

Other comprehensive income of ₱1.77 billion was recognized due to revaluation gain on land properties owned by the Group.

EARNINGS/ (LOSS) PER SHARE

Loss per share decreased to ₱0.1189 in 2019 from ₱0.7209 for the same period in 2018 due to higher capital stock outstanding during 2019.

Financial Position

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

	December 31	December 31	HORIZONTAL ANALYSIS Movement from prior period		VERTICAL ANALYSIS % of Total Assets/Liabilities & Equity	
	2021	2020	Change in Peso	Change in %	2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 53,061,387	₱ 596,846,911	(₱ 543,785,524)	-91.11%	0.30%	3.60%
Trade and other receivables	11,298,309	11,853,059	(554,750)	-4.68%	0.06%	0.07%
Advances to related parties	2,039,741	2,039,341	400	0.02%	0.01%	0.01%
Inventories	953,925	2,157,160	(1,203,235)	-55.78%	0.01%	0.01%
Prepayments and other current assets	39,862,964	39,943,523	(80,559)	-0.20%	0.23%	0.24%
Total Current Assets	107,216,326	652,839,994	(545,623,668)	-83.58%	0.61%	3.93%
Noncurrent Assets						
Property and equipment	15,772,320,391	14,394,165,312	1,378,155,079	9.57%	89.84%	86.71%
Right-of-use assets	24,410,423	49,439,123	(25,028,700)	-50.63%	0.14%	0.30%
Deposit for future property acquisition	61,812,449	36,812,449	25,000,000	67.91%	0.35%	0.22%
Cash in escrow	257,232,647	241,759,396	15,473,251	6.40%	1.47%	1.46%
Input value-added tax	674,999,894	619,534,480	55,465,414	8.95%	3.85%	3.73%
Advances to suppliers	585,260,873	566,890,807	18,370,066	3.24%	3.33%	3.41%
Other noncurrent assets	71,957,575	38,919,155	33,038,420	84.89%	0.40%	0.22%
Total Noncurrent Assets	17,447,994,252	15,947,520,722	1,500,473,530	9.41%	99.38%	96.05%
TOTAL ASSETS	₱ 17,555,210,578	₱ 16,600,360,716	₱ 954,849,862	5.75%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 6,922,203,292	₱ 6,878,300,083	₱ 43,903,209	0.64%	39.43%	41.43%
Trade and other payables	1,062,688,730	700,392,513	362,296,217	51.73%	6.05%	4.22%
Advances from related parties	611,657,420	564,126,183	47,531,237	8.43%	3.48%	3.40%
Lease liabilities	10,669,963	12,845,441	(2,175,478)	-16.94%	0.06%	0.08%
Total Current Liabilities	8,607,219,405	8,155,664,220	451,555,185	5.54%	49.02%	49.13%
Noncurrent Liabilities						
Loans payable - net of current portion	-	-	-	100.00%	0.00%	0.00%
Retention payable	81,985,681	189,126,913	(107,141,232)	-56.65%	0.47%	1.14%
Lease liabilities - net of current portion	19,300,082	41,123,604	(21,823,522)	-53.07%	0.11%	0.25%
Advances from related parties	2,214,497,895	2,085,357,006	129,140,889	6.19%	12.61%	12.56%
Deferred tax liabilities- net	765,963,665	845,263,513	(79,299,848)	-9.38%	4.36%	5.09%
Accrued Interest Payables	265,954,254	250,157,015	15,797,239	6.31%	1.52%	1.51%
Total Noncurrent Liabilities	3,347,701,577	3,411,028,051	(63,326,474)	-1.86%	19.07%	20.55%
Total Liabilities	11,954,920,982	11,566,692,271	388,228,711	3.36%	68.09%	69.68%
Equity						
Capital stock	7,282,017,027	6,929,576,027	352,441,000	5.09%	41.48%	41.74%
Additional paid-in capital	1,629,450,205	1,407,028,663	222,421,542	15.81%	9.28%	8.48%
Deposit for future stock subscription	-	-	-	100.00%	0.00%	0.00%
Equity reserve	(4,126,935,056)	(4,126,935,056)	-	0.00%	-23.51%	-24.86%
Revaluation Reserve	2,285,781,211	1,846,671,735	439,109,476	23.78%	13.02%	11.12%
Deficit	(1,470,023,791)	(1,022,672,924)	(447,350,867)	43.74%	-8.36%	-6.14%
Total Equity	5,600,289,596	5,033,668,445	566,621,151	11.26%	31.91%	30.34%
TOTAL LIABILITIES AND EQUITY	₱ 17,555,210,578	₱ 16,600,360,716	954,849,862	5.75%	100%	100%

The total assets of the Group increased by ₱954.8 million (+5.8%) to ₱17.56 billion as of December 31, 2021 from ₱16.60 billion as of December 31, 2020 driven by the progress in construction of Emerald Bay. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the capital investments, project construction, business acquisitions, loan borrowings, group restructuring in 2018, and pre-operating activities of the Group from 2017 - 2021.

CURRENT ASSETS

The Group's current assets decreased by ₱545.6 million (-83.6%) to ₱107.2 million primarily due to the utilization of cash to fund the construction of Emerald Bay.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱1.50 billion (+9.4%) to ₱17.45 billion. This resulted from the increase in (i) property and equipment by ₱1.38 billion (+9.6%); (ii) input value-added tax by ₱55.5 million (+9.0%); (iii) other noncurrent assets by ₱33.0 million (84.9%); (iv) deposit for future property acquisition by ₱25.0 million (+67.9%), (v) advances to suppliers by ₱18.4 million (+3.2%), and (vi) cash in escrow by ₱15.5 million (+6.4%). These were partially offset by the depreciation of right-of-use assets by ₱25.0 million.

Property and equipment increased by ₱1.38 billion (+9.6%) to ₱15.77 billion primarily due to the ongoing construction of Emerald Bay and recognized gain on revaluation of the land owned by the Group.

Input-value added tax increased by ₱55.5 million (+9.0%) to ₱675.0 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.

Other noncurrent assets increased by ₱33.0 million (84.9%) to ₱72.0 million due to deposits made for the future acquisition of a desalination plant.

Deposit for future property acquisition increased by ₱25.0 million (+67.9%) to ₱61.8 million due to a scheduled payment for land previously acquired by DHPC.

Advances to suppliers increased by ₱18.4 million (+3.2%) to ₱585.3 million reflecting construction-related payments for Emerald Bay.

Cash in escrow, denominated in USD, increased by ₱15.5 million (+6.4%) to ₱257.2 million due to foreign exchange gain.

CURRENT LIABILITIES

The Group's current liabilities were higher by ₱451.6 million (+5.5%) at ₱8.61 billion. This was mainly due to the increase in (i) trade and other payables by ₱362.3 million (+51.7%) to ₱1.06 billion owing to additional interest payables; (ii) advances from related parties by ₱47.5 million (+8.4%) and; (iii) current loans payable by ₱43.9 million (+0.6%) as a result of the movement in foreign exchange rate.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities decreased by ₱63.3 million (-1.9%) to ₱3.35 billion primarily due to the decrease in retention payable by ₱107.1 million (-56.7%) and deferred tax liabilities by ₱79.3 million (-9.4%), partially offset by the increase in advances from a related party by ₱129.1 million (+6.2%).

Retention payable decreased by ₱107.1 million (-56.7%) to ₱82.0 million as a result of amounts released to contractors for work completed during the year.

Deferred tax liabilities were lower by ₱79.3 million (-9.4%) at ₱766.0 million due to the recognition of a foreign exchange loss in 2021, a reversal from the foreign exchange gain recognized in 2020.

Advances from a related party, which is USD-denominated, increased by ₱129.1 million (+6.2%) to ₱2.21 billion due to the movement in foreign exchange rate.

EQUITY

The Group's equity increased by ₱566.6 million (+11.3%) to ₱5.60 billion primarily due to the increase in: i) common stock by ₱352.4 million (+5.1%) to ₱7.28 billion; ii) additional paid-in capital by ₱222.4 million

(+15.8%) to ₱1.63 billion; and iii) revaluation reserve by ₱439.1 million (+23.8%) to ₱2.29 billion. The increase in equity was partially offset by a net loss of ₱447.4 million in 2021 mainly due to reported FX losses on the Group's USD-denominated liabilities and expenses related to continued construction activity.

In August 2021, PHR completed a top-up placement consisting of 352,441,000 shares sold by Udenna Corporation at ₱1.70 per share. With the proceeds, Udenna Corporation subscribed to the same number of shares issued by PH Resorts at the same price, thereby injecting the funds into the latter. PHR received net proceeds of ₱574.9 million from this new subscription, which increased the Capital Stock and Additional Paid-In Capital by ₱352.4 million and ₱222.4 million, respectively.

Revaluation reserve was higher by ₱439.1 million (+23.8%) at ₱2.29 billion driven by the increase in the value of the Group's land properties in 2021.

(Comparison of December 31, 2020 and December 31, 2019)

	December 31	December 31	HORIZONTAL ANALYSIS Movement from prior period		VERTICAL ANALYSIS of Total Assets/Liabilities & Equ	
	2020	**2019**	Change in Peso	Change in %	2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 596,846,911	₱ 224,973,403	₱ 371,873,508	165.3%	3.60%	1.44%
Trade and other receivables	11,853,059	13,804,161	(1,951,102)	-14.1%	0.07%	0.09%
Advances to related parties	2,039,341	2,208,973	(169,632)	-7.7%	0.01%	0.01%
Inventories	2,157,160	4,241,726	(2,084,566)	-49.1%	0.01%	0.03%
Restricted fund	-	-				
Prepayments and other current assets	39,943,523	46,655,628	(6,712,105)	-14.4%	0.24%	0.30%
Total Current Assets	652,839,994	291,883,891	360,956,103	123.7%	3.93%	1.87%
Noncurrent Assets						
Property and equipment	14,394,165,312	12,886,602,497	1,507,562,815	11.7%	86.71%	82.36%
Right-of-use assets	49,439,123	63,442,773	(14,003,650)	-22.1%	0.30%	0.41%
Deposit for future property acquisition	36,812,449	26,812,449	10,000,000	37.3%	0.22%	0.17%
Cash in escrow	241,759,396	1,267,037,464	(1,025,278,068)	-80.9%	1.46%	8.10%
Input value-added tax	619,534,480	541,484,490	78,049,990	14.4%	3.73%	3.46%
Advances to suppliers	566,890,807	538,697,268	28,193,539	5.2%	3.41%	3.44%
Other noncurrent assets	38,919,155	30,797,054	8,122,101	26.4%	0.22%	0.19%
Total Noncurrent Assets	15,947,520,722	15,354,873,995	592,646,727	3.9%	96.05%	98.13%
TOTAL ASSETS	₱ 16,600,360,716	₱ 15,646,757,886	₱ 953,602,830	6.1%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 6,878,300,083	₱ 5,972,301,060	₱ 905,999,023	15.2%	41.43%	38.17%
Trade and other payables	700,392,513	588,287,161	112,105,352	19.1%	4.22%	3.76%
Advances from related parties	564,126,183	502,272,477	61,853,706	12.3%	3.40%	3.21%
Lease liabilities	12,845,441	18,190,634	(5,345,193)	-29.4%	0.08%	0.12%
Total Current Liabilities	8,155,664,220	7,081,051,332	1,074,612,888	15.2%	49.13%	45.26%
Noncurrent Liabilities						
Loans payable - net of current portion	-	936,720,722	(936,720,722)	-100.0%	0.00%	5.99%
Advances from related parties	2,085,357,006	2,198,780,834	(113,423,828)	-5.2%	12.56%	14.05%
Retention payable	189,126,913	175,897,630	13,229,283	7.5%	1.14%	1.12%
Lease liabilities - net of current portion	41,123,604	53,969,044	(12,845,440)	-23.8%	0.25%	0.34%
Other Payables	250,157,015	86,593,224	163,563,791	188.9%	1.51%	0.55%
Deferred tax liabilities- net	845,263,513	775,853,974	69,409,539	8.9%	5.10%	4.96%
Total Noncurrent Liabilities	3,411,028,051	4,227,815,428	(816,787,377)	-19.3%	20.56%	27.01%
Total Liabilities	11,566,692,271	11,308,866,760	257,825,511	2.3%	69.69%	72.27%
Equity						
Capital stock	6,929,576,027	4,793,266,504	2,136,309,523	44.6%	41.74%	30.63%
Additional paid-in capital	1,407,028,663	-	1,407,028,663	100.0%	8.48%	0.00%
Deposit for future stock subscription	-	2,579,000,000.00	(2,579,000,000)	-100.0%	0.00%	16.48%
Total comprehensive income	1,846,671,735	1,772,972,494	73,699,241	4.2%	11.12%	11.33%
Equity reserve	(4,126,935,056)	(4,126,935,056)	-	0.0%	-24.86%	-26.38%
Deficit	(1,022,672,924)	(680,412,816)	(342,260,108)	50.3%	-6.15%	-4.33%
Total Equity	5,033,668,444	4,337,891,126	695,777,318	16.0%	30.33%	27.73%
TOTAL LIABILITIES AND EQUITY	₱ 16,600,360,716	₱ 15,646,757,886	953,602,830	6.1%	100%	100%

The total assets of the Group increased by ₱953.6 million (+6%) to ₱16.60 billion as of December 31, 2020 compared to ₱15.65 billion at December 31, 2019. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the capital investments, project construction, business acquisitions, loan borrowings, group restructuring in 2018, and pre-operating activities of the Group from 2017 - 2020.

CURRENT ASSETS

The Group's current assets increased by ₱360.96 million to ₱652.84 million primarily due to an increase in cash from its successful follow-on offering in November 2020 partially offset by construction-related payments.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱592.6 million to ₱15.95 billion. This is due to the increase in (i) property and equipment by ₱1.51 billion; (ii) input value-added tax by ₱78.0 million; (iii) deposit for future property acquisition by ₱10 million and, (iv) advances to suppliers by ₱28.2 million. These were partially offset by the use of cash in escrow in the amount of ₱1,025.3 million primarily for construction as well as depreciation of right-of-use assets by ₱14.0 million.

Property and equipment increased by ₱1.51 billion in 2020 to ₱14.39 billion primarily due to the ongoing construction of Emerald Bay.

Right-of-use assets decreased by ₱14.0 million to ₱49.4 million due to the periodic depreciation recognized.

Deposit for future property acquisition increased by ₱10.0 million to ₱36.8 million due to a scheduled payment for land acquired for DHPC.

Cash in escrow declined to ₱241.8 million due to some construction-related payments.

Input-value added tax increased to ₱619.5 million from ₱541.5 million due to the additional VAT paid mainly on construction which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱566.9 million from ₱538.7 million due to additional deposits or mobilization fees paid to contractors for the ongoing construction of Emerald Bay.

CURRENT LIABILITIES

The Group's current liabilities increased from ₱7.08 billion to ₱8.16 billion. This was due to the increase in (i) trade and other payables by ₱112.1 million; (ii) advances from related parties by ₱61.9 million; and (iii) current loans payable by ₱906.0 million compared to December 31, 2019.

Trade and other payables increased to ₱700.4 million from ₱588.3 million due to current billings related to the ongoing construction of Emerald Bay and the accrued interest from various loans as of period end.

Loans payable is higher by ₱906.0 million in 2020 as the Group's long-term loan was classified as a current liability only due to the delay in final lender approvals on the deferment of commencement of financial ratio testing as a result of enhanced community quarantine and work from home arrangements. The Group's lender confirmed that as of April 8, 2021, the Group is not considered in default and can classify this current liability as non-current in the next reporting period upon receipt of final lender approvals.

Advances from related parties increased in 2020 from ₱502.3 million to ₱564.1 million to partially finance the ongoing construction of Emerald Bay and the operating requirements of the Group.

Current portion of lease liabilities of ₱12.8 million were recognized in compliance with the new accounting standard for leases, PFRS 16.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities decreased by ₱816.8 million to ₱3.41 billion as of December 31, 2020 from December 31, 2019 primarily due to the decrease in loans payable by ₱936.7, and lease liabilities by ₱12.8 million, partially offset by the increase in Advances from related parties by ₱50.1 million, deferred tax liabilities by ₱69.4 million and retention payable by ₱13.2 million.

Noncurrent portion of loans payable decreased by ₱936.7 million due to the reclassification from noncurrent to current liability of the Group's long-term loan owing to the delay in final lender approvals on the deferment of commencement of financial ratio testing as a result of enhanced community quarantine and work from home arrangements. The Group's lender confirmed that as of April 8, 2021, the Group is not considered in default and can classify this current liability as non-current in the next reporting period upon receipt of final lender approvals.

Noncurrent portion of office lease liabilities of ₱41.1 million was recognized in compliance with the new accounting standard for leases (PFRS 16).

EQUITY

The Group's equity increased by ₱695.8 million to ₱5.03 billion as of December 31, 2020 primarily due to the issuance of 2,136.3 million common shares with a par value of ₱1 with ₱1,407.0 million in additional paid-in capital. The issuance of common shares eliminated the ₱2,579.0 million deposit for future stock subscription from Udenna. The increase in equity was partially offset by a net loss of ₱342.3 million in 2020 due to expenses related to continued construction activity.

In November 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.

(Comparison of December 31, 2019 and December 31, 2018)

	December 31		HORIZONTAL ANALYSIS Movement from prior period		VERTICAL ANALYSIS % of Total Assets/Liabilities&Equity	
	2019	**2018**	Change in Peso	Change in %	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 224,973,403	₱ 686,846,385	(₱ 461,872,982)	-67%	1.44%	10.07%
Trade and other receivables	13,804,161	13,986,884	(182,723)	-1%	0.09%	0.21%
Advances to related parties	2,208,973	45,068,343	(42,859,370)	-95%	0.01%	0.66%
Inventories	4,241,726	1,761,369	2,480,357	141%	0.03%	0.03%
Restricted fund	–	139,955,985	(139,955,985)	-100%	0.00%	2.05%
Prepayments and other current assets	46,655,628	62,563,121	(15,907,493)	-25%	0.30%	0.92%
Total Current Assets	291,883,891	950,182,087	(658,298,196)	-69%	1.87%	13.94%
Noncurrent Assets						
Property and equipment	12,886,602,497	3,932,239,892	8,954,362,605	228%	82.36%	57.67%
Right-of-use assets	63,442,773	–	63,442,773	100%	0.41%	0.00%
Deposit for future property acquisition	26,812,449	111,430,494	(84,618,045)	-76%	0.17%	1.63%
Cash in escrow	1,267,037,464	1,315,918,771	(48,881,307)	-4%	8.10%	19.30%
Input value-added tax	541,484,490	280,192,836	261,291,654	93%	3.46%	4.11%
Advances to suppliers	538,697,268	213,337,217	325,360,051	153%	3.44%	3.13%
Other noncurrent assets	30,797,054	15,347,898	15,449,156	101%	0.19%	0.22%
Total Noncurrent Assets	15,354,873,995	5,868,467,108	9,486,406,887	162%	98.13%	86.06%
TOTAL ASSETS	₱ 15,646,757,886	₱ 6,818,649,195	₱ 8,828,108,691	129%	100.00%	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 5,972,301,060	₱ 3,849,608,994	₱ 2,122,692,066	55%	38.17%	56.46%
Trade and other payables	588,287,161	397,254,293	191,032,868	48%	3.76%	5.83%
Advances from related parties	502,272,477	1,279,332,675	(777,060,198)	-61%	3.21%	18.76%
Lease liabilities	18,190,634	–	18,190,634	100%	0.12%	0.00%
Total Current Liabilities	7,081,051,332	5,526,195,962	1,554,855,370	28%	45.26%	81.05%
Noncurrent Liabilities						
Advances from related party	2,198,780,834	–	2,198,780,834	100%	14.05%	0.00%
Loans payable - net of current portion	936,720,722	964,864,063	(28,143,341)	-3%	5.99%	14.15%
Retention payable	175,897,630	85,776,468	90,121,162	105%	1.12%	1.26%
Lease liabilities - net of current portion	53,969,044	–	53,969,044	100%	0.34%	0.00%
Deferred tax liabilities- net	775,853,974	15,644,701	760,209,273	4859%	4.96%	0.22%
Other payables	86,593,224	-	86,593,224	100%	0.55%	0.00%
Total Noncurrent Liabilities	4,227,815,428	1,066,285,232	3,161,530,196	5261%	27.01%	15.63%
Total Liabilities	11,308,866,760	6,592,481,194	4,716,385,566	72%	72.27%	96.68%
Equity						
Capital stock	4,793,266,504	4,793,266,504	–	0%	30.63%	70.30%
Subscription receivables	–	(406,376,691)	(406,376,691)	-100%	0.00%	-5.96%
Deposit for future stock subscription	2,579,000,000	-	2,579,000,000	100%	16.48%	0.00%
Revaluation Reserve	1,772,972,494	-	1,772,972,494	100%	11.33%	0.00%
Equity reserve	(4,126,935,056)	(4,050,000,000)	(76,935,056)	2%	-26.38%	-59.40%
Deficit	(680,412,816)	(110,721,812)	(569,691,004)	515%	-4.33%	-1.62%
Total Equity	4,337,891,126	226,168,001	4,111,723,125	1818%	27.73%	3.32%
TOTAL LIABILITIES AND EQUITY	₱ 15,646,757,886	₱ 6,818,649,195	8,828,108,691	129%	100.00%	100.00%

The total assets of the Group increased by ₱8.83 billion or by 129% compared to the ₱6.82 billion at the beginning of the year. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the business acquisitions and group restructuring, capital investments, project construction, loan borrowings and pre-operating activities of the Group.

CURRENT ASSETS

The Group's current assets decreased by 69% or ₱658.3 million to ₱291.9 million primarily due to cash payments to various contractors and suppliers for the Emerald Bay project. The decrease consisted of the decrease in (i) cash and cash equivalents of ₱461.9 million; (ii) advances to related parties of ₱42.9 million; (iii) restricted fund by ₱140.0 million; and, (iv) prepayments and other current assets of ₱15.9 million compared to the prior year.

Cash and cash equivalents declined to ₱225.0 million from ₱686.8 million. This 67% decrease was primarily due to payments to contractors and suppliers for the Emerald Bay project.

Advances to related parties decreased by 95% to ₱2.2 million as a result of collections of advances outstanding during the period.

Inventories consisting of food, beverage and operating supplies, increased to ₱4.2 million from ₱1.8 million due to holidays at year end. These inventories are for DHPC's business operations which started in 2018.

The restricted fund of ₱140.0 million as of December 31, 2018 reflecting Chinabank loan proceeds were fully released in the first quarter of 2019 for the payment of relevant project construction costs.

Prepayments and other current assets decreased to ₱46.7 million from ₱62.6 million due to application of monthly prepaid rental payments on the Emerald Bay property.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱9.49 billion from ₱5.87 billion to ₱15.35 billion. This is due to the increase in (i) property and equipment by ₱8.95 billion; (ii) right-of-use assets by ₱63.4 million; (iii) input value-added tax by ₱261.3 million; (iv) advances to suppliers by ₱325.4 million; and, (v) other noncurrent assets by ₱15.4 million. These were partially offset by the decrease in deposit for future property acquisition by ₱84.6 million and cash in escrow of ₱48.9 million.

Property and equipment increased by ₱8.95 billion to ₱12.89 billion primarily due to the ongoing construction of Emerald Bay (increased by ₱2.44 billion), land acquisitions (increased by 4.00 billion) of the property in Davao and the land where Emerald Bay is situated through LLC stock acquisition. The land properties of DHPC and LLC were revalued at fair values as of December 31, 2019 resulting in a revaluation gain of ₱2.53 billion.

Right-of-use assets of ₱63.4 million were recognized in relation to the office leases and in compliance with the new accounting standard for leases, PFRS 16.

Deposit for future property acquisition decreased to ₱26.8 million from ₱111.4 million due to the reclassification of the amount to Property and Equipment after the completion of a certain property acquisition.

Cash in escrow declined by ₱48.9 million due to foreign exchange translation differences from period-to-period.

Input-value added tax increased to ₱541.5 million from ₱280.2 million due to the additional VAT paid on purchases of goods and services of the Group which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱538.7 million from ₱213.3 million relates to additional deposits or mobilization fee to contractors for the ongoing construction of Emerald Bay.

Other noncurrent assets increased to ₱30.8 million from ₱15.3 million. This account consists of land rights of way and mock-up room inventory for Emerald Bay.

CURRENT LIABILITIES

The Group's current liabilities increased from ₱5.53 billion to ₱7.08 billion. This was due to the increase in (i) loans payable by ₱2.10 billion; (ii) trade and other payables by ₱191.0 million; and, (iii) lease liabilities by ₱18.2 million compared to 2018. These were partially offset by the decrease in advances from related parties by ₱777.1 million.

Loans payable was higher by ₱2.10 billion due to the assumption of an existing loan when LLC was acquired.

Trade and other payables increased to ₱588.3 million from ₱397.3 million due to current billings related to the ongoing construction of Emerald Bay.

Advances from related parties decreased in 2019 from ₱1.28 billion to ₱502.3 million after these were repaid.

Current portion of lease liabilities of ₱18.2 million were recognized in compliance with the new accounting standard for leases, PFRS 16.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities increased by ₱3.16 billion to ₱4.23 billion primarily due to the increase in (i) advances from related parties by ₱2.20 billion; (ii) retention payable by ₱90.1 million; (iii) other payables ₱86.6 million (iv) lease liabilities by ₱54.0 million; and, (v) deferred tax liabilities by ₱760.2 million from the prior period.

Advances from related parties of ₱2.20 billion pertain to the advances obtained from Emerald Development Holdings Ltd., an offshore entity wholly-owned by Udenna. The proceeds of the advance were used to fund the ongoing construction of Emerald Bay.

Retention payable increased to ₱175.9 million. This is a certain percentage of billings from suppliers and contractors that is withheld until the completion of each contract.

Noncurrent portion of lease liabilities of ₱54.0 million which pertains to office lease was recognized in compliance with the new accounting standard for leases, PFRS 16.

Deferred tax liabilities increased to ₱775.9 million mainly due to deferred tax effect of the revaluation gain on the land properties of DHPC and LLC and foreign exchange translation gain.

EQUITY

The Group's equity increased by ₱4.11 billion from ₱226.2 million to ₱4.34 billion was primarily due to the (i) deposit for future stock subscription from Udenna of ₱2.58 billion ; (ii) additional subscription of shares of ₱406.4 million; and, (iii) revaluation reserve of ₱1.77 billion related to DHPC and LLC's land properties. The increase was partially offset by the net loss of ₱569.7 million during the period.

6.4 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 years ended December 31, 2021, 2020, and 2019.

	For the Year Ended December 31			Change in %	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Net cash provided by (used in) operating activities	(₱ 166,691,690)	(₱ 237,112,536)	(₱ 326,988,518)	-29.70%	-27.49%
Net cash provided by (used in) investing activities	(849,505,971)	156,934,217	(4,943,105,256)	-641.31%	-103.17%
Net cash provided by financing activities	472,362,466	445,225,904	3,805,135,152	6.10%	-88.30%
Net increase (decrease) in cash and cash equivalents	(543,835,195)	365,047,585	(464,958,622)	-248.98%	-178.51%
Effect of foreign exchange on cash and cash equivalents	49,671	6,825,923	3,085,640	-99.27%	121.22%
Cash and cash equivalents before reverse acquisition	-	-	-	0.00%	0.00%
Cash and cash equivalents at beginning of period	596,846,911	224,973,403	686,846,385	165.30%	-67.25%
Cash and cash equivalents at end of period	₱ 53,061,387	₱ 596,846,911	₱ 224,973,403	-91.11%	165.30%

Net cash used in operating activities of ₱166.7 million, ₱237.1 million, and ₱327.0 million in 2021, 2020, and 2019, respectively, primarily represents payment of operating and pre-development expenses.

Net cash used in investing activities of ₱849.5 million in 2021 mainly pertain to outflows related to the ongoing construction of Emerald Bay. Net cash provided by investing activities of ₱156.9 million in 2020 was primarily from the utilization of the Group's escrow account for some construction-related payments. Net cash used in investing activities in 2019 of ₱4.94 billion was for the ongoing construction of Emerald Bay; acquisition of LLC; advances to suppliers; input value-added tax; and, other noncurrent assets.

Net cash provided by financing activities of ₱472.4 million was from the top-up placement in August 2021 with gross proceeds of ₱599.1 million, netted by interest payments of ₱113.4 million, DST on loan extensions of ₱24.3 million and transaction costs for the top-up placement of ₱24.3 million. Net cash provided by financing activities of ₱445.2 million in 2020 was mainly due to the successful follow-on equity offering of PHR with gross proceeds of ₱756.0 million and additional funds from Udenna of ₱254.0 million during the first quarter of 2020 which was subsequently converted into capital stock. Net cash provided by financing activities was ₱3.80 billion in 2019, which included the proceeds from the deposit for future stock subscription by Udenna (₱2.58 billion), advances from related parties (₱1.29 billion), and the collection of subscription receivables (₱406.4 million).

Capital Sources

Below is the table showing the Group's capital sources as of December 31, 2021, 2020, and 2019.

	December 31		
	2021	2020	2019
Loans payable*	6,922,203,292	₱ 6,878,300,083	₱ 6,909,021,782
Advances from related party	2,214,497,895	2,085,357,006	2,198,780,834
Capital stock	7,282,017,027	6,929,576,027	4,793,266,504
Additional paid-in capital	1,629,450,205	1,407,028,663	-
Deposit for future stock subscription	-	-	2,579,000,000
Total	₱ 18,048,168,419	₱ 17,300,261,779	₱ 16,480,069,120

***The Group has ongoing negotiations with its lender for the conversion of its 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 ₱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.

In August 2021, PHR completed a top-up placement consisting of 352,441,000 shares sold by Udenna 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. PHR received net proceeds of ₱574.9 million from this new subscription, which increased the Capital Stock and Additional Paid-In Capital by ₱ 352.4 million and ₱222.4 million, respectively.

6.5 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.

Item 7. Consolidated Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information of Independent Accountant and Other Related Matters

8.1 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has not had any disagreements with its previous and current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

8.2 External Audit Fees and Services

SGV & Co. audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2021, 2020, and 2019, included in this report.

Erwin Paigma is the current audit partner for the Company and its subsidiaries. Pursuant to SEC Memorandum Circular No. 8, Series of 2003, the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

There have been no disagreements between the Company and SGV & Co. over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The following table sets out the aggregate fees for audit and other related services for the last three years for the professional services rendered by SGV & Co. to the Group:

	2021	2020	2019
		(In PHP millions)	
External audit service fees	₱ 2.60	₱ 2.80	₱ 2.80
External review service fees	N/A	2.50	0.00
Tax service fees	N/A	N/A	N/A
Other non-audit service fees	0.50	0.25	0.20
Total	₱ 3.10	₱ 5.55	₱ 3.00

The external audit service fees pertain to the professional services rendered for the audit of the annual consolidated and standalone financial statements of PH Resorts and its subsidiaries. The external review service fees in 2020 were incurred for the review of financial statement balances related to the Group's follow-on-offering and review of the interim and pro-forma financial statements. Other non-audit service fees pertained to agreed-upon procedures engagements related to PAGCOR's DE ratio certification compliance and follow-on-offering. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements. There had been no consulting or tax engagements with SGV & Co.

8.3 Audit Committee and Policies

Under the Company's By-laws, the Audit Committee is responsible for, among others, checking all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including financial reporting requirements of the Securities and Exchange Commission, performing oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management, and approving all audit plans, scope and frequency one (1) month before the conduct of external audit.

The duties and functions of the Company's Audit Committee is governed by its By Laws and Revised Manual on Corporate Governance.The audit committee is composed of at least three (3) qualified non-executive directors, the majority of whom, should be independent directors. Each member shall have adequate understanding at least or competence at most of the corporation's financial management systems and environment. The chair of the Audit Committee shall be an independent director and should not be the Chairman of the Board or any other committees.

The following are the members of the Audit Committee: Eric Recto (Chairman), Ma. Concepcion De Claro and Angela Ignacio. All members of the committee are non-executive directors. Mr. Recto and Ms. Ignacio are independent directors.

The Internal Audit's role and responsibilities are defined in the Company's Revised Manual on Corporate Governance. Primarily, it assists the Audit Committee in fulfilling its oversight responsibility to the shareholders by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

Internal Audit, in fulfilling its role, performs the following general functions: a.) provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes; b.) Perform regular and special audit as contained in the annual audit plan and/or based on the corporation's risk assessment; c.) Review, audit, and assess the efficiency and effectiveness of the internal control system of all areas of the company; d.) evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned; and e.) monitor and evaluate governance processes.

Changes In and Disagreements with Accountants

The Company has not had any material disagreement with its previous and current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The table below sets forth the members of the Company's Board and senior officers as of the date of this Report:

Name	Age	Citizenship	Position
Dennis A. Uy	48	Filipino	Chairman, Director
Cherylyn C. Uy	42	Filipino	Director
Raymundo Martin M. Escalona	61	Filipino	President, Chief Executive Officer, Director
Lara Lorenzana	48	Filipino	Chief Financial Officer, Treasurer, Director
Jose Angel Sueiro	50	Spanish	Chief Operating Officer, Director
Ma. Concepcion F. De Claro	65	Filipino	Director
Eric O. Recto	57	Filipino	Independent Director
William W. Yap	46	Filipino	Independent Director
Ma. Angela E. Ignacio	49	Filipino	Independent Director
Leandro E. Abarquez	39	Filipino	Corporate Secretary

Below are summaries of the business experience and credentials of the Directors and the officers:

Dennis A. Uy

Dennis A. Uy is the founder, Chairman and Director of the Company. He is also the Chairman and President of Udenna Corporation, the Company's parent company, which has businesses in the petroleum distribution, shipping, logistics, real estate, telecommunications and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. ("PPHI"), Chelsea Logistics Holdings Corp. ("CLC"), Udenna Management & Resources Corp. ("UMRC"), UDEVCO, PH Travel and Leisure, Le Penseur, Inc., and Udenna Water and Integrated Services, Inc. Mr. Uy is the Chairman and President of PPHI, the holding company of Phoenix Petroleum Philippines, Inc. ("PPPI") and serves as the President and Chief Executive Officer of PPPI. He is currently the Chairman of CLC. He is likewise the President and Chief Executive Officer of UMRC and its subsidiaries. He is also the Chairman of Dito CME Holdings Corp. ("Dito CME"). In addition, Mr. Uy is the Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He also serves as an independent director of Atok-Big Wedge Co., Inc.

He is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Since November 2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. He is a graduate of De La Salle University with a degree in Business Management.

Cherylyn C. Uy

Cherylyn C. Uy, is a Director of the Company. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, the ultimate parent company of PNX-Chelsea, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of Udenna group. She is also a director of PPPI, CLC, and Dito CME.

She is also one of the Directors of Phoenix Philippines Foundation, Inc. and of Udenna Foundation, Inc., the corporate social responsibility entities of the Udenna Group. Ms. Uy is the Corporate Treasurer of UMRC, Chelsea Shipping Corp. and other Udenna companies. She also serves as the Corporate Secretary of Allied Guard Security Agency Philippines, Inc. Ms. Uy is a graduate of Business and Finance from Ateneo de Davao University.

Raymundo Martin M. Escalona

Raymundo Martin M. Escalona is the President and CEO and a Director of the Company. He is also currently the President of Udenna Corporation. Mr. Escalona has over 28 years of experience in corporate finance and banking, primarily in the areas of treasury and relationship management. Prior to joining the Company, Mr. Escalona was the Executive Vice President and served as the Head of the Institutional Banking Group of CTBC Bank (Philippines) Corp. He also served as the Executive Vice President and Corporate and Institutional Bank Head of Australia and New Zealand Bank, Manila Branch. Mr. Escalona was also previously the First Vice President and Unit Head of Corporate Banking and Financial Institutions in BDO; Vice President and Head of Large Local Corporate Unit and Deputy Corporate Banking Head in Deutsche Bank AG, Manila Branch; and Assistant Vice President of Relationship Management Unit in Citytrust. Mr. Escalona earned his Bachelor of Science in Commerce degree, Major in Management of Financial Institutions, at the De La Salle University.

Lara Lorenzana

Lara Lorenzana is the Treasurer and Chief Finance Officer and a Director of the Company. Ms. Lorenzana has over 20 years of experience in investment banking, project and structured finance, and risk and portfolio management. She started her career in Citibank Manila's Corporate Finance department which was the leader in project and structured finance for the privatization of power, water and telecom industries in the Philippines. Ms. Lorenzana spent the next 17 years in New York City as the Global Portfolio Risk Manager for Barclays Capital, Portfolio Manager/Director for Unicredito Italiano New York Branch, and Portfolio Manager/Managing Director for fixed income for Modern Bank, NA. Ms. Lorenzana has a Masters in International Management from Thunderbird School of Management in Arizona, a Masters in Business Administration from Fordham University in New York City, and a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Jose Angel Sueiro

Jose Angel Sueiro is the Chief Operating Officer and a Director of the Company. Mr. Sueiro has over 20 years of experience in the hotel and gaming industry and has worked on over 30 hotel and casino projects in 18 countries, such as Fiesta Casino Alajuela, Intercontinental Hotel Fiesta Casino Guatemala, Hilton Margarita Cirsa and Centrum Casino Lodz. He has extensive knowledge about product creation and marketing and has a deep understanding of the local regulatory environment, the relation and balance between different political, economic and social forces. During his time with Thunderbird Resorts (including the Thunderbird Hotel and Casino in Rizal, Poro Point and Daman), a company with operations in more than 20 countries, he served the as the Chief Operating Officer, Vice President for Corporate Affairs and Vice President for Design and Construction. He was responsible for creating and executing strategy, communicating culture and running daily matters with the objective of increasing stakeholder value. Mr. Sueiro holds an MBA from EUDE Business School, Madrid.

Ma. Concepcion F. De Claro

Ma. Concepcion F. De Claro holds a Bachelor of Science degree in Commerce, Major in Accounting from the Colegio de San Juan de Letran. She was Director of Alsons Prime Investment Corporation and Alsons Power Holdings Corporation and the Vice-President and Chief Operating officer of Alsons Corporation. She also served as the Director of Limay Energen Corporation and Manila North Harbour Port, Inc. Ms. de Claro also worked with Petron Corporation for several years. She was a Consultant for M&A Projects and a member of the Board of Trustees of Petron Corporation Employees Retirement Fund. She also served as Petron's Vice President for Corporate Planning & Services, Controller for the company and its subsidiaries, and held various positions in Corporate Planning. In addition, Ms. De Claro also served as a Director of New Ventures Realty Corporation, Las Lucas Development Corporation, Petron Marketing Corporation and Petron Freeport Corporation. Currently, Ms. De Claro serves as the CFO of Phoenix

Petroleum Philippines, Inc.

Eric O. Recto

Eric O. Recto is one of the three independent directors of the Company. He is also a director for Dito CME Holdings Corp. He also serves as the Chairman and Director of Philippine Bank of Communications. Previously the President, he now serves as a Director of Petron Corporation. He is also an independent director for Aboitiz Power Corporation. His previous positions include Vice Chairman of Alphaland Corporation, Director of San Miguel Corporation and Manila Electric Company, and Undersecretary for the Department of Finance.

William W. Yap

William W. Yap is one of the three independent directors of the Company. He is currently the CEO of YYKredit Inc and the President of YYKaizen Food Labs Inc. and Udlot Realty Corporation. Mr. Yap also serves as the Treasurer for Nissan Cebu Distributors Inc. and Palawan Resources Development Corporation. Mr. Yap has a Bachelor's Degree in Industrial Engineering from the University of San Carlos.

Ma. Angela E. Ignacio

Angela E. Ignacio is one of the three independent directors of the Company. She is the Executive Vice President of R.A. Ignacio Construction Corporation and the Managing Director for Corporate Advisory for Avisez Asia, Inc. She is a fellow of the Institute of Corporate Directors. She is also a Director of ESNA Financing & Investment Corp., ESNA Realty Corp., and ESNA Holdings; and Director and Vice President of Polestrom Consulting, Inc. She is also an independent director of Ayala Land, Inc. since 2017. She is a Certified Finance and Treasury Professional in Australia and a Member of the Finance and Treasury Association of Australia. She was an International Consultant for The World Bank's Public Financial Management Assistance Program in Vietnam for the oversight of state-owned enterprises and the Infrastructure Sector Assessment Program (InfraSAP) SOE Mission in Indonesia. She served as a Commissioner of the Governance Commission for Government-Owned or Controlled Corporations ("GCG") with a rank of Undersecretary from November 2011 to June 2016.

Prior to her appointment as GCG member, she served as Vice President under the Office of the Board Chairman at the Philippine Deposit Insurance Corporation and also served concurrently as Special Assistant for Corporate Affairs and Management Information Systems to the Secretary of the Department of Finance ("DOF") from September 2010 to October 2011.

She was a Director of UCPB and a Director of UCPB Savings Bank and UCPB Securities.

She obtained her double degree in Applied Economics and Commerce, major in Management of Financial Institutions from De La Salle University in 1994. She earned a Master's Degree in Applied Finance from the University of Melbourne in 2000.

Leandro E. Abarquez

Leandro E. Abarquez is the Corporate Secretary of the Company and Chief Counsel of Udenna Corporation. He is also the Corporate Secretary of DITO CME Holdings Corp. Prior to joining the Company, he was a Senior Associate at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles from 2010 to 2017, where he advised clients on various diverse matters and special projects including mergers and acquisitions, initial public offerings, gaming regulatory advice, public-private partnerships, project finance, and dispute resolution matters. He received his bachelor's degree in Biology from the Ateneo de Manila University in 2004, and his juris doctor degree from the same university in 2009. He is also the Compliance Officer of CLC and the Corporate Secretary of DITO CME.

As of the date of this Report, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Dennis A. Uy, Chairman and Director of the Company, is the spouse of Cherylyn C. Uy, Director of the Company.

Other than as disclosed above, there are no other family relationships between Directors and members of the Company's senior management known to the Company.

There are no material legal proceedings that were disposed with finality during the past five (5) years that affect the ability or integrity of any director and/or senior management officer of the Company.

Item 10. Executive Compensation

The Company's executives are regular employees and are paid a compensation package of 12-month pay plus the statutory 13th month pay. The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation. There are no other arrangements for which the members of the board are compensated.

Summary of Compensation Table for the Year Ending December 31, 2021 and 2020:

<table>
<tr><th colspan="8">Compensation of Executive Officers and Directions (in Thousands PHP)</th></tr>
<tr><th rowspan="2">Name</th><th rowspan="2">Principal Position</th><th colspan="3">Year Ending Dec. 31, 2021</th><th colspan="3">Year Ending Dec. 31, 2020</th></tr>
<tr><th>Salaries</th><th>Bonuses/ 13th Month/ Other</th><th>Total</th><th>Salaries</th><th>Bonuses/ 13th Month/ Others</th><th>Total</th></tr>
<tr><td>Dennis A. Uy</td><td>Chairman</td><td rowspan="4">38,267.0</td><td rowspan="4">3,152.0</td><td rowspan="4">41,419.0</td><td rowspan="4">68,822.0</td><td rowspan="4">4,589.0</td><td rowspan="4">73,411.0</td></tr>
<tr><td>Raymuna Martin M. Escalona</td><td>President</td></tr>
<tr><td>Jose Angel Sueiro</td><td>Chief Operating Officer</td></tr>
<tr><td>Lara Lorenzana</td><td>Chief Finance Officer</td></tr>
<tr><td colspan="2">All other officers</td><td colspan="6">NA</td></tr>
</table>

Summary of Compensation Table for the Year Ending December 31, 2019 and 2018:

Compensation of Executive Officers and Directions (in Thousands PHP)							
Name	Principal Position	Year Ending Dec. 31, 2019			Year Ending Dec. 31, 2018		
		Salaries	Bonuses/ 13th Month/ Other	Total	Salaries	Bonuses/ 13th Month/ Others	Total
Dennis A. Uy	Chairman	49,069.0	4,089.1	53,158.1	32,860.0	2,678.0	35,538.0
Raymuna Martin M. Escalona	President						
Jose Angel Sueiro	Chief Operating Officer						
Lara Lorenzana	Chief Finance Officer						
All other officers		NA					

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table presents the record/beneficial owners known to the Company who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company as of 31 December 2021:

Title of Class	Name of Beneficial Owner of Common Stock	Name of Beneficial Owner	Citizenship	No. Of Shares	Percent of Class
Common	Udenna Corporation	Dennis A. Uy / Cherylyn C. Uy/ Silver Crescent Global Limited/ Elite First Investment Limited	Filipino	5,643,037,227	77.49%

As of 31 December 2021, the shares owned of record or beneficially by the directors and the executive officers are as follows:

Title of Class	Name of Beneficial Owner of Common Stock	Nature of Beneficial Ownership (D) Direct / (I) Indirect	Citizenship	No. Of Shares	Percent of Class
Common	Dennis A. Uy*	D / I	Filipino	2,635,605,474	36.19%
Common	Cherylyn C. Uy*	D / I	Filipino	753,216,682	10.34%
Common	Raymundo Martin M. Escalona	D	Filipino	1,501,000	0%
Common	Jose Angel Sueiro	D	Spanish	1,501,000	0%

Common	Lara C. Lorenzana	D	Filipino	1,001,000	0%
Common	William W. Yap	D	Filipino	5,300	0%
Common	Eric O. Recto	D	Filipino	1,000	0%
Common	Ma. Concepcion F. De Claro	D	Filipino	1,000	0%
Common	Leandro E. Abarquez	D	Filipino	1,000,000	0%

*Indirect beneficial ownership thru PHR's parent company, Udenna Corporation.

Item 12. Certain Relationships and Related Transactions

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*

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

	Amount/ Volume of Transactions			Outstanding Receivable (Payable)		
	2021	2020	2019	**2021**	2020	Terms & Conditions
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 14) (a)(iv)	–	254,000,000	2,579,000,000	–	–	Non-refundable
Entities under Common Control						
Cash advances to related parties	–	25,800	204,667	**2,039,341**	2,039,341	Unsecured; noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital	**47,500,000**	14,531,126	57,126,585	**93,361,685**	(45,830,448)	Unsecured; noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (i)	–	–	2,221,750,869	**(2,214,497,895)**	(2,335,514,021)	Unsecured; interest-bearing; with terms
Cash advances from related parties for working capital (b) (ii)	–	38,600,000	137,900,000	**(353,600,000)**	(353,600,000)	Unsecured; interest-bearing; due and demandable
Interest payable on advances (b) (iii)	**36,376,448**	242,731,559	97,333,988	**(391,228,631)**	(354,852,183)	Unsecured; due within 1 to 2 years
Management and consultancy services (see Notes 13 and 15) (d) (iii)	–	–	4,012,428	**(7,220,127)**	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable

	Amount/ Volume of Transactions			Outstanding Receivable (Payable)		
	2021	2020	2019	**2021**	2020	Terms & Conditions
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 21) (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 (see Note 6) (i)	**119,274**	2,104,746	3,166,131	**353,256**	233,982	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of December 31, 2020 and 2019.
ii. Outstanding balance is included in Advances from related parties as of December 31, 2020 and 2019.
iii. Outstanding interest is included in Trade and other payables as of December 31, 2020 and 2019.
iv. Outstanding balance is presented under the Equity section in the consolidated statements of financial position as of December 31, 2020

(a) Deposit for future stock subscription

In 2020, 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. Accordingly, this deposit was converted into ₱1.69 billion common shares with a subscription price of ₱1.68/share.

(b) Interest-bearing cash advances from related parties

i. Emerald Development Holdings Ltd. (Emerald)

On October 17, 2019, PH Resorts obtained an advance of US$42.5 million from Emerald, an offshore entity wholly-owned by Udenna Corporation. The proceeds of the advance were used to fund the ongoing construction of Emerald Bay. The principal and interest totaling $60.3 million was originally due in 2021 and was extended to April 30, 2022. On October 1, 2021, PH Resorts and Emerald agreed to extend the payment of the advance to April 30, 2023. 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 $4.7 million. The difference between the carrying value and the present value of the advance amounting to $4.1 million using the extended term was adjusted against capitalized borrowing cost in 2021. As of December 31, 2021 and 2020, advance from a related party amounted to ₱2.21 billion and ₱2.09 billion, respectively.

Interest charges incurred on this advance and other cash advances amounted to nil in 2021, ₱ 181.1 million in 2020 and ₱86.8 million in 2019. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position.

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 December 31, 2021 and 2020. These are unsecured, with interest rates ranging from 8.5% to 12%, and are due and demandable.

Interest incurred on these advances amounted to ₱22.7 million in 2021, ₱78.5 million in 2020 and ₱10.5 million in 2019. Interest payable of ₱125.3 million and ₱104.7 million as of December 31, 2021 and 2020, respectively, are included under "Trade and other payables" account in the consolidated statements of financial position.

(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.

   In 2019, LLI acquired LLC which eliminates the lease transactions in the consolidated financial statements.

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	**2021**	2020
Within one year	**₱12,575,209**	₱16,475,380
More than 1 year to 2 years	**13,203,969**	17,255,159
More than 2 years to 3 years	**6,763,009**	18,117,917
More than 3 years to 4 years	**–**	9,279,910
More than 5 years	**–**	–
	₱32,542,187	₱61,128,366

As of December 31, 2021 and 2020, right-of-use asset amounted to ₱24.4 million and ₱49.4 4 million. As of December 31, 2021 and 2020, the lease liabilities amounting to ₱30.0 million and ₱54.0 million, respectively, were presented under the current and noncurrent liabilities sections of the consolidated statements of financial position. Amortization expense amounted ₱10.0 million in 2021 and ₱14.0 million in 2020. Interest expense on lease liabilities amounted to ₱3.0 million in 2021 and ₱4.5 million in 2020.

(d) Management fees

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

(e) Guarantees

LLI and LLC's bank loans with CBC are secured by a corporate guaranty by Udenna and by certain stockholders through a Continuing Surety Agreement with the bank.

The performance of the obligations of DHPC to UCPB at any time under the loan agreement shall be the joint and several liability of PH Travel and DHPC.

(f) Compensation and Other Benefits of Key Management Personnel

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱38.3 million in 2020, ₱73.4 million in 2020, and ₱53.2 million in 2019.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company submitted its Manual on Corporate Governance (the "Manual") to the Philippine SEC in compliance with Philippine SEC Memorandum Circular No. 6, Series of 2009. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system is in the process of being established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

There has not been any deviation from the Company's Manual of Corporate Governance. The Company plans to continue adopting the SEC's recommendations for improved corporate governance.

Independent Directors

The Manual requires the Company to have at least two independent directors in the Board of Directors, at least one of whom serves on each of the Corporate Governance, Nomination Committee, and the Audit Committee. An independent director is defined as a person who has not been an officer or employee of the Company, its Subsidiaries or affiliates or related interests during the past three years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of the Company's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The following exhibits are incorporated by reference in this report.

- Consolidated Financial Statements of the Company as of and for the year ended 31 December 2020
- Index to Financial Statements and Supplementary Schedules

(b) Reports on SEC Form 17-C

Date	Excerpts
18 November 2021	Certificates of Attendance of the Directors and Officers of PHR in the required Annual Corporate Governance Training
19 October 2021	3rd Quarter 2021 Business Plan
18 October 2021	Progress Report on the application of proceeds for the Company's Follow-On Offering
6 October 2021	Voluntary suspension of Clark Grand Leisure Corp. Provisional License pursuant to the Company's request due to lingering uncertainties surrounding the casino gaming industry especially with more competition in the Clark, Pampanga location.
14 September 2021	General Information Sheet Submission

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on_______________, 2022.

By:

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

MICHAEL P. TEJADA
Financial Controller

LEANDRO E. ABARQUEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 12 2022 day of _________ 20__. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	Competent Evidence of Identity
Dennis A. Uy	TIN 172-020-135
Raymundo Martin M. Escalona	TIN 128-421-032
Lara C. Lorenzana	TIN 175-857-194
Michael P. Tejada	TIN 271-280-887
Leandro E. Abarquez	TIN 234-076-870

and that they further attest that the same true and correct.

Doc No. 99;
Page No. 21;
Book No. 30;
Series of 2022.

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Extended Until June 30, 2022
Per B.M No. 3795
PTR No. 8852509 Jan. 3, 2022 Makati City
Appointment No. M-133(2020-2021)
IBP No. 1062634 Jan. 3, 2018
MCLE No. VI-0023417 Roll No. 27932
101 Urban Ave., Campos Rueda Bldg.
Brgy. Pio Del Pilar. Makati City

Notary Public

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

PH
RESORTS GROUP
A Udenna Company

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PH Resorts Group Holdings Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2021** and **December 31, 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

Signed this 11 day of May, 2022

MAY 12 2022

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	Competent Evidence of Identity
Dennis A. Uy	TIN 172-020-135
Raymundo Martin M. Escalona	TIN 128-421-032
Lara C. Lorenzana	TIN 175-857-194

and that they further attest that the same true and correct.

Doc No. 98;
Page No. 21;
Book No. 30;
Series of 2022.

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Extended Until June 30, 2022
Per B.M No. 3795
PTR No. 8852509 Jan. 3, 2022 Makati City
Appointment No. M-133(2020-2021)
IBP No. 1062634 Jan. 3, 2018
MCLE No. VI-0023417 Roll No. 27932
101 Urban Ave., Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Notary Public

COVER SHEET

SEC Registration Number

C	S	2	0	0	9	0	1	2	6	9	

COMPANY NAME

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@phresorts.com	(632) 8838-1985	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
22	3rd Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lara Lorenzana	lara.lorenzana@phresorts.com	(632) 8838-1985	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.*

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that the Group incurred net loss of ₱447.4 million in 2021 and ₱342.3 million in 2020, resulting to a deficit of ₱1,470.3 million and ₱1,022.7 million as of December 31, 2021 and 2020, respectively. In addition, the Group's current liabilities exceeded its current assets by ₱8,451.8 million and ₱7,502.8 million as at December 31, 2021 and 2020, respectively. These conditions, along with other matters as discussed in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter in the following section, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Land at Revalued Amount

The Group accounts for its land classified as property and equipment using the revaluation model. The land accounts for 46.4% of the total consolidated assets as at December 31, 2021. The Group uses the market approach in determining the fair value of land which requires the assistance of external appraisers whose calculations also depend on certain assumptions such as sales listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of investment properties as a key audit matter.

The disclosures relating to land classified as property and equipment are included in Notes 4 and 9 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the external appraisers by considering their qualifications, experience and reporting responsibilities. We compared the property-related data in the appraisal reports against the Group's property records. We obtained an understanding of the scope, methodology and results of the work of the Group's external appraisers. We assessed the methodology adopted by referencing common valuation models and inquired with the appraiser the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraisers the basis of the adjustment factors made to the sales prices.

Impairment Testing of Property and Equipment Measured at Cost

As a result of the continuing community quarantines and restricted travel, the Group's hotel and restaurant segment continued to be adversely affected by the lower number of guests which had significantly impacted the Group's revenues, and also caused slowdown in project site construction and delay in delivery of construction materials for the Group's other segment. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment measured at cost amounting to ₱7,629.7 million as of December 31, 2021. The assessment of recoverability of property and equipment measured at cost, which accounts for 43.5% of the total consolidated assets as of December 31, 2021, involves significant judgment, estimation and assumptions about forecasted revenues and costs, gross margin, capital expenditures and discount rate, among others.

In addition, there is higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic.

The Group's disclosures relating to property and equipment at cost are included in Notes 4 and 9 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and procedures to identify triggering events for potential impairment of assets. We obtained the cash flow forecast and compared these to the Group's long-term and strategic plans. We involved our internal specialist in evaluating the assumptions used. We compared gross margin and operating expenses against the comparable entities with adjustments taking into consideration the maturity of comparable entities. We compared capital expenditure with the Group's strategic plans. We compared the key assumptions used such as revenue growth rate against comparable entities; and long-term growth rate against relevant economic and external data, adjusted to take into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate by comparing against market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Erwin A. Paigma.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

May 11, 2022

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 5)	**₱53,061,387**	₱596,846,911
Trade and other receivables (Notes 5, 6 and 7)	**11,298,309**	11,853,059
Advances to related parties (Note 7)	**2,039,741**	2,039,341
Inventories - at cost	**953,925**	2,157,160
Prepayments and other current assets (Notes 7 and 8)	**39,862,964**	39,943,523
Total Current Assets	**107,216,326**	652,839,994
Noncurrent Assets		
Property and equipment		
Construction-in-progress and others - at cost (Notes 9, 10 and 11)	**7,629,683,157**	6,731,798,799
Land - at revalued amount (Notes 9 and 11)	**8,142,637,234**	7,662,366,513
Right-of-use-assets (Note 12)	**24,410,423**	49,439,123
Deposits for future property acquisition (Note 10)	**61,812,449**	36,812,449
Cash in escrow (Notes 5 and 21)	**257,232,647**	241,759,396
Input value-added tax (VAT) - net (Note 8)	**674,999,894**	619,534,480
Advances to contractors (Note 9)	**585,260,873**	566,890,807
Other noncurrent assets	**71,957,575**	38,919,155
Total Noncurrent Assets	**17,447,994,252**	15,947,520,722
TOTAL ASSETS	**₱17,555,210,578**	₱16,600,360,716
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 11)	**₱6,922,203,292**	₱6,878,300,083
Trade and other payables (Notes 7 and 13)	**1,062,688,727**	700,392,513
Advances from related parties (Note 7)	**564,157,420**	564,126,183
Current portion of lease liabilities (Note 12)	**10,669,963**	12,845,441
Total Current Liabilities	**8,559,719,402**	8,155,664,220
Noncurrent Liabilities		
Retention payable (Note 9)	**81,985,683**	189,126,913
Lease liabilities - net of current portion (Note 12)	**19,300,082**	41,123,604
Advances from related parties (Note 7)	**2,214,497,895**	2,085,357,006
Deferred tax liabilities (Notes 9 and 18)	**765,963,665**	845,263,513
Advances for future stock subscription (Notes 14 and 15)	**47,500,000**	–
Interest payable (Note 7)	**265,954,254**	250,157,015
Total Noncurrent Liabilities	**3,395,201,579**	3,411,028,051
Total Liabilities	**11,954,920,981**	11,566,692,271
Equity		
Capital stock (Note 15)	**7,282,017,027**	6,929,576,027
Additional paid-in capital (Note 15)	**1,629,450,205**	1,407,028,663
Equity reserve (Notes 2 and 15)	**(4,126,935,056)**	(4,126,935,056)
Revaluation surplus (Notes 9 and 18)	**2,285,781,211**	1,846,671,735
Deficit (Note 15)	**(1,470,023,790)**	(1,022,672,924)
Total Equity	**5,600,289,597**	5,033,668,445
TOTAL LIABILITIES AND EQUITY	**₱17,555,210,578**	₱16,600,360,716

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

	2021	2020	2019
NET OPERATING REVENUES			
Food and beverage	**₱1,711,427**	₱5,502,229	₱32,447,286
Rooms	**577,342**	4,901,339	26,749,949
Others	**158,448**	356,403	2,521,282
	2,447,217	10,759,971	61,718,517
DIRECT COSTS AND EXPENSES			
Salaries and wages	**6,217,007**	6,813,898	12,100,897
Inventories consumed (Note 16)	**781,882**	1,839,919	13,831,198
Other costs and expenses (Note 16)	**1,598,444**	3,273,589	3,403,350
	8,597,333	11,927,406	29,335,445
GROSS INCOME (LOSS)	**(6,150,116)**	(1,167,435)	32,383,072
OPERATING EXPENSES (Note 17)	**209,080,644**	288,841,554	447,478,205
OPERATING LOSS	**(215,230,760)**	(290,008,989)	(415,095,133)
NON-OPERATING INCOME (EXPENSES)			
Interest expense (Notes 7 and 11)	**(109,642,812)**	(154,389,353)	(190,736,563)
Foreign exchange gain (loss) - net	**(175,664,097)**	130,643,039	13,849,122
Interest income (Note 5)	**1,026,560**	10,061,192	25,084,128
Other income (expenses) - net	**4,185,842**	636,807	1,533,821
	(280,094,507)	(13,048,315)	(150,269,492)
LOSS BEFORE INCOME TAX	**(495,325,267)**	(303,057,304)	(565,364,625)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	**1,514,142**	1,378,658	3,969,807
Deferred	**(49,488,543)**	37,824,146	356,572
	(47,974,401)	39,202,804	4,326,379
NET LOSS	**(447,350,866)**	(342,260,108)	(569,691,004)
OTHER COMPREHENSIVE INCOME			
Revaluation surplus (Note 9)	**409,605,803**	105,284,631	2,532,817,849
Provision for deferred income tax (Note 18)	**29,503,673**	(31,585,390)	(759,845,355)
	439,109,476	73,699,241	1,772,972,494
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱8,241,390)**	(₱268,560,867)	₱1,203,281,490
Basic and Diluted Loss Per Share (Note 22)	**(₱0.0634)**	(₱0.0686)	(₱0.1189)

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

	Capital Stock (Notes 1 and 15)	**Additional paid-in Capital** (Note 15)	**Subscriptions Receivable** (Note 15)	**Deposit for Future Stock Subscription** (Note 14)	**Equity Reserve** (Notes 2 and 15)	**Revaluation Surplus** (Notes 9 and 18)	**Retained Earnings (Deficit)** (Note 15)	**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**
Issued capital stock (Note 15)	**352,441,000**	**222,421,542**	**–**	**–**	**–**	**–**	**–**	**574,862,542**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**439,109,476**	**(447,350,866)**	**(8,241,390)**
Balance at December 31, 2021	**₱7,282,017,027**	**₱1,629,450,205**	**₱–**	**₱–**	**(₱4,126,935,056)**	**₱2,285,781,211**	**(₱1,470,023,790)**	**₱5,600,289,597**
Balance as of 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
Issued capital stock (Note 15)	2,136,309,523	1,407,028,663	–	(2,833,000,000)	–	–	–	710,338,186
Total comprehensive income (loss)	–	–	–	–	–	73,699,241	(342,260,108)	(268,560,867)
Balance at 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
Balance as of December 31, 2018	₱4,793,266,504	₱–	(₱406,376,691)	₱–	(₱4,050,000,000)	₱–	(₱110,721,812)	₱226,168,001
Deposits received	–	–	–	2,579,000,000	–	–	–	2,579,000,000
Collection of subscriptions receivable	–	–	406,376,691	–	–	–	–	406,376,691
Total comprehensive income (loss)	–	–	–	–	–	1,772,972,494	(569,691,004)	1,203,281,490
Effect of acquisition of a subsidiary (Note 15)	–	–	–	–	(76,935,056)	–	–	(76,935,056)
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

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱495,325,267)**	(₱303,057,304)	(₱565,364,625)
Adjustments for:			
Interest expense (Notes 7 and 11)	**109,642,812**	154,389,353	190,736,563
Unrealized foreign exchange loss (gain)	**166,878,288**	(137,083,521)	(15,876,063)
Depreciation and amortization (Note 9)	**30,114,622**	35,095,218	18,856,634
Interest income (Note 5)	**(1,026,560)**	(10,061,192)	(25,084,128)
Gain on disposal of fixed asset	**–**	–	(46,351)
Loss before working capital changes	**(189,716,105)**	(260,717,446)	(396,777,970)
Decrease (increase) in:			
Trade and other receivables (Note 6)	**540,523**	682,877	66,626,147
Advances to related party	**(400)**	–	–
Inventories	**1,203,235**	2,084,566	(2,480,357)
Prepayments and other current assets (Note 8)	**80,559**	6,712,105	30,756,513
Increase (decrease) in trade and other payables (Note 13)	**22,714,640**	15,504,020	(21,143,044)
Net cash used in operations	**(165,177,548)**	(235,733,878)	(323,018,711)
Income taxes paid	**(1,514,142)**	(1,378,658)	(3,969,807)
Net cash used in operating activities	**(166,691,690)**	(237,112,536)	(326,988,518)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Notes 9 and 24)	**(717,745,283)**	(709,316,624)	(1,921,229,679)
Subsidiary (Note 1)	**–**	–	(1,636,558,526)
Decrease (increase) in:			
Input VAT	**(55,465,414)**	(78,049,990)	(261,304,181)
Other noncurrent assets	**(33,965,995)**	(14,400,227)	(15,741,984)
Deposits for future property acquisition (Note 10)	**(25,000,000)**	(10,000,000)	–
Advances to contractors	**(18,370,066)**	(28,193,539)	(325,360,051)
Advances to related parties	**–**	169,632	42,859,370
Transfer of cash from:			
Escrow fund (Note 5)	**–**	985,465,604	9,290,551
Restricted fund (Note 11)	**–**	–	139,955,985
Interest received	**1,040,787**	11,259,361	24,877,048
Proceeds from sale of fixed asset	**–**	–	106,211
Net cash provided (used in) investing activities	**(849,505,971)**	156,934,217	(3,943,105,256)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares (Note 15)	**599,149,701**	756,000,000	–
Increase in advances from related parties	**31,237**	61,853,706	1,290,178,554
Proceeds from:			
Deposit for future stock subscription (Notes 14 and 15)	**47,500,000**	254,000,000	2,579,000,000
Subscription receivables	**–**	–	406,376,691

(Forward)

	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	**(₱113,382,163)**	(₱535,221,610)	(₱446,712,709)
Debt issuance costs	**(24,257,798)**	(24,589,593)	(22,060,054)
Lease liabilities	**(12,018,285)**	(20,000,000)	(57,950)
Mortgage loan (Note 11)	**(373,067)**	(1,154,785)	(1,589,380)
Share issuance costs (Note 15)	**(24,287,159)**	(45,661,814)	–
Net cash provided by financing activities	**472,362,466**	445,225,904	3,805,135,152
NET INCREASE (DECREASE) IN CASH	**(543,835,195)**	365,047,585	(464,958,622)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**49,671**	6,825,923	3,085,640
CASH AT BEGINNING OF THE YEAR	**596,846,911**	224,973,403	686,846,385
CASH AT END OF THE YEAR (Note 5)	**₱53,061,387**	₱596,846,911	₱224,973,403

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information
PH Resorts Group Holdings, Inc. ("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 Parent Company and its subsidiaries are collectively referred to as "the Group".

The consolidated financial statements as of December 31, 2021 and 2020 and for each of the three years in the period then ended December 31, 2021 were authorized for issue by the Board of Directors (BOD) on May 11, 2022.

Changes in Ownership of PH Resorts
PH Resorts Group Holdings, Inc. in its current form was renamed from Philippine H2O Ventures Corp. (H20) 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 Parent Company 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. ("PH Travel") and Leisure Holdings Corp.
- Approval of the Parent Company's Employee Stock Incentive Plan for qualified employees, directors, officers and other qualified persons.

As of December 31, 2021, the Group's application with the SEC for the approval of the above is still in process.

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 Resorts holds 100% ownership interest in PH Travel and PH Travel and its subsidiaries became legal subsidiaries of PH Resorts.

As of December 31, 2021 and 2020, PH Travel holds ownership interests in the following entities (collectively referred to as "PH Travel Group") incorporated in the Philippines:

Subsidiary Name	Nature of Business	Date of Incorporation	% of Ownership 2021	2020
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	**100**	100
LapuLapu Land Corp. (LLC)[(a)*]	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
Donatela Hotel Panglao Corp. (DHPC)	Hotel and recreation	November 7, 2017	**100**	100
Donatela Resorts and Development Corp. (DRDC)	Hotel and recreation	February 27, 2018	**100**	100
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	**100**	100

** Indirect ownership through LLI.*

a) 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 in Mactan Islands, LapuLapu City, Cebu and to establish and operate casinos and engage in gaming activities. The term of LLI's License is for a period of 15 years or until May 3, 2032, which may be renewed subject to the terms of conditions of the License. On August 27, 2020, PAGCOR's BOD 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"). On October 5, 2021, CGLC received approval from PAGCOR of its request to voluntarily suspend the Clark Provisional License. CGLC sought for the voluntary suspension of its license on the back of the Group's strategic plan to prioritize its current resources towards the completion of Emerald Bay. The voluntary suspension shall be effective until further notice. Notwithstanding the voluntary suspension, CGLC reserves the right to apply for the lifting of the suspension, subject to the approval of PAGCOR's BOD.

Further details of the terms and commitments under the Provisional Licenses are included in Note 22.

Status of Operations

The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the first quarter of 2023. The Group is also engaged in the operation of a resort which started commercial operations in 2018. The Group reported a net loss of ₱447.4 million in 2021 and ₱342.3 million in 2020, resulting in a deficit of ₱1.47 billion and ₱1.02 billion as of December 31, 2021 and 2020, respectively. The gaming business has not started commercial operations due to ongoing construction activities at Emerald Bay. In addition, the Group's current liabilities exceeded its current assets by ₱8.45 billion and ₱7.50 billion as at December 31, 2021 and 2020, respectively, and the Group has negative operating cash flows of ₱166.7 million and ₱237.1 million in 2021 and 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 per share and the shares were listed on the PSE on November 5, 2020. PH Resorts received ₱756.0 million in gross proceeds from the offer.

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 Corporation, at ₱1.70 per share. With the proceeds, Udenna Corporation 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 reimposition 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. PH Resorts received ₱599.1 million in gross proceeds from this transaction.

The Group has the following plans and action steps taken to support its liquidity requirements:

- 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 further deferral of 2020 and 2021 principal and interest payments on the Group's short-term loans with China Banking Corporation (CBC) and long-term loan with United Coconut Planters Bank (UCPB).
- The Group has requested and obtained approval for the deferment of testing of date of its debt service coverage ratio and debt-to-equity ratio on the UCPB long-term loan from December 31, 2021 to December 31, 2022.
- The Group has negotiated to extend the maturity of the advances from a related party to April 2023.
- The Group has ongoing negotiations for financing and capital raising transactions with potential creditor and investors.

On May 6, 2022, PH Travel signed a term sheet with Bloomberry Resorts Corporation (Bloom). The term sheet covers the proposed investment of Bloom into Lapu-Lapu Leisure, Inc. and Clark Grand Leisure Corp. The term sheet is subject to several conditions to closing including: (a) execution of mutually acceptable definitive agreements; (b) approval of regulators; (c) approval of creditors; (d) completion of audited financial statements; (e) corporate approvals; and (f) cooperation on due diligence, among others. Certain terms and conditions of the transaction, including the method payment and timing of closing, are still to be finalized.

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 obligation 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 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 request to voluntarily suspend its Provisional License. CGLC sought for the voluntary suspension of its license on the back of the Group's strategic plan to prioritize its current resources towards the completion of Emerald Bay. The voluntary suspension shall be effective until further notice. Notwithstanding the voluntary suspension, CGLC reserves the right to apply for the lifting of the suspension, subject to the approval of PAGCOR's BOD. CGLC may seek to apply for the lifting of the suspension for the reasons of, but not limited to, potential new joint venture partners and/or investors; and improved market conditions.

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. In October 2021, in a proactive response to preserve the Group's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations were not achieved. With the steady resumption of both domestic and international flights, the Group is already looking for the optimal time to re-open Donatela Resort.

The other entities within the Group have no material operations as of December 31, 2021 and 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land which is carried at revalued amount. These consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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 consolidated statements of financial position 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 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 consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of and for the years ended December 31, 2021 and 2020.

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

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

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

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

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

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

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

Noncontrolling interests, if any, represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. There are no noncontrolling interests as of December 31, 2021 and 2020.

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

If the Parent Company loses control over a subsidiary, it:

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

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

3. Summary of Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting pronouncements which became effective on January 1, 2021. The adoption of these pronouncements did not have any significant impact on the Group’s consolidated financial position or performance.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides 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 all of the criteria are met.

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.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

New Standards and Interpretation Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Summary of Significant Accounting Policies

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the adjustment is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as equity is not to be remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of PFRS 9, *Financial Instruments*, shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss in accordance with that PFRS.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures its land at fair value and discloses fair value of its financial instruments at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss (FVTPL)

- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

Classification and Measurement

- *Financial assets at amortized cost*

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

The Group has financial assets at amortized cost consisting of cash, trade and other receivables, cash in escrow, advances to related parties and security deposits under "Prepayments and other current assets" and "Other noncurrent assets" (see Notes 5, 6, 7, and 8).

- *Financial assets at FVOCI*

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in OCI within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit or loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

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

Dividends are recognized in profit or loss only when:

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

The Group does not have any financial assets under this category.

- *Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value through profit or loss unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

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

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

The Group does not have any financial assets under this category.

Impairment
The Group recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

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

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

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

The Group considers that its high-grade cash in banks have low credit risk based on external credit ratings of the banks. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. The identified impairment loss was immaterial.

For advances to related parties, the ECL 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 need to be set to 100%.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

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

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

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

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

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

B. Financial Liabilities

Classification and Measurement
Financial liabilities are measured at amortized cost, except for the following:

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

The Group's financial liabilities at amortized cost consist of loans payable, trade and other payables, retention payable, lease liabilities, advances from related parties and other payables (see Notes 7, 11, 12, and 13).

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

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

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

The Group does not have any financial assets under this category.

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

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

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

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

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

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

The Group does not reclassify its financial assets when:

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

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

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

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

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

Cash in Escrow
Cash in escrow represents restricted fund for the development of the projects in accordance with the terms in the Provisional License.

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

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

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

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

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Property and Equipment
Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and any accumulated impairment. The initial cost of an item of property and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Such cost includes the cost of replacing the part of such property and equipment when the cost incurred meets the recognition criteria. When significant parts of property and equipment are

required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Subsequent costs are capitalized as part of property and equipment account only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to consolidated statement of comprehensive income as incurred.

Land is measured at fair value at the date of revaluation. Changes in fair value of land, net of related deferred income tax, are recorded in OCI and credited to the “Revaluation surplus” account in equity.

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

Land improvements and infrastructures	5-14 years
Buildings	25 years
Office furniture, fixtures and equipment	2-10 years
Transportation equipment	5-7 years
Leasehold improvements and others	3years or lease term, whichever period is shorter

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

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

For land, upon disposal, the relevant portion of the revaluation increment realized in respect of the previous valuation will be released from the revaluation surplus directly to retained earnings. Decreases that offset previous increases in respect of the same property are charged against the revaluation surplus; all other decreases are charged against current operations.

Construction-in-progress (CIP) represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use. Interest costs on borrowings used to finance the construction of the project are accumulated under this account. Interest costs are capitalized until the project is completed and becomes operational. The capitalized interest is amortized over the estimated useful life of the related assets.

Right-of-use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation is computed on a straight-line basis over the estimated useful lives of 3 to 5 years.

Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee. Leasehold improvements are amortized based on the shorter of the estimated useful life of 3-5 years or the lease term which considers the enforceability of renewal options and limits on the use of the leasehold improvement.

Advances to Contractors

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

Deposits for Future Property Acquisition

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

Impairment of Nonfinancial Assets

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

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of the estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss. However, an impairment loss on a revalued asset is recognized in OCI to the extent that the impairment loss reverses the revaluation surplus previously recognized for that same asset. Any excess is recognized in profit or loss.

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

Deposits for Future Stock Subscription
The deposits for future stock subscription account represents funds received by the Group which it records as such with a view to applying the same as payment for additional issuance of shares or increase in capital stock. Deposits for future stock subscription is reported as part of consolidated statement of changes in equity and as a separate item in the equity section of consolidated statement of statement of financial position, if the following criteria are met, otherwise, this is classified as noncurrent liability:

- the unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract;
- there is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC on or before the financial reporting date.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to additional paid-in capital. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Any receivable is treated as deduction in the subscribed capital stock.

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

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

Equity reserve. Equity reserve account pertains to the equity adjustments resulting from the effect of the reverse acquisition and acquisition of a subsidiary.

Revaluation surplus. Revaluation surplus pertains to accumulated gains and losses to revaluation of land, net of deferred income tax.

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

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

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

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

Cost and Expenses

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

Short-term Employee Benefits

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

Borrowing Costs

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

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments over the lease term.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amounts of lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amounts of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

Earnings Per Share (EPS)
EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 24 to the consolidated financial statements.

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Assessment of going concern
As discussed in Note 1, the Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the first quarter of 2023. The Group is also engaged in the operation of a resort which started commercial operations in 2018. The Group reported a net loss of ₱447.4 million in 2021 and ₱342.3 million in 2020, resulting in a deficit of ₱1.47 billion and ₱1.02 billion as of December 31, 2021 and 2020, respectively. The gaming business has not started commercial operations due to ongoing construction activities at Emerald Bay. In addition, the Group's current liabilities exceeded its current assets by ₱8.45 billion and ₱7.50 billion as at December 31, 2021 and 2020, respectively , and the Group has negative operating cash flows of ₱166.7 million and ₱237.1 million in 2021 and 2020, respectively. The Group has ongoing plans for suitable financing and capital raising options (see Notes 9, 11, 15 and 19).

Management believes that considering the progress of the steps undertaken to date as discussed in Note 1, the Group will be able to 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 consolidated financial statements have been prepared on a going concern basis of accounting.

Acquisition of investment accounted as an asset acquisition.
In applying the requirements of PFRS 3, an acquisition has to be assessed whether it constitutes a business. The assessment requires identification of inputs and processes applied to these inputs to generate outputs or economic benefits. The acquisition of LLC by LLI in 2019 was considered as an acquisition of an asset since LLC is a single investment property that does not transfer activities to LLI which is a requirement to meet the definition of a business (see Notes 1 and 15).

Determining the lease term of contracts with renewal and termination options – Group as lessee under PFRS 16
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

As of December 31, 2021 and 2020, the Group's right-of-use assets and lease liabilities amounted to ₱24.4 million and ₱49.4 million, respectively, and ₱30.0 million and ₱54.0 million, respectively. For the years ended December 31, 2021 and 2020, the Group recognized amortization of right-of use assets and interest expense on lease liabilities amounting to ₱10.0 million and ₱14.0 million, respectively, and ₱3.0 million and ₱4.5 million, respectively (see Note 12).

Identifying performance obligations in food and beverages and rooms revenues, a bundled sale of services.
The Group provides hotel services that are either sold separately or bundled together with the other services.

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

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

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

Capitalized borrowing costs equivalent to the effective interests incurred on the loans, including amortization of debt issuance costs, amounted to ₱493.5 million, ₱674.7 million and ₱413.4 million in 2021, 2020 and 2019, respectively (see Notes 9 and 11). Borrowing costs on loans availed for purposes other than financing the construction of ₱109.6 million, ₱154.4 million and ₱190.7 million in 2021, 2020 and 2019, respectively, were expensed outright.

Transfer of risks and rewards over a property under conditional purchase
In 2017, the Group entered into contract to sell, to acquire various parcels of land. The terms include the transfer of title only upon full payment of the agreed price as stated in the contract for DHPC. The contract is subject to cancellation by the seller upon breach of the contract or default by the Group and the seller may forfeit the improvements therein. The Group has paid approximately 96% and 94% of the agreed price on the contract to sell entered by DHPC as of December 31, 2021 and 2020, respectively. The Deed of Absolute Sale was executed for certain contracts entered by DHPC. The total contract price related to parcels of land wherein the risk and rewards of ownership have been transferred to the Group was recognized as land under "Property and equipment" in the consolidated statements of financial position. Management believes that as of December 31, 2021 and 2020, the risks and rewards of ownership of the properties not covered by Deed of Absolute Sale were retained by the seller, accordingly, installment payments totaling ₱61.8 million and ₱36.8 million as of December 31, 2021 and 2020, respectively, were presented as "Deposits for future property acquisition" in the consolidated statements of financial position (see Notes 9 and 10).

Impairment of nonfinancial assets
The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The carrying values of nonfinancial assets are as follows:

	2021	2020
Input VAT (Note 8)*	**₱680,003,133**	₱622,073,872
Advances to contractors (Note 9)*	**588,546,523**	572,271,972
Creditable withholding taxes	**28,598,192**	23,285,782
Property and equipment - at cost (Note 9)	**7,629,683,157**	6,731,798,799
Right-of-use assets (Note 12)	**24,410,423**	49,439,123
Deposits for future property acquisition (Note 10)	**61,812,449**	36,812,449
Other noncurrent assets	**16,675,106**	38,919,155

** includes current and noncurrent assets*

The recoverable amount of an asset is the higher of its fair value less cost to sell and value-in-use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The factors that the Group considers important which could trigger an impairment review include the following:

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

In 2021 and 2020, community quarantines and travel restrictions resulted in an adverse impact on the Group’s hotel and restaurant segment and slowdown in project site construction and delays in delivery of construction materials. Construction resumed after the lifting of community quarantine restrictions. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. These events and conditions are impairment indicators which require an assessment of the recoverability of property and equipment, in particular its construction in progress and others at cost.

The carrying value of the property and equipment at cost amounted to ₱7,629.7 million and ₱6,731.8 million as of December 31, 2021 and 2020, respectively. The Group estimates the recoverable amount through value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of these assets, the Group is required to make assumptions used in the valuation such as discount rate of 8.7% to 9.3% and growth rate of 6.6% in 2021 and discount rate of 9.1% to 9.8% and growth rate of 4.9% in 2020. The Group also considered in its assumptions the impact of the pandemic on the forecasted revenue and costs, gross margin and capital expenditures. Management assessed that nonfinancial assets are not impaired; thus, no impairment loss was recognized for each of the three years in the period ended December 31, 2021.

Considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the initial impairment assessment.

Estimates and Assumptions

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

Valuation of land at revalued amount

The Group carries its land at fair value, with changes in fair value being recognized in OCI. The Group engaged independent valuation specialists to assess the fair value of the land. The value of the land was estimated using the "Sales comparison approach". This is a comparative approach to value that considers the properties offered for sale and the related market data and establishes a value estimate by processes involving comparisons. Significant increase (decrease) in estimated price per square meter would result in a significantly higher (lower) fair value. The key assumptions used to determine the fair value of the properties are provided in Note 9. Land at fair value amounted to ₱8,142.6 million and ₱7,662.4 million as of December 31, 2021 and 2020, respectively (see Note 9).

Determination of fair value of financial instruments

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

The fair values of financial assets and financial liabilities are disclosed in Note 20.

Provision for expected credit losses on financial assets

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

    ▪ *Quantitative Criteria.* The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Group's definition of default.

    ▪ *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

        a. The borrower is experiencing financial difficulty or is insolvent;
        b. The borrower is in breach of financial covenant(s); or
        c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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

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

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

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

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

   The COVID-19 pandemic did not have a significant impact on the collectability of the Group's receivables in 2021. Considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the estimates of ECL.

No impairment was recognized on the Group's financial assets as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021.

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

The carrying value of the property and equipment (excluding construction in progress) carried at cost as of December 31, 2021 and 2020 amounted to ₱97.3 million and ₱115.6 million, respectively (see Note 9).

Estimating the incremental borrowing rate – Lessee
The Group cannot readily determine the interest rate implicit in the lease and uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group

estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recoverability of deferred taxes
The Group reviews the carrying amounts of its deferred income tax assets at the end of each reporting date and unrecognized deferred income tax assets are reassessed to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered. Accordingly, the Group did not recognize deferred tax asset from the carryover benefits of NOLCO and other deductible temporary difference amounting to ₱363.7 million and ₱373.7 million as of December 31, 2021 and 2020, respectively (see Note 18).

5. Cash

As of December 31, 2021, and 2020, the Group's cash on hand and in banks amounted to ₱53.1 million and ₱596.8 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash amounted to ₱0.2 million in 2021, ₱0.6 million in 2020 and ₱0.1 million in 2019.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱257.2 million and ₱241.8 million as of December 31, 2021 and 2020, respectively. Cash in escrow is presented under the "Noncurrent assets" section of the consolidated statements of financial position.

Interest income earned on cash in escrow amounted to ₱0.9 million in 2021, ₱9.5 million in 2020, and ₱25.0 million in 2019. Accrued interest receivable as of December 31, 2021 and 2020 amounted to ₱0.01 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 21).

6. Trade and Other Receivables

	2021	2020
Trade	**₱802,762**	₱1,115,202
Receivable from sale of a subsidiary (Notes 1, 7 and 21)	**10,000,000**	10,000,000
Accrued interest receivables (Note 5)	**–**	14,227
Others	**495,547**	723,630
	₱11,298,309	₱11,853,059

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

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

No provision for estimated credit losses was recognized for the years ended December 31, 2021 and 2020.

7. **Related Party Transactions**

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

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 Group 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 years ended December 31, 2021, 2020 and 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties.

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

Relationship	Name
Ultimate Parent Company	Udenna Corporation
Affiliates under Common Control	CGLC Cultural Heritage Foundation, Inc.
	Clark Grand Leisure
	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)*
	L3 Concrete Specialist
	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 consolidated statements of financial position include the following amounts with respect to the balances with related parties as of December 31, 2021 and 2020:

	Amount/ Volume of Transactions			Outstanding Receivable (Payable)		
	2021	2020	2019	**2021**	2020	Terms & Conditions
Udenna, *Ultimate Parent Company*						
Cash advances from a related party for working capital and project completion (ii)	**₱–**	₱28,901,808	₱–	**(₱29,695,735)**	(₱29,695,735)	Unsecured; noninterest-bearing; due and demandable
Deposit for future stock subscription (see Note 14) (a)(iv)	–	254,000,000	2,579,000,000	–	–	Non-refundable
Advances for future stock subscription (a)(v)	**47,500,000**	–	–	**(47,500,000)**	–	Unsecured; noninterest-bearing; due and demandable
Entities under Common Control						
Cash advances to related parties (i)	–	25,800	204,667	**2,039,341**	2,039,341	Unsecured; noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital (ii)	**31,237**	14,531,126	57,126,585	**(45,861,685)**	(45,830,448)	Unsecured; noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (ii)	–	–	2,221,750,869	**(2,214,630,641)**	(2,085,357,006)	Unsecured; interest-bearing; with terms
Interest payables on long-term advances (b) (vi)	–	–	–	**(265,954,254)**	(250,157,015)	Unsecured; interest-bearing; with terms
Cash advances from related parties for working capital (b) (ii)	–	38,600,000	137,900,000	**(353,600,000)**	(353,600,000)	Unsecured; interest-bearing; due and demandable
Interest payable on other advances (b) (iii)	**22,275,720**	77,471,258	10,740,764	**(125,274,377)**	(102,998,657)	Unsecured; due within 1 to 2 years
Management and consultancy services (see Notes 13 and 15) (d) (iii)	–	–	4,012,428	**(7,220,127)**	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 21) (i)	–	–	–	**10,000,000**	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder						
Cash advances from a stockholder for working capital (ii)	–	–	–	**(135,000,000)**	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees						
Advances to employees (see Note 6) (i)	**119,274**	2,104,746	3,166,131	**353,256**	233,982	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of December 31, 2021 and 2020.
ii. Outstanding balance is included in Advances from related parties as of December 31, 2021 and 2020.
iii. Outstanding interest is included in Trade and other payables as of December 31, 2021 and 2020.
iv. Outstanding balance is presented under the Equity section in the consolidated statements of financial position as of December 31, 2019.
v. Outstanding balance is presented in Advances for future stock subscription as of December 31, 2021.
vi. Outstanding balance is presented in Interest payable as of December 31, 2021 and 2020.

(a) Deposit and advances for future stock subscription from Ultimate Parent Company

In December 2021, the Group received advances for future stock subscription of ₱47.5 million from the Ultimate Parent Company. This is presented as part of the noncurrent liabilities in the consolidated statement of financial position.

On December 4, 2020, a share subscription agreement was executed between the Parent Company and the Ultimate Parent Company for the total amount of deposits received (see Note 14). Accordingly, the deposit for future subscription as of that date was converted into ₱1.69 billion common shares with a subscription price of ₱1.68/share (see Notes 14 and 15).

In 2019, 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 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 (see Note 9).

(b) Interest-bearing cash advances from related parties

i. Emerald Development Holdings Ltd. (Emerald)

On October 17, 2019, PH Resorts obtained an advance of US$42.5 million from Emerald, an offshore entity wholly-owned by Udenna Corporation. The proceeds of the advance were used to fund the ongoing construction of The Emerald Bay (see Note 19). 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. Another extension was made to defer payment until April 30, 2023. Interest expense arising from the advance amounted to $8.5 million in 2021 and 2020 and $1.5 million in 2019. 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 $8.5 million in 2021, $4.7 million in 2020 and nil in 2019 (see Note 20). The difference between the carrying value and the present value of the advance amounting to $8.5 million and $4.7 million using the extended term was adjusted against capitalized borrowing cost in 2021 and 2020, respectively (see Note 9). As of December 31, 2021, and 2020, advances from a related party amounted to ₱2,214.6 million and ₱2,085.4 million, respectively.

Interest charges after the adjustment on gain on modification amounted to nil in 2021, ₱181.1 million in 2020 and ₱86.8 million in 2019. These interest charges are capitalizable borrowing costs included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position (see Note 9). Accrued interest on this advance amounted ₱266.0 million and ₱250.2 million as of December 31, 2021 and 2020, respectively, which is presented as "Interest payable" in the consolidated statements of financial position.

ii. Other related parties

Various related parties granted advances to the Group to finance the operating activities and financing requirements. Total advances amounted to ₱125.3 million and ₱103.0 million as of December 31, 2021 and 2020. These are unsecured, with interest rates ranging from 8.5% to 12%, and are due and demandable.

Interest incurred on these advances amounted to ₱22.3 million in 2021, ₱77.5 million in 2020 and ₱10.7 million in 2019. Interest payable of ₱125.3 million and ₱103.0 million as of December 31, 2021 and 2020, respectively, are included under "Trade and other payables" account in the consolidated statements of financial position (see Note 13).

(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 non an escalated rate at the end of each three-year interval.

On 2019, LLI acquired LLC which eliminates the lease transactions in the consolidated financial statements.

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	**2021**	2020
Within one year	**₱12,575,209**	₱16,475,380
More than 1 year to 2 years	**13,203,969**	17,255,159
More than 2 years to 3 years	**6,763,009**	18,117,917
More than 3 years to 4 years	**–**	9,279,910
	₱32,542,187	₱61,128,366

As of December 31, 2021 and 2020, right-of-use asset amounted to ₱24.4 million and ₱49.4 million. As of December 31, 2021 and 2020, the lease liabilities amounting to ₱30.0 million and ₱54.0 million, respectively, were presented under current and noncurrent liabilities section of the consolidated statements of financial position. Amortization expense amounted ₱10.0 million in 2021 and ₱14.0 million in 2020. Interest expense on lease liabilities amounted to ₱3.0 million in 2021 and ₱4.5 million in 2020 (see Note 12).

(d) Management fees

DHPC entered into a Management Services Agreement in November 2017 for certain management and operational services with Enderun. Enderun managed the hotel operations starting January 2018 until June 30, 2019. Management fees consist of basic management fee, incentive fee, marketing fee and corporate shared service fees (see Note 17).

(e) Guarantees

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

The performance of the obligations of DHPC to UCPB at any time under the loan agreement shall be the joint and several liability of PH Travel and DHPC (see Note 11).

(f) Compensation and Other Benefits of Key Management Personnel

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱38.3 million in 2021, ₱73.4 million in 2020, and ₱53.2 million in 2019.

8. **Prepayments and Other Current Assets**

	2021	2020
Creditable withholding taxes	**₱28,598,192**	₱23,285,782
Input VAT	**5,118,120**	2,539,392
Advances to contractors	**3,285,650**	5,381,165
Prepaid insurance	**1,542,211**	4,511,653
Short-term security deposits	**360,526**	351,158
Prepaid rent (Note 7)	–	1,245,861
Others	**958,265**	2,628,512
	₱39,862,964	₱39,943,523

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

9. Property and Equipment

At Cost

2021

	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 22)	Total
Cost							
Beginning balances	**₱8,107,498**	**₱68,776,345**	**₱30,202,215**	**₱5,322,085**	**₱39,335,100**	**₱6,616,162,263**	**₱6,767,905,506**
Additions	**–**	**–**	**560,902**	**213,689**	**12,167**	**916,246,148**	**917,032,906**
Ending balances	**8,107,498**	**68,776,345**	**30,763,117**	**5,535,744**	**39,347,267**	**7,532,408,411**	**7,684,938,412**
Accumulated Depreciation							
Beginning balances	**1,350,758**	**7,670,834**	**15,707,496**	**2,902,422**	**8,475,197**	**–**	**36,106,707**
Depreciation (Note 17)	**579,950**	**3,289,024**	**7,348,503**	**1,320,844**	**6,610,227**	**–**	**19,148,548**
Ending balances	**1,930,708**	**10,959,858**	**23,055,999**	**4,223,266**	**15,085,424**	**–**	**55,255,255**
Net Book Value	**₱6,176,790**	**₱57,816,487**	**₱7,707,118**	**₱1,312,508**	**₱24,261,843**	**₱7,532,408,411**	**₱7,629,683,157**

2020

	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 22)	Total
Cost							
Beginning balances	₱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
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 17)	579,951	3,289,023	7,163,327	1,107,154	7,901,676	–	20,041,131
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 ₱493.5 million, ₱674.7 million, ₱413.4 million for the years ended December 31, 2021, 2020 and 2019, respectively, equivalent to the effective interest incurred on the loans (see Note 11).

Advances to contractors of ₱585.3 million and ₱566.9 million as of December 31, 2021 and 2020, respectively, relates to initial deposits made for the ongoing construction of the Project. 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 December 31, 2021 and 2020, respectively.

Land at Revalued Amounts

	2021	2020
Land at the beginning of the year at fair value	**₱7,662,366,513**	₱7,552,344,305
Addition during the year (see Note 9)	**70,664,918**	4,737,577
Revaluation surplus recognized in OCI	**409,605,803**	105,284,631
Balance at end of year	**₱8,142,637,234**	₱7,662,366,513

Land includes a 12.5 hectares beachfront property located in LapuLapu City, Mactan Island, Cebu. The latest appraisal as of December 31, 2021 values the land at ₱6.45 billion, an increase of ₱467.7 million from the prior year. As of December 31, 2020, the appraised value is at ₱6.08 billion, an increase of ₱29.9 million from prior year. 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 & 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. As of December 31, 2021 and 2020, the Bohol properties were appraised at the same amount 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 and as of December 31, 2021 and 2020, has an appraised value of ₱235.0 million and ₱226.0 million, respectively, an increase of ₱9.0 million from prior year.

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

	2021	2020
Balance at beginning of the year, net of tax	**₱1,846,671,735**	₱1,772,972,494
Revaluation surplus during the year	**409,605,803**	105,284,631
Adjustment related to the change in tax rate	**131,905,124**	–
Deferred tax liability (see Note 18)	**(102,401,451)**	(31,585,390)
Balance at end of year, net of tax	**₱2,285,781,211**	₱1,846,671,735

The carrying value of these parcels of land had it been carried at cost amounted to ₱5,095.0 million and ₱5,024.3 million as of December 31, 2021 and 2020, respectively.

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

Valuation technique	Significant unobservable input	**2021**	2020
Sales comparison approach	Selling price of identical piece of land	**₱20,000 to ₱120,000 per square meter**	₱18,000 to ₱122,000 per square meter
	External factor adjustments	**-20% to 20%**	-15% to -10%
	Internal factor adjustments	**-15% to -5%**	-20% to 25%
	Average fair value after internal and external factor adjustments	**₱20,000 to ₱75,000 per square meter**	₱19,300 to ₱72,000 per square meter

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 11). The carrying value of the pledged properties was ₱1.43 billion and ₱1.36 billion as of December 31, 2021 and 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 amount to ₱13.7 billion and ₱12.3 billion as of December 31, 2021 and 2020, respectively (see Note 11).

10. 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 Deeds 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 December 31, 2021 and 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 December 31, 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.

11. **Loans Payable**

	2021	2020
Short-term loans:		
Peso denominated loans (a)	**₱5,200,000,000**	₱5,200,000,000
US dollar denominated loans* (a)	**765,000,000**	720,345,000
Long-term loan classified as current** (b)	**975,000,000**	975,000,000
Auto loans (c)	**10,313**	383,380
	6,940,010,313	6,895,728,380
Debt issuance costs	**(17,807,021)**	(17,428,297)
Loans payable	**₱6,922,203,292**	₱6,878,300,083

**Dollar denominated loan amounting to $15.0 million was translated to Philippine Peso using foreign exchange closing rate of US$1:51.00 in 2021and US$1:48.02 in 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. As of December 31, 2021, the Group's long-term loan was classified as a current liability as an accounting adjustment as final lender approvals on the Group's request to defer the commencement of debt-to-equity ratio testing date were received after December 31, 2021. In January 2022, the bank has confirmed that the bank's Executive Committee approved the deferment of the testing date for the debt-to-equity ratio from December 31, 2021 to December 31, 2022. The reclassification is only for financial statement presentation and does not affect the term loan's original maturity of September 2028. The Group will classify the loan as a noncurrent liability in the next reporting period.*

a. <u>CBC Short-term Loans</u>

i. On June 7, 2017, LLI obtained a ₱900.0 million bank loan from CBC to fund the construction of the first phase of The Emerald Bay and a US$15.0 million loan to fund the escrow requirement of the Provisional License (see Note 21). In 2017, the Peso loan had an annual interest rate of 4.75% to 6.25% while the US$ 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.

ii. In 2017, LLC obtained a ₱2.1 billion Peso loan facility from CBC to finance the acquisition of parcels of land at Punta Engaño, 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.

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

	2021	2020
Principal	**₱5,956,000,000**	₱5,920,345,000
Less unamortized debt issue costs	**11,026,272**	9,446,680
	₱5,944,973,728	₱5,910,898,320

Amortized debt issue costs of ₱36.7 million in 2021 and ₱28.0 million in 2020 pertaining to the ₱5.2 billion loan were capitalized to CIP as of December 31, 2021 and 2020, respectively. Amortized debt issue costs pertaining to the US$15.0 million loan amounting to ₱3.2 million in 2021 and ₱4.2 million in 2020 was expensed and presented as part of "Interest expense" in the consolidated statements of comprehensive income.

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 loans were rolled over until December 18, 2020. Further extensions occurred in 2021, with the latest extension up to February 28, 2022. The Group has further requested for an extension of principal and interest payments, including interests in arrears, to July 2022 and is currently under negotiation.

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 December 31, 2021 and 2020, the combined debt to equity ratio of LLI and LLC is compliant with the required debt to equity ratio at 0.65:1.0 and 0.69:1.0, respectively.

The loans of LLI and LLC have a corporate guaranty from Udenna Corporation and certain stockholders through a Continuing Surety Agreement with CBC (see Note 7).

The carrying value of properties used as collateral amounted to ₱13.0 billion and ₱12.3 billion as of December 31, 2021 and 2020, respectively (see Note 9).

Interest charges incurred on these loans amounted to ₱503.9 million in 2021, ₱492.9 million in 2020 and ₱430.6 million in 2019. Of these interest charges, capitalized borrowing costs amounted to ₱421.8 million in 2021, ₱422.9 million in 2020 and ₱326.6 million in 2019 and were equivalent to the effective interest rate charged for the ₱5.2 billion loan. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position (see Note 9).

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 Hotel.

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

	2021	2020
Principal	**₱975,000,000**	₱975,000,000
Less unamortized debt issue costs	**6,780,749**	7,981,617
Current portion of long-term loan	**₱968,219,251**	₱967,018,383

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 ₱72.1 million in 2021, ₱66.3 million in 2020 and ₱73.8 million in 2019. Amortized debt issue costs of ₱1.2 million in 2021, ₱1.6 million in 2020 and ₱1.9 million in 2019, 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 9). The carrying value of the pledged properties amounted to ₱1.4 billion as of December 31, 2021 and 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 June 25, 2021, the bank approved the deferment of the testing period for the debt service coverage ratio from December 31, 2021 to December 31, 2022. In January 2022, the bank has confirmed that the bank's Executive Committee approved the deferment of the testing date for the debt-to-equity ratio from December 31, 2021 to December 31, 2022. As of December 31, 2021, DHPC's debt-to-equity ratio exceeded the requirement in the financial covenant. As a result, the Group has presented the loan as current liability in the 2021 statement of financial position.

On June 25, 2021, the bank approved the deferment of the principal and interest payments due from March 2021 to December 2021 amounting to ₱152.3 million and ₱115.5 million, respectively, to March 3, 2022. On February 14, 2022, the Group requested for further deferral up to March 2023 of all principal payments due from December 2020 to March 2023 and interests due from June 2020 to March 2023. As May 11, 2022, such request is pending approval by the bank.

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 7).

12. Right-of-Use Assets and Lease Liabilities

The Group entered into leases of office space which are accounted under PFRS 16 using the modified retrospective approach. The related lease liabilities are initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 7.43% for 5 years and 9.49% for 3 years.

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

	2021	2020
Cost		
Balance at beginning of the year	**₱69,889,274**	₱69,889,274
Lease modification adjustment	**(14,990,201)**	–
Balance at end of the year	**54,899,073**	69,889,274
Accumulated Amortization		
Balance at beginning of the year	**20,450,151**	6,446,501
Amortization (see Note 17)	**10,038,499**	14,003,650
Balance at end of the year	**30,488,650**	20,450,151
Net Book Value	**₱24,410,423**	₱49,439,123

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	**₱53,969,045**	₱72,159,678
Interest expense (see Note 7)	**3,009,486**	4,489,687
Lease modification	**(14,990,201)**	–
Lease payments	**(12,018,285)**	(22,680,320)
Balance at end of the year	**29,970,045**	53,969,045
Current portion of lease liabilities	**10,669,963**	12,845,441
Lease liabilities - net of current portion	**₱19,300,082**	₱41,123,604

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

	2021	2020
Within one year	**₱12,605,209**	₱16,475,380
More than one year but not more than five years	**19,966,978**	44,652,986
Total gross lease liabilities	**32,572,187**	61,128,366
Less unamortized interest expense	**2,572,142**	7,159,321
Present value of future minimum lease payments	**30,000,045**	53,969,045
Less current portion	**10,699,963**	12,845,441
Noncurrent portion	**₱19,300,082**	₱41,123,604

13. **Trade and Other Payables**

	2021	2020
Interest payable (Notes 7 and 11)	**₱610,784,101**	₱175,566,492
Payable to contractors (Note 9)	**380,912,217**	478,953,556
Trade payables	**7,663,103**	12,780,304
Statutory payables	**19,088,413**	14,423,139
Management fees payable (Note 7)	**7,220,127**	7,220,127
Contract liabilities	**38,030**	254,441
Others	**36,982,736**	11,194,454
	₱1,062,688,727	₱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. The Group recognized revenues amounting to ₱0.02 million in 2021 and ₱1.6 million in 2020 from the contract liabilities at the beginning of 2021 and 2020, respectively.

14. Deposit and Advances for Future Stock Subscription

In the first quarter of 2020, PH Resorts received additional funds from Udenna Corporation amounting to ₱254.0 million increasing the total deposit for future stock subscription to ₱2.83 billion as of March 31, 2020.

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 per share. The issuance of common shares eliminated the ₱2.58 billion deposit for future stock subscription from Udenna Corporation (see Note 15).

In December 2021, PH Resorts received cash amounting to ₱47.5 million from Udenna Corporation representing its advances for future stock subscription. This is presented as "Advances for future stock subscription" in the consolidated statement of financial position as of December 31, 2021.

15. Equity

Capital Stock

The Parent Company's common shares (at ₱1.00 par value per share) consist of the following:

	2021		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
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

(Forward)

Date	Activity	No. of Common Shares	Balance
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 Corporation 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).

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

On December 21, 2018, a group of investors subscribed to 406,376,691 shares with a par value of ₱1.00 per share. The subscription receivables amounting to ₱406.4 million 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). 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 Parent Company 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 per share. The issuance of common shares resulted to a reclassification of the ₱2.58 billion deposit for future stock subscription from Udenna Corporation to common stock (see Note 14). The difference between the subscription price and the par value was recognized as additional paid-in capital.

In 2020, incremental costs directly attributable to the issuance of shares from the Group's follow-on equity offering and share subscription agreement of ₱45.8 million were deducted from the additional paid-in capital.

In August 2021, PH Resorts successfully conducted a top-up placement from a selected group of QIB investors as defined under the Securities Regulation Code. The transaction consisted of 352,441,000 shares sold by the Parent Company's parent Udenna Corporation at ₱1.70 per share. With the proceeds, Udenna Corporation 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 ECQ restriction in the NCR and certain adjacent provinces as well as steadily rising COVID-19 cases nationwide at that time. The Parent Company received ₱599.1 million in gross proceeds from this transaction. The difference between the subscription price and the par value amounting to ₱246.7 million was recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of the shares amounting to ₱24.2 million were deducted from the additional paid-in capital.

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
Less purchase consideration transferred	1,636,820,772
Equity reserve	₱76,935,056

16. Inventories Consumed, Other Direct Costs and Expenses

Inventories consumed amounting to ₱0.8 million, ₱1.8 million and ₱13.8 million for the years ended December 31, 2021, 2020 and 2019, respectively, consist of food and beverages used in hotel operations.

Other direct costs and expenses are as follows:

	2021	2020	2019
Departmental expenses	**₱134,755**	₱2,505,413	₱708,823
Recreation and entertainment	–	348,353	259,584
Commissions	**5,512**	277,335	1,847,461
Miscellaneous	**1,458,177**	142,488	587,482
	₱1,598,444	₱3,273,589	₱3,403,350

17. Operating Expenses

	2021	2020	2019
Salaries and wages (Note 7)	**₱75,366,396**	₱96,778,475	₱131,618,523
Depreciation and amortization (Notes 9 and 12)	**30,114,622**	35,095,218	18,856,634
Professional fees (Note 7)	**26,875,129**	103,796,242	154,434,049
Taxes and licenses (Note 7)	**12,449,273**	16,173,397	67,458,851
Dues and subscription	**6,682,450**	7,060,469	8,807,089
Rentals	**4,027,686**	4,252,118	5,068,790
Transportation and travel	**3,547,386**	2,698,026	16,812,899
Utilities and communications	**2,583,874**	7,226,856	7,921,785
Repairs and maintenance	**1,784,352**	1,341,473	2,876,237
Sales marketing and advertising	**1,768,988**	960,409	4,034,324
Insurance	**1,079,283**	1,094,238	1,293,827
Office supplies	**254,763**	475,516	969,699
Outside services	**198,234**	184,214	6,758,606
Representation and entertainment	**38,592**	263,929	1,897,287
Management fees (Note 7)	–	–	4,012,428
Miscellaneous	**42,309,616**	11,440,974	14,657,177
	₱209,080,644	₱288,841,554	₱447,478,205

In 2020 and 2019, professional fees were incurred from various engagements with lawyers and other consultants for the follow-on offering and financing arrangements of the Group. Miscellaneous expense includes PAGCOR charges.

18. Income Taxes

a. The current provision for income tax pertains to final withholding taxes on interest income and MCIT.

b. 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:

	2021	2020	2019
Benefit from income tax computed at statutory income tax rate of 25% in 2021 and 30% in 2020 and 2019	**(₱136,639,603)**	(₱90,917,191)	(₱169,609,387)
Tax effects of:			
Movement in unrecognized deferred tax asset	**94,950,117**	98,923,667	172,177,416
Nondeductible expenses	**4,712,005**	34,554,150	5,324,324
Income subjected to lower tax rates	**586**	(3,357,822)	(3,565,974)
Effect of change in tax rate	**(8,921,692)**	–	–
Non-taxable income	**(864,945)**	–	–
Others	**(1,210,869)**	–	–
	(₱47,974,401)	₱39,202,804	₱4,326,379

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

	2021	2020
Deferred tax liabilities:		
Revaluation surplus (see Note 9)	**₱761,927,070**	₱791,430,745
Debt issuance costs	**2,666,078**	5,228,489
Unrealized foreign exchange gain	**1,370,517**	48,604,279
Deferred tax liabilities	**₱765,963,665**	₱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 The Emerald Bay, management will reconsider this position.

	2021	2020
Unrecognized deferred tax assets:		
NOLCO	**₱354,886,693**	₱372,177,549
Unrealized foreign exchange loss	**7,431,740**	207,847
Net lease liabilities	**1,389,906**	1,358,977
MCIT	**26,856**	
Others	**9,508**	

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

Year Incurred	Expiry Date	MCIT	NOLCO
2018	December 31, 2021	₱–	₱246,990,793
2019	December 31, 2022	–	568,815,620
2020	December 31, 2025	–	424,785,417
2021	December 31, 2024	1,353,699	350,375,184
Total		1,353,699	1,590,967,014
Less expired in 2021		–	246,990,793
		₱1,353,699	₱1,343,976,221

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.

<u>CREATE Act</u>
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in a newspaper of general circulation on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event in the 2020 financial statements. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Group has not made an exact quantification of the impact of the lower corporate income tax rate on the 2020 current income tax. The impact is not expected to be significant since the entities in the Group are in the tax loss position.

- This will result in lower deferred tax liabilities as of December 31, 2020 and provision for deferred tax in the consolidated statements of comprehensive income and consolidated statements of changes in equity for the year then ended by ₱140.9 million. This reduction was recognized in the 2021 consolidated financial statements.

19. Financial Risks Management Objectives and Policies

The Group's principal financial instruments are cash 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, foreign currency risk and interest rate 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:

	2021	2020
Cash*	**₱52,985,644**	₱596,733,157
Trade and other receivables	**11,298,309**	11,853,059
Advances to related parties	**2,039,741**	2,039,341
Security deposit**	**55,481,627**	20,935,345
Cash in escrow	**257,232,647**	241,759,396
Total credit risk exposure	**₱379,037,968**	₱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 December 31, 2021 and 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:

	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	**₱310,218,291**	**₱–**	**₱–**	**₱–**	**₱–**	**₱310,218,291**
Medium grade	**68,016,915**	**–**	**–**	**–**	**802,762**	**68,819,677**
Standard grade	**–**	**–**	**–**	**–**	**–**	**–**
Default	**–**	**–**	**–**	**–**	**–**	**–**
Gross carrying amount	**378,235,206**	**–**	**–**	**–**	**–**	**379,037,968**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amount	**₱378,235,206**	**₱–**	**₱–**	**₱–**	**₱802,762**	**₱379,037,968**

	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	33,712,543	–	–	–	1,115,202	34,827,745
Standard grade	–	–	–	–	–	–
Default	–	–	–	–	–	–
Gross carrying amount	872,205,096	–	–	–	–	873,320,298
Loss allowance	–	–	–	–	–	–
Carrying amount	₱872,205,096	₱–	₱–	₱–	₱1,115,202	₱873,320,298

Financial assets classified as "high grade" are those cash, 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:

	2021			
	High Grade	**Medium Grade**	**Standard Grade**	**Total**
Cash*	**₱52,985,644**	**₱–**	**₱–**	**₱52,985,644**
Trade and other receivables	**–**	**11,298,309**	**–**	**11,298,309**
Advances to related parties	**–**	**2,039,741**	**–**	**2,039,741**
Security deposits**	**–**	**55,481,627**	**–**	**55,481,627**
Cash in escrow	**257,232,647**	**–**	**–**	**257,232,647**
	₱310,218,291	**₱68,819,677**	**₱–**	**₱379,037,968**

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

	2020			
	High Grade	Medium Grade	Standard Grade	Total
Cash*	₱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
	₱838,492,553	₱34,827,745	₱–	₱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 December 31, 2021, 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 December 31, 2021 and 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.

	2021			
	Due and Demandable	**Less Than One Year**	**More than One Year**	**Total**
Cash*	**₱52,985,644**	**₱–**	**₱–**	**₱52,985,644**
Trade and other receivables	**10,000,000**	**1,298,309**	**–**	**11,298,309**
Advances to related parties	**2,039,741**	**–**	**–**	**2,039,741**
Security deposits**	**–**	**199,158**	**55,282,469**	**55,481,627**
Cash in escrow	**–**	**–**	**257,232,647**	**257,232,647**
	65,025,385	**1,497,467**	**312,515,116**	**379,037,968**
Loans payable****	**–**	**6,350,381,093**	**824,552,602**	**7,174,933,695**
Trade and other liabilities***	**–**	**1,043,573,456**	**–**	**1,043,573,456**
Retention payable	**–**	**–**	**81,985,683**	**81,985,683**
Lease liabilities	**–**	**12,575,209**	**19,966,978**	**32,542,187**
Advances from related parties	**564,157,420**	**–**	**2,214,497,895**	**2,778,655,315**
	564,157,420	**7,406,529,758**	**3,141,003,158**	**11,111,690,336**
Liquidity gap	**(₱499,132,035)**	**(₱7,405,032,291)**	**(₱2,828,488,042)**	**(₱10,732,652,368)**

**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.*

	2020			
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash*	₱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	–	16,475,380	44,652,986	61,128,366
Advances from related parties	564,126,183	–	2,335,514,021	2,899,640,204
	564,126,183	7,580,744,835	2,569,293,920	10,714,164,938
Liquidity gap	₱44,646,315	(₱7,578,150,750)	(₱2,307,340,205)	(₱9,840,844,640)

**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.*

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:

	2021		2020	
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$64,213**	**₱3,274,886**	$6,064,015	₱291,212,192
Receivables	**–**	**–**	296	14,215
Cash in escrow	**5,043,777**	**257,232,647**	5,034,242	241,759,404
	5,107,990	**260,507,533**	11,098,553	532,985,811
Liabilities				
Loans payable	**15,000,000**	**765,000,000**	15,000,000	720,345,000
Advances from related parties	**48,636,317**	**2,480,452,149**	48,633,814	2,335,541,661
	$63,636,317	**3,245,452,149**	$63,633,814	3,055,886,661
Total		**(₱2,984,944,616)**		(₱2,522,900,850)

As of December 31, 2021 and 2020, the closing exchange rate was 51.00 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
December 31, 2021	**Increase by 5.16%**	**(₱154,023,145)**
	Decrease by 5.16%	**154,023,145**
December 31, 2020	Increase by 5.16%	(130,173,551)
	Decrease by 5.16%	130,173,551

Interest Rate Risk. The Group's exposure to changes in market interest rate risk primarily relates to the Group's debt with floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Group's loss before tax. There is no impact on equity other than those already affecting pretax loss.

	Changes in Basis Points	Impact on Loss Before Income Tax
December 31, 2021	**+100**	**(₱9,750,000)**
	-100	**9,750,000**
December 31, 2020	+100	(9,750,000)
	-100	9,750,000

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:

	2021	2020
Total debt	**₱6,922,203,292**	₱6,878,300,083
Total capitalization	**15,833,670,524**	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 the Group's ongoing negotiations for financing and capital raising transactions with potential creditor and investors.

As discussed in Note 10, LLC and LLI are required to maintain on a combined basis a debt-to-equity ratio of not more than 2.33 to 1.0 under its loan agreements. LLC and LLI are in compliance with this requirement as of December 31, 2021 and 2020. DPHC is also required to maintain a debt-to-equity ratio of not exceeding 2.33x. As of December 31, 2021, DHPC's debt-to-equity ratio exceeded the requirement in the financial covenant. In January 2022, the bank has confirmed that the bank's Executive Committee approved the deferment of the testing date for the debt-to-equity ratio from December 31, 2021 to December 31, 2022.

20. **Fair Value Information**

Fair value is defined as the price that would be received to sell and 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, trade and other receivables, advances to and from related parties, loans payable, 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. Cash in escrow earns interest at the prevailing market interest rate, thus, the carrying value approximates the fair value. Security deposits are presented at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

Advances from related parties - noncurrent. As of December 31, 2021 and 2020, the fair value of the advances from related parties of ₱2,829.2 million and ₱2,839.2 million, respectively, is determined by discounting the expected cash flows using the prevailing interest for similar instrument of 2% in 2021 and 1.76% in 2020. Fair value measurement is categorized under Level 3 with significant observable inputs.

Long-term loan payable. The fair value of long-term loan payable amounting to ₱1,002.1 million and ₱1,089.9 million is determined by discounting the expected cash flows using the discount rate 4.58% and 2.40% as of December 31, 2021 and 2020, respectively. Fair value measurement is categorized under Level 3.

Lease Liability. The fair value of the lease liability amounting to ₱31.4 million and ₱60.0 million is determined by discounting the expected cash flows using the prevailing interest for similar instrument of 3.0% in 2021 and 2.2% in 2020.

Land at fair value. As of December 31, 2021 and 2020, the fair value of land amounting to ₱8,142.6 million and ₱7,662.4 million, respectively, is determined by external, independent property appraisers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being appraised (see Note 9). 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.

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

21. 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, PAGCOR's BOD 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 December 31, 2021 and 2020, both LLI and LLC are in compliance with the debt-equity ratio requirement. Below is the report submitted to PAGCOR.

	2021	2020
LLI	**46%-54%**	48% - 52%
LLC	**47%-53%**	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 December 31, 2021 and 2020, capitalized costs related to the Project amounted to ₱7.2 billion and ₱6.4 billion, respectively (see Note 9).

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 The 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 for the years ended December 31, 2021, 2020 and 2019.

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.

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

As of December 31, 2020, CGLC's debt-equity ratio is 3%-97% which is in compliance with the ratio requirement.

iii. *Requirement to Establish a Foundation*

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized for the years ended December 31, 2021, 2020 and 2019.

On October 5, 2021, CGLC received approval from PAGCOR of its request to voluntarily suspend the Clark Provisional License. CGLC sought for the voluntary suspension of its license on the back of the Group's strategic plan to prioritize its current resources towards the completion of Emerald Bay. The voluntary suspension shall be effective until further notice.

Notwithstanding the voluntary suspension, CGLC reserves the right to apply for the lifting of the suspension, subject to the approval of PAGCOR's BOD.

c) 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.

In 2020, PAGCOR has allowed the LLI to utilize the escrow account subject to 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.

As of December 31, 2021 and 2020, the Group's cash in escrow amounted to ₱256.8 million and ₱241.8 million. In 2020, the Group utilized the escrow of LLI and CGLC for the development of the project. On July 17, 2020, PAGCOR approved LLI's withdrawal from the escrow fund of LLI. With PAGCOR's approval to withdraw from the escrow fund of LLI and submission of the required monthly reports, the Group is in compliance with the requirements of PAGCOR.

22. **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:

	2021	2020	2019
Net loss attributable to the equity holders of the Parent Company	**(₱447,350,866)**	(₱342,260,108)	(₱569,691,004)
Divided by weighted average number of common shares of Parent Company	**7,059,930,917**	4,987,048,304	4,793,266,504
	(₱0.0634)	(₱0.0686)	(₱0.1189)

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

23. 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:

	2021			
	Hotels and Restaurant	**Others**	**Eliminations**	**Total**
Revenue	**₱2,447,217**	**₱132,684,306**	**(₱132,684,306)**	**₱2,447,217**
Results				
Direct costs and expenses	**(8,597,333)**	**–**	**–**	**(8,597,333)**
Operating expenses	**(23,669,406)**	**(155,292,219)**	**–**	**(178,961,625)**
Foreign exchange loss - net	**–**	**(175,664,097)**	**–**	**(175,664,097)**
Depreciation	**(7,774,472)**	**(22,344,547)**	**–**	**(30,119,019)**
Interest expense	**(73,693,587)**	**(222,032,558)**	**186,083,333**	**(109,642,812)**
Interest income	**3,763**	**1,022,797**	**–**	**1,026,560**
Income tax expense	**(752)**	**(1,513,390)**	**–**	**(1,514,142)**
Benefit from deferred tax	**(274,791)**	**47,117,112**	**2,646,222**	**49,488,543**
Other non-operating expense - net	**794,013**	**474,662,553**	**(471,270,724)**	**4,185,842**
Net loss	**(110,765,348)**	**78,639,957**	**(415,225,475)**	**(447,350,866)**
Assets and liabilities				
Operating assets	**1,529,781,925**	**41,591,114,815**	**(24,035,904,237)**	**19,084,992,503**
Deferred tax asset	**–**	**–**	**–**	**–**
Total assets	**1,529,781,925**	**41,591,114,815**	**(24,035,904,237)**	**17,555,210,578**
Operating liabilities	**501,342,728**	**13,660,423,567**	**(9,942,512,271)**	**4,219,254,024**
Loans payable	**968,219,251**	**5,971,787,870**	**(17,803,829)**	**6,922,203,292**
Advances for future stock subscription	**–**	**47,500,000**	**–**	**47,500,000**
Deferred tax liabilities	**66,538,447**	**699,425,218**	**–**	**765,963,665**
Total liabilities	**₱1,536,100,426**	**₱20,379,136,655**	**(₱9,960,316,100)**	**₱11,954,920,981**

	2020			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱10,759,971	₱132,685,571	(₱132,685,571)	₱10,759,971
Results				
Direct costs and expenses	(11,927,406)	–	–	(11,927,406)
Operating expenses	(27,202,977)	(226,543,359)	–	(253,746,336)
Foreign exchange gain – net	–	130,643,039	–	130,643,039
Depreciation	(7,786,150)	(27,309,068)	–	(35,095,218)
Interest expense	(69,918,645)	(446,918,530)	362,447,822	(154,389,353)
Interest income	7,863	10,053,329	–	10,061,192
Income tax expense	(1,572)	(1,377,086)	–	(1,378,658)
Benefit from deferred tax	274,791	(47,060,685)	8,961,748	(37,824,146)
Gain on disposal of a subsidiary	–	–	–	–
Other non-operating expense – net	538,631	29,984,688	(29,886,512)	636,807
Net loss	(105,255,494)	(445,842,101)	208,837,487	(342,260,108)
Assets and liabilities				
Operating assets	1,517,530,148	36,952,251,630	(21,869,421,062)	16,600,360,716
Deferred tax asset	–	–	–	–
Total assets	1,517,530,148	36,952,251,630	(21,869,421,062)	16,600,360,716

(Forward)

	Hotels and Restaurant	Others	Eliminations	Total
Total assets *(carried forward)*	₱1,517,530,148	₱36,952,251,630	(₱21,869,421,062)	₱16,600,360,716
Operating liabilities	308,761,779	11,215,453,064	(7,735,055,212)	3,789,159,631
Loans payable	967,084,417	6,972,538,525	(1,007,353,815)	6,932,269,127
Deferred tax liabilities	100,545,494	744,718,019	–	845,263,513
Total liabilities	₱1,376,391,690	₱18,932,709,608	(₱8,742,409,027)	₱11,566,692,271

	2019			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱61,718,517	₱132,685,571	(₱132,685,571)	₱ 61,718,517
Results				
Direct costs and expenses	(29,335,445)	–	–	(29,335,445)
Operating expenses	(34,073,826)	(385,308,560)	(9,239,185)	(428,621,571)
Foreign exchange gain – net	–	13,848,511	611	13,849,122
Depreciation	(7,431,912)	(11,424,722)	–	(18,856,634)
Interest expense	(76,081,700)	(361,409,224)	246,754,361	(190,736,563)
Interest income	50,426	25,035,231	(1,529)	25,084,128
Income tax expense	(10,084)	(3,960,028)	305	(3,969,807)
Benefit from deferred tax	523,062	(682,527,048)	681,647,414	(356,572)
Gain on disposal of a subsidiary	–	–	–	–
Other non-operating expense – net	2,033,075	2,273,042,114	(2,273,541,368)	1,533,821
Net loss	(82,607,887)	999,981,845	(1,487,064,962)	(569,691,004)
Assets and liabilities				
Operating assets	1,445,388,862	34,838,454,573	(20,637,085,549)	15,646,757,886
Deferred tax asset	–	–	–	–
Total assets	1,445,388,862	34,838,454,573	(20,637,085,549)	15,646,757,886
Operating liabilities	199,140,905	10,417,027,501	(7,064,337,080)	3,551,831,326
Loans payable	965,900,145	7,198,335,821	(1,183,054,506)	6,981,181,460
Deferred tax liabilities	80,760,359	695,093,615	–	775,853,974
Total liabilities	₱1,245,801,409	₱18,310,456,937	(₱8,247,391,586)	₱11,308,866,760

24. Notes to Consolidated Statements of Cash Flows

The following are the noncash investing activities of the Group:

	2021	2020	2019
Noncash investing activities:			
Reclassification from deposits for property acquisition to land (Notes 9 and 10)			
Land at revalued amount	**₱409,605,803**	₱–	₱84,618,045
Deposits for future property acquisition	–	–	(84,618,045)
Capitalization of interest on advances and loans to CIP (Notes 7 and 11)	**453,301,724**	(181,100,088)	(86,832,940)
Capitalization of debt issuance costs to CIP (Note 11)	**40,183,244**	(28,015,581)	(35,030,495)
Lease modification (Note 12)	**14,990,201**	–	–
Acquisition of subsidiary (Note 15)			
Property and equipment	–	–	3,774,857,332
Trade and other receivables	–	–	66,239,914
Prepayment and other current assets	–	–	14,849,020
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)

Changes in liabilities and equity arising from financing activities:

	January 1, 2021	Cash Flows	Noncash Changes	December 31, 2021	December 31, 2020
Loans payable	**₱6,877,916,703**	**(₱24,257,798)**	**₱89,289,236**	**₱6,942,948,141**	₱6,877,916,703
Lease liabilities	**53,969,045**	**(12,018,285)**	**(11,980,715)**	**29,970,045**	53,969,045
Mortgage loans	**383,380**	**(373,067)**	**–**	**10,313**	383,380
Interest payable	**425,723,507**	**(113,382,163)**	**564,397,011**	**876,738,355**	425,723,507
Advances from related parties	**2,649,483,189**	**31,237**	**129,140,889**	**2,778,655,315**	2,649,483,189
Capital stock and additional paid-in capital	**8,336,604,690**	**574,862,532**	**–**	**8,911,467,232**	8,336,604,690
Equity reserve	**(4,126,935,056)**	**–**	**–**	**(4,126,935,056)**	(4,126,935,056)
Advances for future stock subscription	**–**	**47,500,000**	**–**	**47,500,000**	–
Total liabilities and equity from financing activities	**₱14,217,145,458**	**₱472,362,466**	**₱770,846,421**	**₱15,460,354,345**	₱14,217,145,458

In 2021, noncash changes pertain to foreign exchange translation, lease modification, capitalization of borrowing costs and amortization of debt issuance cost. In 2020, noncash changes include effect of loans payable and mortgage payable, amortization of lease liabilities, amortization of debt issuance cost, and issuance of 1.69 billion common shares with a subscription of ₱1.68/share. In 2019, noncash changes include effect additional loans payable, accrual of interests, amortization of debt issuance, foreign exchange translations, recognition of lease liabilities and the equity reserve recognized from the acquisition of LLC.

25. Other Matters

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. The community quarantine has been extended several times under varying levels of restriction up to date. 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.

Considering the evolving nature of this pandemic, the Group will continue to monitor the situation.

The Group reported net operating revenues of ₱10.8 million for 2020, an 83% decrease from ₱61.7 million for 2019. In 2021, the Group's revenues further declined to ₱1.7 million. The decrease in revenues was primarily due to the temporary closure of the Donatela Resort caused by the COVID-19 pandemic. The Group will continue to monitor the situation.

26. Event after Reporting Date

As discussed in Note 1, on May 6, 2022, PH Travel signed a term sheet with Bloom. The term sheet covers the proposed investment of Bloom into Lapu-Lapu Leisure, Inc. and Clark Grand Leisure Corp. The term sheet is subject to several conditions to closing. Certain terms and conditions of the transaction, including the method payment and timing of closing, are still to be finalized.

As discussed in Note 10, in January 2022, UCPB has confirmed that the bank's Executive Committee approved the deferment of the testing date for the debt-to-equity ratio on the Group's long-term loan with UCPB from December 31, 2021 to December 31, 2022. In February 2022, the Group has requested further deferral of principal and interest payments on its long-term loan with UCPB. Also in 2022, the Group requested for further extension of principal and interest payments on its short-term loan with CBC to July 2022. As of May 11, 2022, these requests are pending approval by the banks.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated May 11, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma
Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

May 11, 2022

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working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 11, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

May 11, 2022

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule A. Financial Assets
(In Philippine peso)

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Cash and cash equivalents:				
China Banking Corporation	N/A	26,008,130	26,008,130	38,349
Chinatrust Philippines Commercial Bank Corp	N/A	890,627	890,627	1,518
United Coconut Planters Bank	N/A	864,881	864,881	3,763
Rizal Commercial Banking Corporation	N/A	98,988	98,988	314
BDO Unibank Inc.	N/A	25,011,712	25,011,712	130,009
Bank of the Philippine Islands	N/A	111,306	111,306	-
Asia United Bank	N/A	-	-	-
Cash on hand	N/A	75,743	75,743	-
		53,061,387	53,061,387	173,953
				-
Accounts receivable, net:				
Various customers	N/A	802,762	802,762	-
Interest receivable				
China Banking Corporation	N/A	-	-	-
Philippine National Bank	N/A	-	-	-
		-	-	-
Advances to officers and employees				
Various employees	N/A	353,256	353,256	-
Other receivables				
Various	N/A	142,291	142,291	-
Restricted fund				
China Banking Corporation	N/A	-	-	
Security deposits				
Various entities	N/A	55,642,995	55,642,995	-
Cash in escrow				
China Banking Corporation	N/A	256,803,298	256,803,298	851,938
Philippine National Bank	N/A	429,349	429,349	11,039
		257,232,647	257,232,647	862,977
Amount due from affiliates				
Various affiliates	N/A	2,039,741	2,039,741	-
Amount due from a related party for sale of a subsidiary				
Udenna Management & Resources Corp.	N/A	10,000,000	10,000,000	-
		379,275,079	**379,275,079**	**1,036,930**

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
(In Philippine peso)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non Current	Balance at End of Period
			Amount Collected	Amount Reclassified	Amount Written-Off			
Amount due from affiliates under common control								
Various affiliates	2,039,341	400	-	-	-	2,039,741		2,039,741
Amount due from a related party for sale of a subsidiary								
Udenna Management & Resources Corp.	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Advances to officers and employees*	243,803	1,159,477	(1,050,024)	-	-	353,256	-	353,256
	12,283,144	**1,159,877**	**(1,050,024)**	**-**	**-**	**12,392,997**	**-**	**12,392,997**

**This consists of various small amount of receivable per employee.*

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PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
(In Philippine peso)

Receivable of PH Resorts Group Holdings, Inc. from subsidiaries

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Travel and Leisure Holdings Corp.	48,185,809	176,482	-	-	48,362,291	-	48,362,291
Donatela Hotel Panglao Corp.	61,180,928	132,985,471	(5,316,853)	-	188,849,546	-	188,849,546
Davao PH Resort Corp.	25,722,833	326,286	-	-	26,049,119	-	26,049,119
Clark Grand Leisure Corp.	2,280,953	6,962,511	(56,000)	-	9,187,464	-	9,187,464
Donatela Resorts and Development Corp.	267,604	132,564	-	-	400,168	-	400,168
CD Treasures Holdings Corp.	247,678	133,939	-	-	381,617	-	381,617
Lapulapu Leisure Inc.	-	200	-	-	200	-	200
	137,885,805	**140,717,453**	**(5,372,853)**	**-**	**273,230,405**	**-**	**273,230,405**

Receivable of PH Travel and Leisure Holdings Corp. from subsidiaries

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Resorts Group Holdings, Inc.	-	297,618	-	-	297,618	-	297,618
Donatela Hotel Panglao Corp.	142,799,111	-	-	-	142,799,111	-	142,799,111
Davao PH Resort Corp.	41,289,072	-	-	-	41,289,072	-	41,289,072
	184,088,183	**297,618**	**-**	**-**	**184,385,801**	**-**	**184,385,801**

Receivable of Lapulapu Leisure Inc. from various related parties

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Travel and Leisure Holdings Corp.	142,820,697	-	-	-	142,820,697	-	142,820,697
PH Resorts Group Holdings, Inc.	277,506,244	190,252,875	(12,403,376)	-	455,355,743	-	455,355,743
Udenna Corporation	70,488	-	-	-	70,488	-	70,488
Donatela Hotel Panglao Corp.	-	36,404	(35,450)	-	954	-	954
Clark Grand Leisure Corp.	-	5,265	(4,465)	-	800	-	800
	420,397,429	**190,294,544**	**(12,443,291)**	**-**	**598,248,682**	**-**	**598,248,682**

Receivable of Donatela Resorts and Development Corp. from PH Travel and Leisure Holdings Corp.

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Travel and Leisure Holdings Corp.	28,489,986	-		-	28,489,986	-	28,489,986
	28,489,986	**-**	**-**	**-**	**28,489,986**	**-**	**28,489,986**

Receivable of CD Treasures Holdings Corp. from related parties

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Travel and Leisure Holdings Corp.	24,721,976	-	-	-	24,721,976	-	24,721,976
Lapulapu Leisure Inc.	972,201	-	-	-	972,201	-	972,201
	25,694,177	**-**	**-**	**-**	**25,694,177**	**-**	**25,694,177**

Receivable of Davao PH Resort Corp. from Clark Grand Leisure Corp.

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
Clark Grand Leisure Corp.	1,423	-	-	-	1,423	-	1,423
	1,423	**-**	**-**	**-**	**1,423**	**-**	**1,423**

Receivable of Clark Grand Leisure Corp. from PH Travel and Leisure Holdings Corp.

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Balance at End of Period
PH Travel and Leisure Holdings Corp.	252,837,044	-	-	-	252,837,044	-	252,837,044
	252,837,044	**-**	**-**	**-**	**252,837,044**	**-**	**252,837,044**

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule D. Intangible Assets - Other Assets
(In Philippine peso)

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Computer Software	₱ 10,922,413	₱ 233,281	₱ (2,190,984)	₱ -	₱ (219,849)	₱ 8,744,861
	₱ 10,922,413	**₱ 233,281**	**₱ (2,190,984)**	**₱ -**	**₱ (219,849)**	**₱ 8,744,861**

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule E. Long-Term Debt
(In Philippine peso)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet (a)	Amount shown under Caption "Long-Term Debt" in related Balance Sheet (a)
8.00% Short-term loan due 2021	₱ 5,200,000,000	5,190,383,562	-
6.7545% Long-term loan due 2028	975,000,000	968,219,251	
5.00% Short-term loan due 2021	765,000,000	763,590,166	-
8.50% Mortgage loan with monthly installments	960,000	10,313	-
	₱ 6,940,960,000	**₱ 6,922,203,292**	**₱ -**

(a) Balance represents principal amount net against unamortized debt finance costs
See note 11 on consolidated financial statements for details of interest rates, amounts and maturity dates and other related information.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
(In Philippine peso)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Emerald Development Holdings Limited	₱ 2,335,514,021	₱ 2,480,584,895
	₱ 2,335,514,021	₱ 2,480,584,895

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule G. Guarantees of Securities of Other Issuers
(In Philippine peso)

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
	N/A			
		₱ -	₱ -	

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule H. Capital Stock
(In Philippine peso)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Ordinary shares	8,000,000,000	7,282,017,027	-	2,256,214,892	3,394,333,637	1,631,468,498

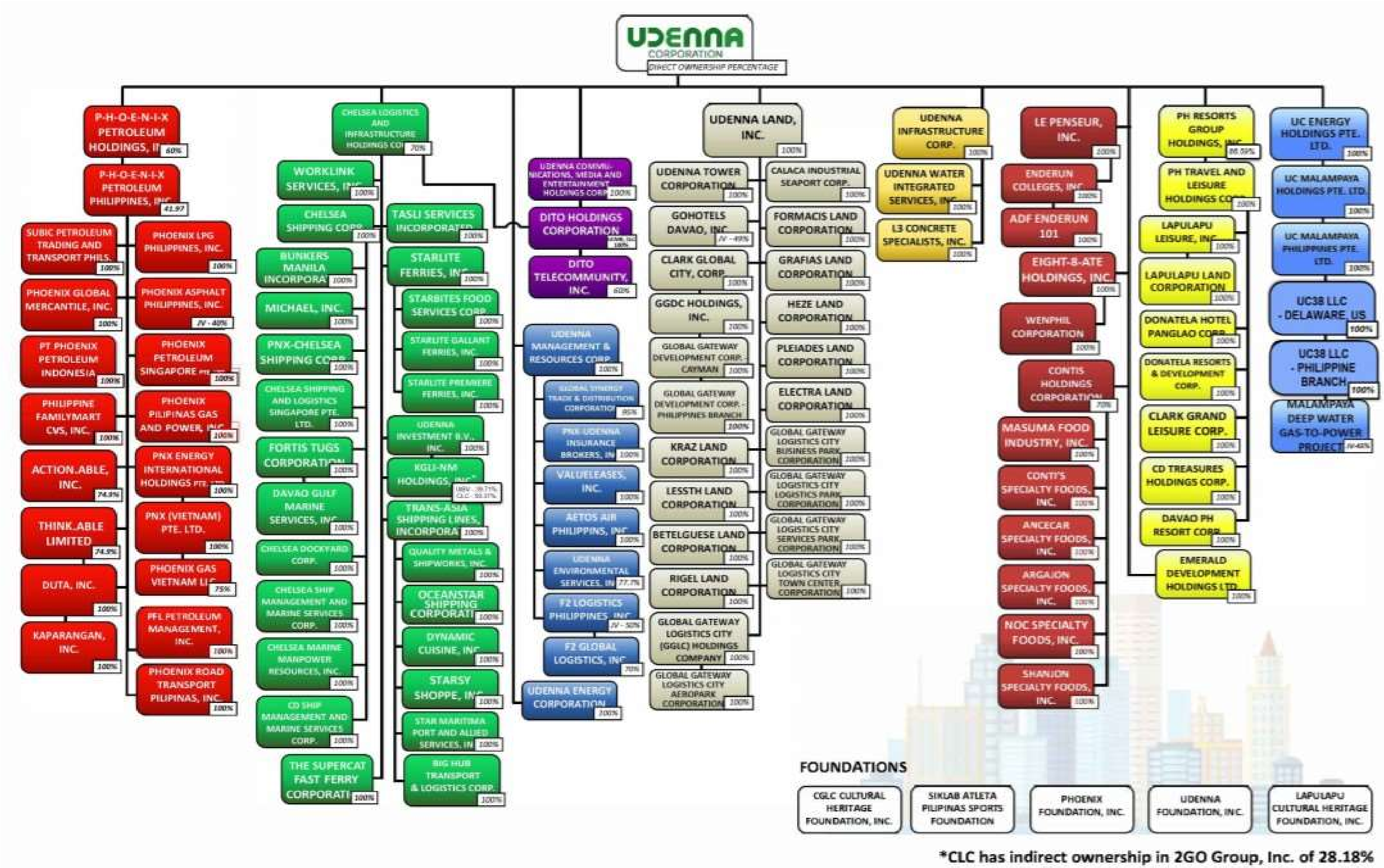
PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
As of December 31, 2021
Schedule Schedule for Listed Companies with a Recent Offering of Securities to the Public
(In Philippine peso)

N/A

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2021
(In Philippine peso)

Unappropriated retained earnings available for dividend declaration, beginning	(184,493,465)
Net loss during the year closed to retained earnings	(152,967,953)
Unappropriated retained earnings available for dividend declaration, end	(337,461,418)

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
3. Map of Relationships of the Companies within the Group
As of December 31, 2021



PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
Financial Soundness Indicators
For the Years Ended December 31, 2021 and 2020

		December 31, 2021	December 31, 2020
PROFITABILITY RATIOS			
Basic loss per share	Net income over weighted average number of common shares outstanding	(0.0634)	(0.0686)
Return on Total Assets	Net income (loss) over total assets	-2.55%	-2.06%
Return on Equity	Annual net income/loss over shareholder's equity	-7.80%	-6.80%
FINANCIAL LEVERAGE RATIOS			
Liabilities-to-asset ratio	Total liabilities over total assets	0.6810	0.6968
Debt-to-capitalization ratio	Total debt over total capitalization	0.5062	0.5180
Liabilities-to-equity ratio	Total liabilities over shareholder's equity	2.1347	2.2979
Asset-to-equity ratio	Total assets over shareholder's equity	3.1347	3.2979
MARKET VALUATION RATIO			
Price-to-book ratio	Market value/share over book value/share	1.0142	3.8684
LIQUIDITY RATIO			
Current ratio	Current assets over current liabilities	0.0125	0.0800
INTEREST RATE COVERAGE RATIO			
Interest coverage ratio	Earnings before interest and taxes over interest expense	(3.5175)	(0.9629)