SECURITIES AND EXCHANGE COMMISSION
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Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

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Company Information

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Company Type: Stock Corporation

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COVER SHEET

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COMPANY NAME

PH RESORTS GROUP HOLDINGS, INC. (FORMERLY PHILIPPINE H2O VENTURES CORP.)

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
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@phresorts.com	(632) 8838-1985	(63) 991 205 2343

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.*

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

The Stockholders and the Board of Directors
PH Resorts Group Holdings, Inc.
20th Floor, Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City
Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the parent company financial statements of PH Resorts Group Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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 parent company financial statements which indicates that for the years ended December 31, 2022 and 2021, the Company incurred net loss of ₱801.9 million and ₱153.0 million, respectively, resulting to a deficit of ₱1,139.3 million and ₱337.5 million as of December 31, 2022 and 2021, respectively. The Company's current liabilities exceeded its current assets by ₱1,973.0 million and ₱257.4 million as at December 31, 2022 and 2021, respectively, and the Company has negative operating cash flows of ₱67.3 million and ₱28.3 million in 2022 and 2021, 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In preparing the parent company 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PH Resorts Group Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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. 9564677, January 3, 2023, Makati City

May 2, 2023

PH RESORTS GROUP HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash in banks (Note 5)	**₱541,081**	₱1,422,953
Advances to related parties (Note 6)	**391,648,025**	273,256,605
Other current assets	**31,013**	350,475
Total Current Assets	**392,220,119**	275,030,033
Noncurrent Assets		
Investments in subsidiaries (Note 7)	**4,550,000,000**	4,550,000,000
Deposit for future stock acquisition (Note 6)	**5,776,333,721**	6,776,333,721
Right-of-use asset (Note 9)	**14,577,640**	24,410,423
Property and equipment - net (Note 8)	**11,231,962**	19,961,750
Other noncurrent assets	**9,562,524**	9,319,356
Total Noncurrent Assets	**10,361,705,847**	11,380,025,250
TOTAL ASSETS	**₱10,753,925,966**	₱11,655,055,283
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related parties (Note 6)	**₱2,147,659,454**	₱456,447,288
Accounts payable and other current liabilities (Note 10)	**89,087,625**	65,310,321
Current portion of lease liability (Note 9)	**12,206,350**	10,669,963
Interest payable (Note 6)	**116,308,610**	–
Total Current Liabilities	**2,365,262,039**	532,427,572
Noncurrent Liabilities		
Advances from related parties (Note 6)	–	2,214,497,895
Lease liability - net of current portion (Notes 6 and 9)	**6,618,396**	19,300,082
Deferred tax liability (Note 13)	–	1,369,666
Advances for future stock subscription (Notes 6 and 11)	–	47,500,000
Interest payable (Note 6)	–	265,954,254
Total Noncurrent Liabilities	**6,618,396**	2,548,621,897
Total Liabilities	**2,371,880,435**	3,081,049,469
Equity		
Capital stock (Notes 1 and 12)	**7,282,017,027**	7,282,017,027
Additional paid-in capital (Note 12)	**1,629,450,205**	1,629,450,205
Deposit for future stock subscription (Notes 6 and 11)	**609,920,000**	–
Deficit (Note 12)	**(1,139,341,701)**	(337,461,418)
Total Equity	**8,382,045,531**	8,574,005,814
TOTAL LIABILITIES AND EQUITY	**₱10,753,925,966**	₱11,655,055,283

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
OPERATING EXPENSES		
Depreciation and amortization (Notes 6, 8 and 9)	**₱19,612,093**	₱17,266,586
Professional fees	**6,691,168**	20,842,803
Rentals	**2,032,909**	3,659,712
Listing and filing fees	**636,303**	5,940,263
Utilities	**417,517**	263,268
Taxes and licenses	**212,478**	495,724
Repairs and maintenance	**147,449**	424,118
Others	**357,289**	872,318
	30,107,206	49,764,792
OTHER INCOME (EXPENSES)		
Foreign exchange loss - net	**(192,230,059)**	(148,692,573)
Interest expense (Notes 6 and 9)	**(580,899,994)**	(2,844,561)
Bank charges	**(13,460)**	(10,350)
Interest income (Note 5)	**962**	3,500
Other income	**–**	3,459,778
	(773,142,551)	(148,084,206)
LOSS BEFORE INCOME TAX	**(803,249,757)**	(197,848,998)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 13)		
Current	**192**	660
Deferred	**(1,369,666)**	(44,881,705)
	(1,369,474)	(44,881,045)
NET LOSS	**(801,880,283)**	(152,967,953)
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**(₱801,880,283)**	(₱152,967,953)
LOSS PER SHARE (Note 16)	**(₱0.1101)**	(₱0.0217)

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Notes 1, 7 and 12)	Additional Paid-in Capital (Notes 1, 7 and 12)	Deposit for Future Stock Subscription (Notes 6 and 11)	Retained Earnings (Deficit) (Note 12)	Total
Balance as at January 1, 2022	**₱7,282,017,027**	**₱1,629,450,205**	**₱–**	**(₱337,461,418)**	**₱8,574,005,814**
Deposit received (Note 12)	**–**	**–**	**609,920,000**	**–**	**609,920,000**
Total comprehensive loss	**–**	**–**	**–**	**(801,880,283)**	**(801,880,283)**
Balance at December 31, 2022	**₱7,282,017,027**	**₱1,629,450,205**	**₱609,920,000**	**(₱1,139,341,701)**	**₱8,382,045,531**
Balance as at January 1, 2021	₱6,929,576,027	₱1,407,028,663	₱–	(₱184,493,465)	₱8,152,111,225
Issued capital stock (Note 12)	352,441,000	222,421,542	–	–	574,862,542
Total comprehensive loss	–	–	–	(152,967,953)	(152,967,953)
Balance at December 31, 2021	₱7,282,017,027	₱1,629,450,205	₱–	(₱337,461,418)	₱8,574,005,814

See accompanying Notes to Parent Company Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱803,249,757)**	(₱197,848,998)
Adjustments for:		
Unrealized foreign exchange loss	**124,397,275**	148,692,573
Depreciation and amortization (Notes 6, 8, and 9)	**19,612,093**	17,266,586
Interest expense (Notes 6 and 9)	**580,899,994**	2,844,561
Net gain on loan modification (Note 6)	**–**	(3,459,778)
Interest income (Note 5)	**(962)**	(3,500)
Loss before working capital changes	**(78,341,357)**	(32,508,556)
Decrease (increase) in other current assets	**319,462**	(218,185)
Increase in accounts payable and other current liabilities	**10,755,074**	4,440,704
Net cash used in operations	**(67,266,821)**	(28,286,037)
Income taxes paid (Note 13)	**(192)**	(660)
Net cash used in operating activities	**(67,267,013)**	(28,286,697)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deposit for future stock acquisition (Note 6)	**–**	(626,975,128)
Increase in other noncurrent assets	**(1,262,494)**	–
Increase decrease in advances to related parties (Note 6)	**(118,391,420)**	(135,477,745)
Return of deposit for future stock acquisition (Note 6)	**1,000,000,000**	–
Interest received (Note 5)	**962**	3,500
Net cash used in investing activities	**880,346,086**	(762,449,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 12)	**–**	599,149,700
Increase in advances for future stock subscription (Note 12)	**–**	47,500,000
Proceeds from deposit for future stock subscription (Note 12)	**562,420,000**	–
Payment of intercompany loan and related charges	**(1,494,587,216)**	–
Advances from related parties (Notes 6 and 17)	**118,202,829**	166,170,728
Share issuance costs (Note 12)	**–**	(24,287,159)
Net cash generated from financing activities	**(813,964,387)**	788,533,270
NET DECREASE IN CASH	**(884,352)**	(2,202,800)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**2,480**	1,553
CASH IN BANKS AT BEGINNING OF YEAR	**1,422,953**	3,624,200
CASH IN BANKS AT END OF YEAR (Note 5)	**₱541,081**	₱1,422,953

See accompanying Notes to Parent Company Financial Statements.

1. **General Information**

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

The parent company financial statements as of December 31, 2022 and 2021 and for the years then ended were authorized for issue by the Board of Directors (BOD) on May 2, 2023.

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 (ultimate parent company).

Status of Operations
For the years ended December 31, 2022 and 2021, the Company incurred net loss of ₱801.9 million and ₱153.0 million, respectively, resulting to a deficit of ₱1,139.3 million and ₱337.5 million as of December 31, 2022 and 2021, respectively. The Company's current liabilities exceeded its current assets by ₱1,973.0 million and ₱257.3 million as at December 31, 2022 and 2021, respectively, and the Company has negative operating cash flows of ₱67.3 million and ₱28.3 million in 2022 and 2021, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

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 PH Resorts' 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. PH Resorts received ₱599.1 million in gross proceeds from this transaction. The proceeds were 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, and was in addition to a Follow-on Equity Offering (FOO) of ₱756 million in gross proceeds in November 2020.

On May 6, 2022, PH Travel signed a term sheet with Bloomberry Resorts Corporation (Bloom). The term sheet covered the proposed investment of Bloom into Lapu-Lapu Leisure, Inc. and Clark Grand Leisure Corp. The term sheet included several conditions to closing such as: (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. PH Travel received a ₱1.0 billion deposit from Bloom presented as "Deposits payable" in its statement of financial position as at December 31, 2022. On March 22, 2023, the Group received a letter from Bloom terminating the term sheet dated May 6, 2022. With this development, the Group reentered into discussions with other parties that were previously put on hold due to the contemplated investment by Bloom.

The Company and its subsidiaries (collectively, the "Group") have the following plans and action steps taken to support its liquidity requirements:

- The Group has ongoing discussions with Land Bank of the Philippines (Landbank) to further extend the principal and interest payments. Currently, these are due to be paid equally over the remaining life of the loan starting March 3, 2024 until the loan's maturity on September 1, 2028.
- The Group has ongoing negotiations on a transaction that would address LLI and LLC's current and outstanding obligations with China Banking Corporation (CBC). This is with the expectation that the loans and accrued interest as of December 31, 2022 will be considered partially repaid and any balance to be extended beyond December 31, 2023.
- The Group has negotiated to extend the maturity of an advance from a related party from April 30, 2023 to June 30, 2024.
- The Group has ongoing strategic investor discussions with numerous parties. Due diligence is ongoing and in various stages of completion.
- The Group has received a letter of financial support from its ultimate parent company stating that it shall extend its full and continuing support for PH Resorts with regard to the abovementioned ₱1.0 billion deposit from BRC until such time that they are in the position to repay these amounts without impairing their liquidity position.
- The Group's ultimate parent has continued to cover operating expenses and maintenance of the Group's properties and has demonstrated that it has the ability and willingness to support the Group in its financial obligations.

Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects. As such, the accompanying consolidated financial statements have been prepared on going concern basis of accounting.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements have been prepared under the historical cost basis and are presented in Philippine peso, its functional currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.

The accompanying parent company financial statements are the Company's separate financial statements prepared in compliance with PAS 27, *Separate Financial Statements*. These financial statements are prepared for submission to the Philippine SEC and Bureau of Internal Revenue (BIR). The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in accordance with PFRS. These are filed with and may be obtained from the Philippine SEC or the Company's registered business address.

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, 2022. The adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual *Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a First-time Adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for Derecognition of Financial Liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*
    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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, 2023
- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*
- Amendments to PAS 12, *Income Taxes*, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Presentation of Financial Statements Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Leases, Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve 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 twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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 Company.

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 Company 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 parent company 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 parent company financial statements at fair value on a recurring basis, the Company 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 Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost
- Financial assets measured at FVTPL
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company 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 Company 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 (SPPI) on the principal amount outstanding.

Business Model
The Company'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 Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company 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 Company'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 (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are 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 parent company statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for credit and impairment losses" in the parent company statement of comprehensive income.

  The Company has financial assets at amortized cost consisting of cash in banks and advances to related parties.

- *Financial Assets at FVOCI*

  A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in OCI within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in 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 Company 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. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company 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 Company’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 Company; and,
  - the amount of the dividend can be measured reliably.

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

- *Financial Assets at FVTPL*

  Financial assets at FVTPL are measured at FVTPL 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 parent company statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of comprehensive income.

  Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company 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 Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPTL, and the gains or losses from disposal of financial investments.

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

Impairment

The Company recognizes 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; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Determination of the stage for impairment
At each reporting date, the Company 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 Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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

The Company 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 Company 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 part of a group of financial assets) is derecognized when, and only when:

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

When the Company 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 Company treats the transaction as a transfer of a financial asset if the Company:

- 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 Company 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 Company’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 Company 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 Company 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 parent company 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 Company 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 Company's financial liabilities at amortized cost consist of accounts payable and other current liabilities, advances from related parties and lease liability.

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 Company'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 Company 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 parent company statement of comprehensive income.

Reclassifications of Financial Instruments
The Company 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 Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company 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 in Banks
Cash includes cash in bank and earns interest at prevailing bank deposit rates. Cash equivalents are short-term 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.

Related Party Transactions
Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

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 Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and (d) the Company's funded retirement plan.

Other Current Assets
Other current assets include advances to suppliers, input value-added tax, and creditable withholding taxes. Other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

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 parent company statement of financial position.

Investments in Subsidiaries
A subsidiary is an entity which the Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls the investee when it is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if, and only if, the investee has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

Investments in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognizes dividend income from the investment only to the extent that the Company receives distributions, or right to receive the dividend has been established, from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction from the cost of investment.

The carrying value of investments in subsidiaries is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The indicators of impairment include: (a) dividends declared by the subsidiary exceeds its total comprehensive income, (b) market value of the shares of stock of the subsidiary exceeds the carrying amount of the investment, and (c) the carrying amount of the investment exceeds the Company's share in the net assets of the investee company. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the parent company statement of comprehensive income in the year the investment is derecognized.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment.

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

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

Leasehold improvements	1years or lease term, whichever period is shorter
Office furniture and fixtures	2-10 years

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

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

Right-of-use Assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company 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 its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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.

Deposit for Future Stock Acquisition
Deposit for future stock subscription represents payments made on subscription of shares which cannot be directly debited to 'Investment in subsidiaries' due to pending registration with the Securities and Exchange Commission (SEC) for the proposed increase in authorized capital stock.

Deposits for Future Stock Subscription
The deposits for future stock subscription account represents funds received by the Company 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 parent company's statement of changes in equity and as a separate item in the equity section of 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 of the 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. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

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). Retained earnings (deficit) represents the accumulated profits and losses, net of any dividend declaration and other adjustments, such as incremental costs directly attributable to the issuance of new shares incurred in excess of additional paid-in capital.

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

Leases

a. *Company as lessor*

Operating lease. Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance lease. A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its parent company statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

b. *Company as lessee*

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company 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 amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is 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 Company 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.

Income Tax
Current Income Tax. Current income tax assets and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation 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 Income Tax. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences but only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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

Deferred income tax assets and deferred income 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 income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off 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.

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.

Segment Reporting
PH Resorts Holdings, Inc. and its subsidiaries (collectively referred to as the “Group”) 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 18 to the parent company financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 expected future cash flows at a pre-tax 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 provisions due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefit is probable.

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

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements. The judgments, estimates and assumptions used in the parent company 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 comparable financial statements. While the Company believes that the assumptions are reasonable and appropriate, differences in the actual experience or changes in the assumptions may materially affect the estimated amounts. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgement
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Assessment of going concern. As discussed in Note 1, for the years ended December 31, 2022 and 2021, the Company incurred net loss of ₱801.9 million and ₱153.0 million, respectively, resulting to a deficit of ₱1,139.3 million and ₱337.5 million as of December 31, 2022 and 2021, respectively. The Company's current liabilities exceeded its current assets by ₱1,973.0 million and ₱257.3 million as at December 31, 2022 and 2021, respectively, and the Company has negative operating cash flows of ₱67.3 million and ₱28.3 million in 2022 and 2021, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company and its subsidiaries (collectively, the "Group") have the following plans and action steps taken to support its liquidity requirements:

- The Group has ongoing discussions with Land Bank of the Philippines (Landbank) to further extend the principal and interest payments. Currently, these are due to be paid equally over the remaining life of the loan starting March 3, 2024 until the loan's maturity on September 1, 2028.
- The Group has ongoing negotiations on a transaction that would address LLI and LLC's current and outstanding obligations with China Banking Corporation (CBC). This is with the expectation that the loans and accrued interest as of December 31, 2022 will be considered partially repaid and any balance to be extended beyond December 31, 2023.

- The Group has negotiated to extend the maturity of an advance from a related party from April 30, 2023 to June 30, 2024.
- The Group has ongoing strategic investor discussions with numerous parties. Due diligence is ongoing and in various stages of completion.
- The Group has received a letter of financial support from its ultimate parent company stating that it shall extend its full and continuing support for PH Resorts with regard to the abovementioned ₱1.0 billion deposit from BRC until such time that they are in the position to repay these amounts without impairing their liquidity position.
- The Group's ultimate parent has continued to cover operating expenses and maintenance of the Group's properties and has demonstrated that it has the ability and willingness to support the Group in its financial obligations.

Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations and the completion of its projects. As such, the accompanying consolidated financial statements have been prepared on going concern basis of accounting.

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Company has only one contract for the lease of an office space with a term of 5 years, renewable for another 5 years, subject to mutual agreement of both parties. The Company 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 Company 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. The Company did not consider the renewal period in determining the lease term.

As of December 31, 2022 and 2021, the Company's right-of-use assets and lease liabilities amounted to ₱14.6 million and ₱24.4 million, respectively, and ₱18.8 million and ₱30.0 million, respectively. For the years ended December 31, 2022 and 2021, the Group recognized amortization of right-of use assets and interest expense on lease liabilities amounting to ₱9.8 million and ₱10.0 million, respectively, and ₱1.8 million and ₱3.0 million, respectively (see Note 9).

<u>Estimates and Assumptions</u>
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:

Leases - Estimating the incremental borrowing rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company '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 Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liability amounted to ₱18.8 million and ₱30.0 million as of December 31, 2022 and 2021, respectively (see Note 9).

Estimation of probable losses on input VAT. The Company estimates the level of provision for probable losses on input VAT based on the probability that the input VAT may be used in the future, taking into consideration the prescription period within which the Company can apply for a tax refund or tax credit. The carrying value of the input VAT (included under "Other noncurrent assets") amounting to ₱1.3 million as at December 31, 2022 and 2021 is assessed by management to be recoverable as the Company is expected to have an active participation in its subsidiaries' management.

5. Cash in Banks

As of December 31, 2022 and 2021, the Company's cash in banks amounted to ₱0.5 million and ₱1.4 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash in banks amounted to ₱962 in 2022 and ₱3, 500 in 2021.

6. Related Party Transactions

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

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

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

Outstanding balances at year-end are unsecured and 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 on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Company 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%. For the years ended December 31, 2022 and 2021, the Company has not recorded any impairment of receivables on amounts owed by the related parties.

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

Relationship	Name
Parent Company	Udenna Corporation
Subsidiaries	PH Travel and Leisure Holdings Corp.
	Lapulapu Leisure Inc. (L3)
	Donatela Hotel Panglao Corp.
	Donatela Resorts and Development Corp.
	Clark Grand Leisure Corp.
	Davao PH Resort Corp.
	CD Treasures Holdings Corp.

Relationship	Name
	CGLC Cultural Heritage Foundation, Inc.
	Lapulapu Cultural Heritage Foundation, Inc.
Affiliates under Common Control	Emerald Development Holdings Limited (Emerald)
Former Parent Company	JHC
Former Subsidiaries	CWWC
	Metro Agoo Waterworks Inc. (MAWI)

The parent company statements of financial position include the following amounts with respect to the balances with related parties:

	Amount/Volume of Transaction		Outstanding Receivable (Payable)		
	2022	2021	**2022**	2021	Terms & Conditions
Parent Company					
Cash advances from a related party (a)	**₱112,289,871**	₱–	**(₱113,083,798)**	(₱793,927)	Unsecured; Noninterest-bearing; due and demandable
Subsidiaries					
Cash advances to related parties (b)	**118,212,192**	158,849,323	**391,468,797**	273,256,605	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from related parties (c)	**(297,618)**	183,888,566	**(455,355,743)**	(455,653,361)	Unsecured; Noninterest-bearing; not impaired; due and demandable
Entities under Common Control					
Cash advances to related party (b)	**179,228**	–	**179,228**	–	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from a related party (d)	**–**	–	**(1,579,219,913)**	(2,214,497,895)	Unsecured; Interest-bearing; due in 2024
Interest payables on long-term advances (d)	–	–	**(116,308,610)**	(265,954,254)	Unsecured; interest bearing; with terms
Leases (e) (iv)	**12,575,209**	23,958,557	**(18,824,746)**	(29,970,045)	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock acquisition (f) (i) Payments for future stock acquisition	**–**	626,975,128	**5,776,333,721**	6,776,333,721	Unsecured; Noninterest-bearing; due and demandable
Advances for future stock subscription (g) (ii) Advances received for future stock subscription	–	47,500,000	–	(47,500,000)	Non-refundable
Deposits for future stock subscription (g) (iii) Deposit received for future stock subscription	**562,420,000**	–	**(609,920,000)**	–	Non-refundable

i. Presented under "Deposit for future stock acquisition" under the Noncurrent Assets section of the parent company statements of financialposition.
ii. Presented under "Advances for future stock subscription" under Noncurrent Liabilities of the parent company statements of financial position.as of December 31, 2021.
iii. Presented under "Deposit for future stock subscription" under Equity section of the parent company statements of financial position.as of December 31, 2022.
iv. Presented as "Lease liability" under the Liabilities section of the parent company statements of financial position.

a. Advances from parent company

The Company obtained advances from its related parties for working capital and investing purposes.

b. Advances to related parties

The Company granted advances to its related parties for working capital and financing purposes.

c. Advances from related parties

The Company obtained advances from its related parties for working capital and investing purposes.

d. Interest-bearing advances from related parties

On October 17, 2019, PH Resorts obtained an advance of US$42.5 million from EDHL, 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.

On December 28, 2020, the Company and EDHL agreed to extend the payment of the advance to April 30, 2022 and was further extended to April 30, 2023. Further extension up to June 2024 has been executed in April 2023. Interest charges arising from the advance amounted to $6.7 million in 2022 and $8.5 million in 2021 and 2020. In accordance with PFRS and after the term extension in 2021, the Company recalculated the present value of the advance which decreased by $8.5 million in 2021. This adjustment was applied against borrowing cost in 2021.

In May 2022, the Group made a ₱1 billion partial repayment of the EDHL intercompany advance applied to both principal and accrued interest. In July 2022, the Group made an additional ₱562.4 million (US$10.0 million) partial repayment of the EDHL intercompany advance. After the partial prepayments in 2022, the Company recognized loss on early settlement which effectively is an early recognition of interest expense related to prepayments amounting to ₱216.7 million.

These adjustments were applied as part of the borrowing cost in 2022 and 2021, respectively. As of December 31, 2022, and 2021, the EDHL advance amounted to ₱1.51 billion and ₱2.21 billion, respectively. Accrued interest on this advance amounted to ₱116.3 million and ₱266.0 million as of December 31, 2022 and 2021, respectively, which is presented as “Interest payable” in the consolidated statements of financial position.

Interest expense incurred on these cash advances after the adjustments on prepayments amounted to ₱579.1 million in 2022 and nil in 2021, respectively.

e. Leases

On July 10, 2019, the Company entered into a lease agreement with an affiliate for the lease of office space and parking slots. 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. The Company shall pay a monthly aggregate of ₱1,400 per square meter per month and ₱6,000 per parking slot per month with a yearly escalation rate of five percent (5%).

The estimated annual minimum rentals under this lease agreement as of December 31, 2022 are shown below:

Period	Amount
Within one year	₱13,203,969
More than 1 year to 2 years	6,763,009
More than 2 years to 3 years	–
	₱19,966,978

As of December 31, 2022 and 2021, lease liabilities amounted to ₱18.8 million and ₱30.0 million, respectively. Amortization expense of right-of-use assets amounted to ₱9.8 million in 2022 and ₱10.0 million in 2021. Interest expense on lease liabilities amounted to ₱1.8 million in 2022 and ₱3.0 million in 2021 (see Note 9).

f. Deposit for future stock acquisition

The Company paid PH Travel for deposit for future acquisition of stock. In 2022, PH Travel returned the ₱1.0 billion deposits to the Company (Note 7). As of December 31, 2022 and 2021, deposit for future acquisition of stock amounted to ₱5,776.3 million and ₱6,776.3 million, respectively.

g. Deposit for future stock subscription

In December 2021 and July 2022, the Company received deposits for future stock subscription from Udenna Corporation amounting to ₱47.5 million and ₱562.4 million, respectively.

On December 29, 2022, the Company and Udenna Corporation executed a Memorandum of Agreement for the subscription of 609.92 million common shares with a subscription price of ₱1.00 per share. This is presented as "Deposit for future stock subscription" under Equity in the statement of financial position as of December 31, 2022.

h. Compensation and other benefits of key management personnel
Management of the Company is being handled by L3 at no cost to the Company as of and for the years ended December 31, 2022 and 2021.

7. Investments in Subsidiaries

As at December 31, 2022 and 2021, the Company owned 100% of stockholdings of PH Travel. Details are as follow:

			Effective Percentage of Ownership	
	Nature of Business	Dates of Incorporation	**2022**	2021
PH Travel	Holding company	January 3, 2017	**100**	100
Lapu-Lapu Leisure, Inc.*	Hotels, casino and gaming	January 25, 2017	**100**	100
Clark Grand Leisure Corp.*	Hotels, casino and gaming	April 3, 2018	**100**	100
Donatela Hotel Panglao Corp.*	Hotel and recreation	November 7, 2017	**100**	100
Donatela Resorts and Development Corp.*	Hotel and recreation	March 7, 2018	**100**	100
Davao PH Resort Corp.*	Hotel and recreation	March 8, 2018	**100**	100
CD Treasures Holdings Corp.*	Holding company	February 27, 2018	**100**	100
Davao PH Resort Corp.*	Hotel and recreation	March 8, 2018	**100**	100
LapuLapu Land Corp.**	Real estate	February 14, 2017	**100**	100

**Entities are 100% owned by PH Travel, thus indirect subsidiaries of PH Resorts.*
***Effective October 14, 2019, entity is 100% owned by LapuLapu Leisure Inc., thus indirect subsidiary of PH Resorts*

8. Property and Equipment

The Company's property and equipment consist of the following:

	2022		
	Leasehold Improvements	**Office furniture and Fixtures**	**Total**
Cost			
Balance at beginning and end of year	**₱33,770,038**	**₱52,000**	**₱33,822,038**
Accumulated Depreciation			
Balance at beginning of year	**13,808,289**	**51,999**	**13,860,288**
Depreciation	**8,729,788**	–	**8,729,788**
Balance at end of year	**22,538,077**	**51,999**	**22,590,076**
Net Book Value	**₱11,231,961**	**₱1**	**₱11,231,962**

	2021		
	Leasehold Improvements	Office furniture and Fixtures	Total
Cost			
Balance at beginning and end of year	₱33,770,038	₱52,000	₱33,822,038
Accumulated Depreciation			
Balance at beginning of year	7,562,132	47,665	7,609,797
Depreciation	6,246,157	4,334	6,250,491
Balance at end of year	13,808,289	51,999	13,860,288
Net Book Value	₱19,961,749	₱1	₱19,961,750

The Company has no idle and fully depreciated property and equipment still used in operations as of December 31, 2022 and 2021.

9. Right-of-Use Asset and Lease Liability

The lease liability is initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 10.04%. In 2019, the Company entered into a lease of office space (see Note 6). This was initially measured at present value using the incremental borrowing rate of 10.04% for 5 years.

The rollforward analysis of right-of-use asset is as follows:

	2022	2021
Cost		
Beginning balance	**₱54,757,953**	₱69,748,154
Lease modification adjustment	–	(14,990,201)
Ending balance	**54,757,953**	54,757,953
Accumulated Amortization		
Beginning balance	**30,347,530**	20,343,212
Amortization	**9,832,783**	10,004,318
Ending balance	**40,180,313**	30,347,530
Net Book Value	**₱14,577,640**	₱24,410,423

The rollforward analysis of lease liability is as follows:

	2022	2021
Balance at beginning of year	**₱29,970,045**	₱53,969,045
Interest expense (see Note 7)	**1,846,734**	3,009,486
Lease modification	**–**	(14,990,201)
Lease payables	**(12,992,033)**	(12,018,285)
Balance at end of the year	**18,824,746**	29,970,045
Current portion of lease liabilities	**12,206,350**	10,669,963
Lease liabilities - net of current portion	**₱6,618,396**	₱19,300,082

Gross lease liability and present value of minimum lease payments under the Company's lease agreements as of December 31 are as follows:

	2022	2021
Within one year	**₱13,203,969**	₱12,575,209
More than one year but not more than five years	**6,763,009**	19,966,978
Total gross lease liabilities	**19,966,978**	32,542,187
Less unamortized interest expense	**1,142,232**	2,572,142
Present value of future minimum lease payments	**18,824,746**	29,970,045
Less current portion	**12,206,350**	10,699,963
Noncurrent portion	**₱6,618,396**	₱19,300,082

10. Accounts Payable and Other Current Liabilities

	2022	2021
Nontrade payables	**₱87,667,466**	₱63,961,123
Accrued expenses	**1,072,223**	1,072,221
Statutory payables	**347,936**	276,977
	₱89,087,625	₱65,310,321

Nontrade payables are normally settled within 30 to 60 days. Accrued expenses consist mainly of accrued interest and rentals which are normally settled within 30 to 60 days. Statutory payables are payable within 30 days.

11. Deposit and Advances for Future Stock Subscription

In December 2021 and July 2022, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱47.5 million and ₱562.4 million, respectively.

On December 29, 2022, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of shares for 609.92 million common shares with a subscription price of ₱1.00 per share. This is presented as "Deposit for future stock subscription" under Equity in the consolidated statement of financial position as of December 31, 2022.

12. Capital Stock

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

	2022		2021	
	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	**7,282,017,027**	**₱7,282,017,027**	6,929,576,027	₱6,929,576,027
Issuance during the year	–	–	352,441,000	352,441,000
Issued and outstanding	**7,282,017,027**	**₱7,282,017,027**	7,282,017,027	₱7,282,017,027

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 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 Company received ₱599.1 million in gross proceeds from this transaction. The difference between the subscription price and the par value amounting to ₱222.4 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.

13. Income Taxes

a. The current provision for income tax consists of final tax on interest income.

b. The reconciliation between the benefit from income tax computed at statutory income tax rate and the provision for income tax as shown in the parent company statements of comprehensive income follows:

	2022	2021
Benefit from income tax computed at statutory rate	**(₱200,812,439)**	(₱49,462,250)
Adjustments to income tax resulting from:		
Movement in unrecognized deferred tax assets	**25,449,232**	4,788,238
Nondeductible expenses	**173,993,781**	658,571
Nontaxable income	–	(864,944)
Interest income subjected to final tax	**(48)**	(660)
	(₱1,369,474)	(₱44,881,045)

c. As of December 31, 2021, the Company has unrealized foreign exchange gain for which deferred tax liability of ₱1,369,666 was recognized. The deferred tax liabilities were measured using the appropriate corporate income tax rate in the year these are expected to be reversed or settled.

The Company did not recognize deferred tax assets since management believes that it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized:

	2022	2021
Unrecognized deferred tax assets:		
NOLCO	**₱71,620,031**	₱67,013,582
Net lease liability	**8,338,891**	8,338,891
	₱85,992,490	₱85,992,490

As at December 31, 2022, NOLCO of the Company for which deferred tax asset has not been recognized, can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Expired	Unused
2019	December 31, 2022	₱83,915,465	₱83,915,465	₱–
2020	December 31, 2025	128,884,874	–	128,884,874
2021	December 31, 2026	55,253,989	–	55,253,989
2022	December 31, 2025	102,341,260	–	102,341,260
		₱370,395,588	₱83,915,465	₱286,480,123

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 and 2021 can be carried over and claimed as deduction from the regular taxable income (RCIT) for the next five (5) consecutive taxable years, while NOLCO incurred for taxable year 2022 and before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"

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; and
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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. 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.

CREATE Act has no impact to the Company's December 31, 2020 parent company financial statements since the Company is in a tax loss position and deferred tax assets are unrecognized. This, however, will result in lower deferred tax liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱7.7 million. This reduction was recognized in the 2021 financial statements.

14. Financial Risks Management Objectives and Policies

The Company's principal financial instruments are cash in banks which finance the Company's operations. The other financial assets and liabilities arising from its operations are advances from and to related parties, accounts payable and accrued expenses and lease liability.

The main risks arising from the Company's financial instruments are credit risk and liquidity 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 Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant.

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

	2022	2021
Cash in banks	**₱541,081**	₱1,422,953
Advances to related parties	**391,648,025**	273,389,351
Total credit risk exposure	**₱392,189,106**	₱274,812,304

The financial assets of the Company are neither past due nor impaired and have high probability of collection.

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

	2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased or credit-impaired**	**Total**
High grade	**₱541,081**	**₱–**	**₱–**	**₱–**	**₱541,081**
Medium grade	**391,648,025**	–	–	–	**391,648,025**
Standard grade	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**392,189,106**	–	–	–	**392,189,106**
Loss allowance	–	–	–	–	–
Carrying amount	**₱392,189,106**	**₱–**	**₱–**	**₱–**	**₱392,189,106**

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Total
High grade	₱1,422,953	₱–	₱–	₱–	₱1,422,953
Medium grade	273,389,351	–	–	–	273,389,351
Standard grade	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	274,812,304	–	–	–	274,812,304
Loss allowance	–	–	–	–	–
Carrying amount	₱274,812,304	₱–	₱–	₱–	₱274,812,304

Financial assets classified as "high grade" are those cash 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.

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

The Company seeks to manage its liquidity profile to be able to finance its investment and pay its outstanding liabilities. To cover its financing requirements, the Company uses advances from affiliated companies. The Company's objectives to manage its liquidity profile are to ensure that adequate funding is available, at all times, to meet commitments as they arise without incurring unnecessary costs, and to be able to access funding when needed at the least possible cost.

Cash in banks, accounts payable and accrued expenses, and advances to and from related parties are all considered due and demandable.

The tables below summarize the maturity profile of the Company's financial liabilities. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2022			
	Due and Demandable	**Less than 1 Year**	**Over 1 Year**	**Total**
Cash in banks	**₱541,081**	**₱–**	**₱–**	**₱541,081**
Advances to related parties	**391,648,025**	**–**	**–**	**391,648,025**
Total	**₱392,189,106**	**–**	**–**	**₱392,189,106**
Accounts payable and accrued expenses*	**–**	**88,739,689**	**–**	**88,739,689**
Lease liability	**–**	**13,203,969**	**6,763,009**	**19,966,978**
Advances from related parties	**2,263,968,064**	**–**	**–**	**2,263,968,064**
	456,447,289	**101,943,658**	**6,763,009**	**2,372,674,731**
Liquidity gap	**(₱181,634,985)**	**(₱101,943,658)**	**(₱6,763,009)**	**(₱1,980,485,625)**

**Excluding nonfinancial liabilities of ₱0.3 million.*

	2021			
	Due and Demandable	Less than 1 Year	Over 1 Year	Total
Cash in banks	₱1,422,953	₱–	₱–	₱1,422,953
Advances to related parties	273,389,351	–	–	273,389,351
Total	₱274,812,304	–	–	₱274,812,304
Accounts payable and accrued expenses*	–	65,033,344	–	65,033,344
Lease liability	–	12,575,209	19,966,978	32,542,187
Advances from related parties	456,447,289	–	2,480,584,895	2,937,032,184
	456,447,289	75,703,307	2,499,884,977	3,032,035,573
Liquidity gap	(₱181,634,985)	(₱75,703,307)	(₱2,499,884,977)	(₱2,757,223,269)

**Excluding nonfinancial liabilities of ₱1.8 million.*

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

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

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

		2022		2021
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$522**	**₱29,107**	$522	₱26,622
Liabilities				
Advances from related parties	**30,412,397**	**1,695,824,414**	48,638,920	2,480,584,920
Total		**(1,695,795,307)**		(2,480,558,298)

As of December 31, 2022 and 2021, the closing exchange rate was ₱55.76 and ₱51.00, respectively, for each US$.

The table in the next page demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company'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, 2022	**Increase by 9.33%**	**(₱152,865,689)**
	Decrease by 9.33%	**152,865,689**
December 31, 2021	Increase by 6.20%	(₱153,794,614)
	Decrease by 6.20%	153,794,614

Capital Management

The primary objective of the Company's capital management is to safeguard the Company'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 Company manages its capital structure and makes adjustments to it in light of funding needs and changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or obtain additional funding from related companies as additional paid-in capital or debt.

15. 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 in banks, accounts payable and accrued expenses, and advances to and from related parties, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

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

Lease Liability. The fair value of the lease liability amounting to ₱18.8 million and ₱31.4 million is determined by discounting the expected cash flows using the prevailing interest for similar instrument of 3.0% in 2022 and 2021.

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

16. Loss Per Share

Basic loss per share amounts are calculated by dividing the net income 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:

	2022	2021
Net loss attributable to the equity holders of the Company	**(₱801,880,283)**	(₱152,967,953)
Divided by weighted average number of common shares	**7,282,017,027**	7,059,930,917
Loss per share	**(₱0.1101)**	(₱0.0217)

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

17. Notes to Statements of Cash Flows

In 2022 and 2021, the Company's noncash financing activity pertains to accrual of interest relating to its advances from Emerald amounting to ₱116.3 million and nil, respectively (see Note 6).

18. **Segment Information**

The Parent Company's identified reportable segments are consistent with the segment information presented in the Company's consolidated financial statements. 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. As at December 31, 2022 and 2021, the Parent Company is primarily engaged as a holding entity to purchase and hold investments in shares of stocks, bonds, debentures, notes, evidences of indebtedness or other securities and obligations.

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the years ended December 31, 2022 and 2021:

	2022			
	Hotels and Restaurant	**Others**	**Reconciliations/ Adjustments**	**Parent Company Balances**
Revenue	**₱1,052,148**	**₱132,685,272**	**(₱133,737,420)**	**₱–**
Results:				
Direct costs and expenses	**(373,771)**	**–**	**373,771**	**–**
Operating expenses	**(6,914,711)**	**(122,572,556)**	**118,992,154**	**(10,495,113)**
Foreign exchange (loss) gain - net	**2,554**	**(239,069,526)**	**46,836,914**	**(192,230,059)**
Depreciation	**(7,653,411)**	**(22,997,753)**	**11,039,071**	**(19,612,093)**
Interest expense	**(60,456,530)**	**(965,107,796)**	**444,664,332**	**(580,899,994)**
Interest income	**477**	**3,722,397**	**(3,721,912)**	**962**
Income tax expense	**572,046**	**(133,122,992)**	**133,920,420**	**1,369,474**
Other non-operating income (expense) - net	**1,845,392**	**534,436,407**	**(536,295,259)**	**(13,460)**
Net loss	**(₱71,925,806)**	**(812,026,547)**	**₱82,072,071**	**(801,880,283)**
Asset and liabilities				
Operating assets	**₱1,594,507,978**	**₱39,096,008,194**	**(₱29,936,590,207)**	**₱10,753,925,965**
Operating liabilities	**₱386,975,365**	**₱14,206,110,790**	**(₱12,221,205,720)**	**₱2,371,880,435**
Loans payable	**970,620,988**	**6,036,325,000**	**(7,006,945,988)**	**–**
Deferred tax liabilities	**81,865,562**	**61,041,244**	**(142,906,806)**	**–**
Total liabilities	**₱1,439,461,915**	**₱20,303,477,034**	**(₱19,371,058,514)**	**₱2,433,396,251**

	2021			
	Hotels and Restaurant	Others	Reconciliations/ Adjustments	Parent Company Balances
Revenue	₱2,447,217	₱132,685,571	(₱135,132,788)	₱–
Results:				
Direct costs and expenses	(8,597,333)	–	8,597,333	–
Operating expenses	(23,669,406)	(226,543,359)	217,714,559	(32,498,206)
Foreign exchange loss - net	–	130,643,039	(279,335,612)	(148,692,573)
Depreciation	(7,774,472)	(27,309,068)	17,816,954	(17,266,586)
Interest expense	(73,693,587)	(446,918,530)	517,767,556	(2,844,561)
Interest income	3,763	10,053,329	(10,053,592)	3,500
Income tax expense	(275,543)	(48,437,771)	93,594,359	44,881,045
Other non-operating expense - net	794,013	29,984,688	(27,329,273)	3,449,428
Net loss	(₱110,765,348)	(₱445,842,101)	₱403,639,496	(₱152,967,953)

	2021			
	Hotels and Restaurant	Others	Reconciliations/ Adjustments	Parent Company Balances
Asset and liabilities				
Operating assets	₱1,529,781,925	₱40,061,996,312	(₱29,936,590,207)	₱11,655,188,030
Operating liabilities	₱501,342,728	₱13,649,726,748	(₱11,118,756,926)	₱3,032,312,550
Loans payable	968,219,251	5,982,457,833	(6,950,677,084)	–
Deferred tax liabilities	66,538,447	700,399,306	(765,568,087)	1,369,666
Total liabilities	₱1,536,100,426	₱20,332,583,887	(₱18,835,002,097)	₱3,033,682,216

19. 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.

These measures have directly impacted the Company's business prospects due to temporary employment adjustments such as flexible work arrangements. The impact of COVID 19 on the Company's and its subsidiaries business and operations continue to evolve. The Company will continue to monitor the situation.

20. Event after Reporting Period

On May 6, 2022, PH Travel signed a term sheet with Bloomberry Resorts Corporation (Bloom). The term sheet covered the proposed investment of Bloom into Lapu-Lapu Leisure, Inc. and Clark Grand Leisure Corp. The term sheet included several conditions to closing such as: (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. PH Travel received a ₱1.0 billion deposit from Bloom presented as "Deposits payable" in its statement of financial position as at December 31, 2022. On March 22, 2023, the Group received a letter from Bloom terminating the term sheet dated May 6, 2022. With this development, the Group reentered into discussions with other parties that were previously put on hold due to the contemplated investment by Bloom.

21. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

In compliance with RR 15-2010 issued by the BIR on November 25, 2010, mandating all taxpayers to include information on taxes, duties and license fees paid or accrued during the taxable year, presented below are the taxes paid and accrued by the Company in 2022:

a. VAT

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

Output VAT
The Company's revenue only pertains to interest income from bank deposits, dividend income and gain on sale of subsidiaries which are not subject to VAT pursuant to Revenue Memorandum Circular No. 4-2003; hence, no output VAT is reported during the period.

Input VAT
The Company has beginning carryover input taxes on domestic purchases of services amounting to ₱1,277,687.

b. Taxes and Licenses

Registration and publication fees	₱84,952
Notarial fees	–
Documentary stamp taxes	–
	₱84,952

c. Withholding Taxes

	Expanded Withholding Taxes
Beginning balance	₱276,977
Additions	766,673
Payments	(695,714)
	₱347,936

d. Deficiency Tax Assessments and Tax Cases

The Company is not involved in any tax assessments and tax cases as at and for the year ended December 31, 2022.

RESORTS GROUP
A Udenna Company

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PH Resorts Group Holdings Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2022** and **December 31, 2021**, 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

02 MAY 2023

Signed this __ day of _____, 2023

PH
RESORTS GROUP
A Udenna Company

SUBSCRIBED AND SWORN to before me this ____ day of 02 MAY 2023 20__. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	
Raymundo Martin M. Escalona	
Lara C. Lorenzana	

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

Doc No. 459 ;
Page No. 92 ;
Book No. V ;
Series of 2023.

ATTY. ALYSSA HANNAH R. NUQUI
Appointment No. 31 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
21F Udenna Tower, Rizal Drive cor. 4th Avenue,
Bonifacio Global City, Taguig City
Roll No. 70319
PTR No. A-5785545/01-06-2023/Taguig City
IBP No. 237445/10-06-2022/Makati City
MCLE Compliance No. ... 4-2025

Notary Public

Michael Tejada <michael.tejada@phresorts.com>

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To: MICHAEL.TEJADA@phresorts.com
Cc: MICHAEL.TEJADA@phresorts.com

Hi PH RESORTS GROUP HOLDINGS, INC.,

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