COVER SHEET

SEC Registration Number

C	S	2	0	0	9	0	1	2	6	9	

COMPANY NAME

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@phresorts.com	(632) 8838-1985	+639912052343

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.*

PH RESORTS GROUP HOLDINGS, INC.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(b)(2) THEREUNDER

1. For the quarterly period ended: **September 30, 2023**

2. SEC Identification No. **CS200901269**

3. BIR Tax Identification No. **007-236-853-000**

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

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

6. Industry Classification Code : _________ (SEC Use Only)

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

8. Registrant's telephone no. and area code: **(632) 8838-1985**

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

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

10. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
There are 7,282,017,027 common shares in the Company that are listed in the Philippine Stock Exchange.

11. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:
Yes [x] No [ ]

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PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(with Comparative Audited Figures as of December 31, 2022)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash (Note 5)	₱16,988,996	₱3,940,986
Trade and other receivables (Notes 5 and 6)	12,360,334	12,260,364
Advances to related parties (Note 6)	2,048,827	2,043,483
Inventories - at cost	1,588,334	1,420,143
Prepayments and other current assets (Note 7)	10,028,763	9,770,418
Total Current Assets	43,015,254	29,435,394
Noncurrent Assets		
Property and equipment		
Construction-in-progress and others - at cost (Notes 8, 9, and 10)	8,381,545,370	8,189,948,805
Land - at revalued amount (Notes 8 and 9)	8,750,524,672	8,750,524,672
Right-of-use-assets (Note 11)	13,758,241	14,577,640
Deposits for future property acquisition (Note 9)	66,812,449	61,812,449
Cash in escrow (Notes 5 and 18)	296,844,923	283,531,836
Input value-added tax (VAT)	751,276,362	707,229,349
Advances to contractors (Note 8)	522,686,990	541,414,935
Other noncurrent assets	59,688,591	56,219,759
Total Noncurrent Assets	18,843,137,598	18,605,259,445
TOTAL ASSETS	₱18,886,152,852	₱18,634,694,839
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 10)	₱6,181,484,395	₱6,036,325,000
Trade and other payables (Notes 6 and 12)	2,399,668,635	1,668,901,937
Advances from related parties (Note 6)	1,106,660,487	2,255,706,454
Current portion of lease liabilities (Note 11)	12,335,837	12,206,350
Deposits payable (Notes 1 and 4)	1,000,000,000	1,000,000,000
Total Current Liabilities	10,700,149,354	10,973,139,741
Noncurrent Liabilities		
Retention payable (Note 8)	25,002,725	61,041,244
Lease liabilities - net of current portion (Note 11)	5,532,334	6,618,396
Loans payable - net of current portion (Note 10)	839,562,896	970,620,988
Deferred tax liabilities (Notes 8 and 16)	914,701,676	914,995,679
Interest payable (Notes 6 and 10)	140,885,334	181,348,532
Advances for future stock subscription (Notes 6 and 13)	2,606,486,500	–
Total Noncurrent Liabilities	4,532,171,465	2,134,624,839
Total Liabilities	15,232,320,819	13,107,764,580
Equity		
Capital stock (Note 14)	7,282,017,027	7,282,017,027
Additional paid-in capital (Note 14)	1,629,450,205	1,629,450,205
Deposit for future stock subscription (Notes 6 and 13)	939,500,000	609,920,000
Equity reserve (Notes 2 and 14)	(4,126,935,056)	(4,126,935,056)
Revaluation surplus (Notes 8 and 16)	2,741,696,789	2,741,696,789
Deficit (Note 14)	(4,811,896,932)	(2,609,218,706)
Total Equity	3,653,832,033	5,526,930,259
TOTAL LIABILITIES AND EQUITY	₱18,886,152,852	₱18,634,694,839

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
NET OPERATING REVENUES				
Food and beverage	₱2,237,386	₱–	₱7,106,851	₱–
Rooms	4,768,674	–	11,419,906	–
Others	361,143	–	885,835	–
	7,367,203	–	19,412,592	–
DIRECT COSTS AND EXPENSES				
Salaries and wages	1,155,859	–	3,302,377	–
Inventories consumed	1,028,219	–	3,077,409	–
Other costs and expenses	1,389,522	–	2,997,413	–
	3,573,600	–	9,377,199	–
GROSS INCOME	3,793,603	–	10,035,393	–
OPERATING EXPENSES (Note 15)	44,356,000	34,659,363	115,560,804	112,867,334
OPERATING LOSS	(40,562,397)	(34,659,363)	(105,525,411)	(112,867,334)
NON-OPERATING INCOME (EXPENSES)				
Interest expense (Notes 6 and 10)	(1,060,658,802)	(37,012,711)	(2,098,336,695)	(87,108,497)
Foreign exchange loss - net	(34,301,941)	(160,793,729)	(13,621,286)	(352,444,593)
Interest income (Note 5)	3,619,310	820,803	10,191,321	1,209,979
Other income (expenses) - net	5,346,560	289,283	6,843,780	1,271,514
	(₱1,085,994,873)	(₱196,696,354)	(₱2,094,922,880)	(₱437,071,597)

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
LOSS BEFORE INCOME TAX	(₱1,126,557,270)	(₱231,355,717)	(₱2,200,448,291)	(₱549,938,931)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)				
Current	874,608	455,002	2,523,937	1,177,068
Deferred	(5,459,271)	815,052	(294,002)	(1,825,437)
	(4,584,663)	1,270,054	2,229,935	(648,369)
NET LOSS/ COMPREHENSIVE LOSS (Note 20)	(₱1,121,972,607)	(₱232,625,771)	(₱2,202,678,226)	(₱549,290,562)
Basic and Diluted Loss Per Share (Note 20)	(₱0.1541)	(₱0.0319)	(₱0.3025)	(₱0.0754)

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Capital Stock (Notes 1 and 14)	**Additional paid-in Capital** (Note 14)	**Deposit for Future Stock Subscription** (Note 6)	**Equity Reserve** (Notes 2 and 14)	**Revaluation Surplus** (Notes 8 and 16)	**Deficit** (Note 14)	**Total**
Balance as of December 31, 2022	**₱7,282,017,027**	**₱1,629,450,205**	**₱609,920,000**	**(₱4,126,935,056)**	**₱2,741,696,789**	**(₱2,609,218,706)**	**₱5,526,930,259**
Deposit for future stock subscription	**–**	**–**	**329,580,000**	**–**	**–**	**–**	**329,580,000**
Total comprehensive loss (Note 19)	**–**	**–**	**–**	**–**	**–**	**(2,202,678,226)**	**(2,202,678,226)**
Balance at September 30, 2023	**₱7,282,017,027**	**₱1,629,450,205**	**₱939,500,000**	**(₱4,126,935,056)**	**₱2,741,696,789**	**(₱4,811,896,932)**	**₱3,653,832,033**
Balance as of December 31, 2021	₱7,282,017,027	₱1,629,450,205	₱–	(₱4,126,935,056)	₱2,285,781,211	(₱1,470,023,790)	₱5,600,289,597
Total comprehensive loss (Note 19)	–	–	–	–	–	(549,290,562)	(549,290,562)
Balance at September 30, 2022	₱7,282,017,027	₱1,629,450,205	₱–	(₱4,126,935,056)	₱2,285,781,211	(₱2,019,314,352)	₱5,050,999,035

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱2,200,448,291)**	(₱549,938,931)
Adjustments for:		
Unrealized foreign exchange loss	**7,322,106**	281,604,772
Interest expense (Notes 6 and 10)	**2,098,336,695**	87,108,497
Depreciation and amortization (Note 8)	**16,034,597**	23,091,026
Interest income (Note 5)	**(10,191,321)**	(1,209,979)
Loss before working capital changes	**(88,946,214)**	(159,344,615)
Increase in:		
Trade and other receivables (Notes 5 and 6)	**(99,970)**	(239,803)
Inventories	**(168,191)**	–
Prepayments and other current assets (Note 7)	**(258,345)**	(6,809,684)
Advances to related parties (Note 6)	**(5,344)**	–
Increase in trade and other payables (Notes 6 and 12)	**50,328,500**	91,258,076
Net cash used in operations	**(39,149,564)**	(75,136,026)
Income taxes paid	**(2,523,937)**	(1,176,760)
Net cash used in operating activities	**(41,673,501)**	(76,312,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	**(3,607,795)**	(39,737,137)
Deposit for future property acquisition	**(5,000,000)**	–
Decrease (increase) in:		
Input VAT (Note 7)	**(4,626,587)**	(26,466,101)
Advances to contractors (Note 8)	**18,727,945**	9,286,710
Other noncurrent assets	**(3,468,831)**	48,488,655
Interest received	**10,834,647**	1,117,761
Net cash provided by (used in) investing activities	**12,859,379**	(7,310,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Deposit / advances for future stock subscription (Notes 6 and 13)	**2,936,066,500**	562,420,000
Advances from related parties (Note 6)	**41,863,319**	72,459,282
Short-term loan	–	14,704,110
Increase in deposits payable	–	1,000,000,000
Payments of:		
Intercompany loan and related charges (Note 6)	**(2,936,066,500)**	(1,562,420,000)
Debt issuance cost	–	(50,994,419)
Mortgage loan (Note 10)	–	(10,313)
Net cash provided by financing activities	**41,863,319**	36,158,660
NET INCREASE (DECREASE) IN CASH	**13,049,197**	(47,464,238)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(1,187)**	68,242
CASH AT BEGINNING OF THE YEAR	**3,940,986**	53,061,387
CASH AT END OF THE PERIOD (Note 5)	**₱ 16,988,996**	₱5,665,391

See accompanying Notes to the Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. **General Information**

Corporate Information

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

The unaudited interim condensed consolidated financial statements as of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023 and 2022 were authorized for issue by the Board of Directors (BOD) on November 13, 2023.

Changes in Ownership of PH Resorts

PH Resorts Group Holdings, Inc. in its current form was renamed from Philippine H2O Ventures Corp. 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.

Subsidiaries of PH Resorts

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

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

On December 26, 2018, as a result of the effectivity of the assignment of shares and equity share swap transaction, PH Resorts holds 100% ownership interest in PH Travel and PH Travel and its subsidiaries became legal subsidiaries of PH Resorts.

As of September 30, 2023 and December 31, 2022, PH Travel holds ownership interests in the following entities (collectively referred to as "PH Travel Group") incorporated in the Philippines:

			% of Ownership	
Subsidiary Name	Nature of Business	Date of Incorporation	**September 30, 2023**	December 31, 2022
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	**100**	100
LapuLapu Land Corp. (LLC)*	Real estate	February 14, 2017	**100**	100
LapuLapu Leisure, Inc. (LLI)	Hotels, casino and gaming	January 25, 2017	**100**	100
Clark Grand Leisure Corp. (CGLC)	Hotels, casino and gaming	March 7, 2018	**100**	100
Donatela Hotel Panglao Corp. (DHPC)	Hotel and recreation	November 7, 2017	**100**	100

Donatela Resorts and Development Corp. (DRDC)	Hotel and recreation	February 27, 2018	**100**	100
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	**100**	100

* *Indirect ownership through LLI.*

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

On August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone ("Clark Resort"). On October 5, 2021, CGLC received approval from PAGCOR of its request to voluntarily suspend the Clark Provisional License. CGLC sought for the voluntary suspension of its license on the back of the Group's strategic plan to prioritize its resources towards the completion of Emerald Bay. On August 30, 2022, upon the request of CGLC due to ongoing strategic investor negotiations, PAGCOR's BOD approved the lifting of the voluntary suspension of Clark Provisional License.

Further details of the terms and commitments under the Provisional Licenses are included in Note 18.

Status of Operations
The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project in Mactan Island, Lapu-Lapu, Cebu, which will benefit from a 7-year exclusivity period in Lapu-Lapu City upon completion. The Group is also engaged in the operation of a resort in Panglao Island, Bohol which started commercial operations in 2018. For the nine months ended September 30, 2023 and 2022, the Group reported a net loss of ₱2.20 billion and ₱549.3 million, respectively, primarily due to pre-development expenses, resulting in a deficit of ₱4.81 billion and ₱2.02 billion as of September 30, 2023 and 2022, respectively. The Group's current liabilities exceeded its current assets by ₱10.66 billion and ₱10.94 billion as at September 30, 2023 and December 31, 2022, respectively, and the Group has negative operating cash flows of ₱41.7 million and ₱76.3 million for the nine months ended September 30, 2023 and 2022, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

On May 6, 2022, PH Travel signed a term sheet with Bloomberry Resorts Corporation (BRC). The term sheet covered the proposed investment of BRC 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. The Group received a ₱1.0 billion deposit from BRC presented as "Deposits payable" in the statement of financial position as at September 30, 2023. On March 22, 2023, the Group received a letter from BRC terminating the term sheet dated May 6, 2022. Following this development, the Group reentered into discussions with other parties that were previously put on hold due to the contemplated investment by BRC.

In October 2023, Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC) signed a non-exclusive and non-binding Memorandum of Understanding ("MoU") with Cebu-based property developer AppleOne Properties, Inc ("AppleOne"). The MoU establishes broad parameters whereby AppleOne can make an investment in LLI and LLC, with the intention of obtaining at least a majority of the equity interest in LLI and LLC, or an asset purchase of the land and improvements of the Emerald Bay Project. The consideration for the investment and resulting percentage of ownership are still subject to final negotiations by the Parties, which are expected to be completed within sixty (60) days, based on the MoU.

The Group has the following plans and these are currently being undertaken to support its liquidity requirements:

- In October 2023, the Group was able to successfully restructure their existing outstanding indebtedness with China Banking Corp. (“Chinabank”), through the execution of agreements for the sale, leaseback, with option to buyback certain land and improvements of LLI and LLC (the "Restructuring"). This Restructuring covers the property of LLI and LLC in Lapulapu City, Mactan, Cebu, with an area of approximately 12.4 hectares, plus improvements. The Restructuring also allows LLI and LLC to repay the Peso Bridge Loan Facility extended by Chinabank in 2018, while granting them continued possession and use over the property in order to finish the construction and development of the Emerald Bay Project. In addition, the option to buyback of the Restructuring allows LLI and LLC or their nominees to reacquire the properties.
- 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 extended 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 several 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.

The status of operations of the subsidiaries is as follows:

LLI and LLC. Co-licensees for a PAGCOR Casino License in connection with the construction of Emerald Bay, an integrated tourism resort to be located on a 12.4-hectare site in Mactan Island, Lapu-Lapu, Cebu. Construction commenced in December 2017 and upon completion, it will benefit from a 7-year exclusivity period in LapuLapu City. LapuLapu Leisure Inc. leases the site from LapuLapu Land Corporation. Emerald Bay will be constructed in two phases. The Company is recasting its construction timetables and the opening date of the first phase. Current construction activity is minimal on a deliberate basis due to potential changes in specifications.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). On October 5, 2021, CGLC received approval from PAGCOR for its request to voluntarily suspend its Provisional License in connection with the Group’s strategic plan to prioritize its resources towards the completion of Emerald Bay. On August 30, 2022, PAGCOR's BOD approved the lifting of the voluntary suspension of Clark Provisional License.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the resort in 2017 and commenced its operations under new ownership in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a well-stocked wine cellar. In October 2021, in a proactive response to preserve the Group's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations was not achieved. In December 2021, Typhoon Odette caused some damage to several villas of the Donatela Resort along with the landscaping. In December 2022, Donatela was reopened after necessary repairs and maintenance were made to the villas, pool and resort facilities. This was funded by additional shareholder advances. Currently, Donatela has opened 8 of the 12 villas. Group hotel and/or restaurant bookings have allowed the Donatela Resort to cover operating expenses, payroll and basic resort maintenance.

The other entities within the Group have no material operations as of September 30, 2023 and December 31, 2022.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The interim consolidated financial statements of the Group as of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023 and 2022 have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2022.

Basis of Consolidation

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

The interim consolidated statements of financial position reflect the legal capital (i.e., the number and type of capital stock issued, additional paid-in capital and retained earnings (deficit) of PH Resorts. The adjustment, which is the difference between the capital structure of the PH Travel and PH Resorts, is recognized as part of equity reserve in the consolidated statements of financial position.

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

(a) The consolidated assets and liabilities of PH Travel Group (legal subsidiary/accounting acquirer) recognized and measured at carrying amount and the assets and liabilities of PH Resorts (legal parent/accounting acquiree), consisting only of cash and cash equivalents, recognized and measured at acquisition cost.

(b) The equity reflects the combined equity of PH Travel Group and PH Resorts. However, the legal capital of PH Travel Group has been eliminated as the legal capital that should be reflected would be that of PH Resorts (legal parent).

(c) The consolidated statements of comprehensive income for the current period reflect that of PH Travel for the full period together with the post-acquisition results of PH Resorts; and

(d) Any difference between the consideration transferred by PH Resorts and the legal capital of PH Travel Group that is eliminated is reflected as “Equity reserve”.

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

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its wholly owned subsidiaries as at September 30, 2023. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period of the Parent Company, using consistent accounting policies.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements as at and for the year ended December 31, 2022, except for the adoption of new standards effective as at January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have any significant impact on the Group’s financial position or performance unless otherwise indicated.

- Amendments to 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*

4. Significant Accounting Judgments, Estimates and Assumptions

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2022.

Assessment of going concern
As discussed in Note 1, the Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project in Mactan Island, Lapu-Lapu, Cebu, which will benefit from a 7-year exclusivity period in Lapu-Lapu City upon completion. The Group is also engaged in the operation of a resort in Panglao Island, Bohol which started commercial operations in 2018. For the nine months ended September 30, 2023 and 2022, the Group reported a net loss of ₱2.20 billion and ₱549.3 million, respectively, primarily due to pre-development expenses, resulting in a deficit of ₱4.81 billion and ₱2.02 billion as of September 30, 2023 and 2022, respectively. The Group's current liabilities exceeded its current assets by ₱10.66 billion and ₱10.94 billion as at September 30, 2023 and December 31, 2022, respectively, and the Group has negative operating cash flows of ₱41.7 million and ₱76.3 million for the nine months ended September 30, 2023 and 2022, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

On May 6, 2022, PH Travel signed a term sheet with Bloomberry Resorts Corporation (BRC). The term sheet covered the proposed investment of BRC 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. The Group received a ₱1.0 billion deposit from BRC presented as "Deposits payable" in the statement of financial position as at September 30, 2023. On March 22, 2023, the Group received a letter from BRC terminating the term sheet dated May 6, 2022. Following this development, the Group reentered into discussions with other parties that were previously put on hold due to the contemplated investment by BRC.

In October 2023, Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC) signed a non-exclusive and non-binding Memorandum of Understanding ("MoU") with Cebu-based property developer AppleOne Properties, Inc ("AppleOne"). The MoU establishes broad parameters whereby AppleOne can make an investment in LLI and LLC, with the intention of obtaining at least a majority of the equity interest in LLI and LLC, or an asset purchase of the land and improvements of the Emerald Bay Project. The consideration for the investment and resulting percentage of ownership are still subject to final negotiations by the Parties, which are expected to be completed within sixty (60) days, based on the MoU.

As discussed in Note 1, the Group has the following plans and these are currently being undertaken to support its liquidity requirements:

- In October 2023, the Group was able to successfully restructure their existing outstanding indebtedness with China Banking Corp. ("Chinabank"), through the execution of agreements for the sale, leaseback, with option to buyback certain land and improvements of LLI and LLC (the "Restructuring"). This Restructuring covers the property of LLI and LLC in Lapulapu City, Mactan, Cebu, with an area of approximately 12.4 hectares, plus improvements. The Restructuring also allows LLI and LLC to repay the Peso Bridge Loan Facility extended by Chinabank in 2018, while granting them continued possession and use over the property in order to finish the construction and development of the Emerald Bay Project. In addition, the option to buyback of the Restructuring allows LLI and LLC or their nominees to reacquire the properties.
- 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 extended 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 several 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.

5. Cash

As of September 30, 2023 and December 31, 2022, the Group's cash on hand and in banks amounted to ₱17.0 million and ₱3.9 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash amounted to ₱3,150 and ₱29,641 for the nine months ended September 30, 2023 and 2022, respectively.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱296.8 million and ₱283.5 million as of September 30, 2023 and December 31, 2022, respectively. Cash in escrow is presented under the "Noncurrent assets" section of the consolidated statements of financial position.

Interest income earned on cash in escrow amounted to ₱10.2 million and ₱1.2 million for the nine months ended September 30, 2023 and 2022, respectively. Accrued interest receivable as of September 30, 2023 and December 31, 2022 amounted to nil and ₱0.6 million, respectively, and is presented under the "Trade and other receivables" account in the consolidated statements of financial position. The Group's escrow account represents the aggregate balance of short-term placements maintained in local banks primarily to meet the requirements of the License Agreement with PAGCOR in relation to LLI and CGLC's investment commitments (see Note 18).

6. Related Party Transactions

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

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

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

Outstanding balances at year-end are unsecured and non-interest bearing and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment assessment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables will attract a negligible ECL, since ECLs are only measured over the period in which the Group is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would be needed to be set to 100%. For the nine months ended September 30, 2023 and 2022, the Group has not recorded any impairment of receivables on amounts owed by the related parties.

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

Relationship	**Name**
Ultimate Parent Company	Udenna Corporation
Affiliates under Common Control	CGLC Cultural Heritage Foundation, Inc.
	Clark Grand Leisure
	Chelsea Shipping Corp.
	Emerald Development Holdings Ltd. (Emerald)
	Enderun Hospitality Management and Consultancy Services (Enderun)
	Global Gateway Development Corp. (GGDC)
	L3 Concrete Specialists Inc.
	Lapulapu Cultural Heritage Foundation, Inc.
	LapuLapu Land Corp. (LLC)*
	L3 Concrete Specialist
	Phoenix Petroleum Philippines, Inc.

Udenna Land Inc. (ULI, formerly UDEVCO)
Udenna Management & Resources Corp.
Udenna Tower Corporation (UTOW)
Udenna Water & Integrated Services, Inc.
Value Leases Inc.

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

The consolidated statements of financial position include the following amounts with respect to the balances with related parties as of September 30, 2023 and December 31, 2022:

	Amount / Volume of Transactions		Outstanding Receivable (Payable)		
	2023 (Nine Months)	2022 (One Year)	**2023**	2022	Terms & Conditions
Udenna, *Ultimate Parent Company*					
Cash advances from a related party for working capital and project completion (ii)	**₱41,863,319**	₱112,360,359	**(₱183,919,413)**	(₱142,056,094)	Unsecured; noninterest-bearing; due and demandable
Deposit for future stock subscription (see Note 14) (a)(iv)	**329,580,000**	609,920,000	**(939,500,000)**	(609,920,000)	Non-refundable
Advances for future stock subscription (a)(v)	**2,606,486,500**	–	**2,606,486,500**	–	Unsecured; noninterest-bearing; due and demandable
Entities under Common Control					
Cash advances to related parties (i)	**5,344**	3,742	**2,048,827**	2,043,483	Unsecured; noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital (ii)	–	–	**(38,703,863)**	(45,830,448)	Unsecured; noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (ii)	–	–	**(395,437,211)**	(1,579,219,912)	Unsecured; interest-bearing; with terms
Interest payables on long-term advances (b) (vi)	**1,630,493,632**	579,053,260	–	(116,308,610)	Unsecured; interest-bearing; with terms
Cash advances from related parties for working capital (b) (ii)	–	–	**(353,600,000)**	(353,600,000)	Unsecured; interest-bearing; due and demandable
Interest payable on other advances (b) (iii)	**14,376,606**	30,268,077	**(165,951,015)**	(151,574,409)	Unsecured; due within 1 to 2 years
Management and consultancy services (see Notes 13 and 15) (d) (iii)	**856,538**	–	**8,076,665**	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 21) (i)	–	–	**10,000,000**	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder					
Cash advances from a stockholder for working capital (ii)	–	–	**(135,000,000)**	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees					
Advances to employees (see Note 6) (i)	–	128,819	**300,429**	482,075	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. *Outstanding balance is included in Trade and other receivables as of September 30, 2023 and December 31, 2022.*
ii. *Outstanding balance is included in Advances from related parties as of September 30, 2023 and December 31, 2022.*
iii. *Outstanding interest is included in Trade and other payables as of September 30, 2023 and December 31, 2022.*
iv. *Outstanding balance is presented under the Equity section in the unaudited interim consolidated statements of financial position as of September 30, 2023 and December 31, 2022.*
v. *Outstanding balance is presented in Advances for future stock subscription as of September 30, 2023 and December 31, 2022.*
vi. *Outstanding balance is presented in Interest payable as of September 30, 2023 and December 31, 2022.*

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

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 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 September 30, 2023 and December 31, 2022.

In March 2023, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱329.58 million. On March 30, 2023, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 329.58 million common shares with a subscription price of ₱1.00 per share.

From April to September 2023, PH Resorts received advances for future stock subscription from Udenna Corporation totaling ₱2.61 billion. These are presented as “Advances for future stock subscription” under Liability in the consolidated statement of financial position as of September 30, 2023.

(b) Interest-bearing cash advances from related parties

i. Emerald Development Holdings Ltd. (EDHL)

On October 17, 2019, PH Resorts obtained an advance of US$42.5 million from EDHL, an offshore entity wholly-owned by Udenna Corporation (Udenna). The proceeds of the advance were used to fund the ongoing construction of Emerald Bay (see Note 19). The principal and interest totaling $60.3 million was originally due in 2021.

On December 28, 2020, PH Resorts and 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 was executed in April 2023.

In March to September 2023, the Group made additional partial repayments totaling ₱2.94 billion (US$52.6 million) on the EDHL intercompany advance and interest. As of September 30, 2023 and December 31, 2022, the EDHL intercompany advance had a remaining balance in PHP-equivalent of ₱395.4 million and ₱1.58 billion, respectively.

Interest charges incurred on this advance for the nine months ended September 30, 2023 and 2022 were ₱1.63 billion and ₱506.8 million, respectively. Accrued interest on this advance amounted to nil and ₱116.3 million as of September 30, 2023 and December 31, 2022, respectively, which is presented as “Interest payable” in the consolidated statements of financial position.

ii. Other related parties

Various related parties granted advances to the Group to finance the operating activities and financing requirements. Total advances amounted to ₱711.2 million and ₱676.5 million as of September 30, 2023 and December 31, 2022, respectively. These are unsecured, with interest rates ranging from 8.5% to 12%, and are due and demandable.

Interest incurred on these advances for the nine months ended September 30, 2023 and 2022 were ₱18.5 million and ₱25.1 million, respectively. Interest payable of ₱166.0 million and ₱151.6 million as of September 30, 2023 and December 31, 2022, respectively, are included under “Trade and other payables” account in the consolidated statements of financial position (see Note 12).

(c) Lease

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

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

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

Period	**September 30, 2023**	December 31, 2022
Within one year	**₱13,364,993**	₱13,203,969
More than 1 year to 2 years	**3,381,504**	6,763,009
More than 2 years to 3 years	–	–
More than 3 years to 4 years	–	–
	₱16,746,497	₱19,966,978

As of September 30, 2023 and December 31, 2022, right-of-use asset amounted to ₱13.8 million and ₱14.6 million, respectively. As of September 30, 2023 and December 31, 2022, the lease liabilities amounting to ₱17.9 million and ₱18.8 million, respectively, were presented under current and noncurrent liabilities section of the consolidated statements of financial position. Amortization expense amounted to ₱2.5 million for each of the nine months period ended September 30, 2023 and 2022. Interest expense on lease liabilities for the nine months ended September 30, 2023 and 2022 amounted to ₱0.3 million and ₱1.5 million, respectively (see Note 11).

(d) Management fees

DHPC entered into a Management Services Agreement in November 2017 for certain management and operational services with Enderun. Enderun managed the hotel operations starting January 2018 until June 30, 2019.

In February 2023, DHPC entered into a new 5-year Hotel Management Service Agreement with Enderun. Enderun manages DHPC's hotel operations starting April 1, 2023 according to the terms and conditions set forth in the agreement. Management fees consist of basic management fee, incentive fee, marketing fee and corporate shared service fees (see Note 12).

(e) Guarantees

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

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

(f) Compensation and Other Benefits of Key Management Personnel

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱21.3 million and ₱30.3 million for the nine months ended September 30, 2023 and 2022, respectively.

7. Prepayments and Other Current Assets

	September 30, 2023	December 31, 2022
Input VAT	**₱5,174,678**	₱5,204,703
Advances to contractors	**2,703,320**	2,628,920
Short-term security deposits	**365,488**	365,488
Prepaid insurance	**626,501**	739,312
Others	**1,158,776**	831,995
	₱10,028,763	₱9,770,418

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

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

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

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

8. Property and Equipment

At Cost

	September 30, 2023						
	Land Improvements and Infrastructures	**Buildings and Plant**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold improvements and Others**	**Construction-in-progress (see Notes 7, 11 and 22)**	**Total**
Cost							
Beginning balances	**₱8,339,890**	**₱140,635,370**	**₱30,806,609**	**₱5,535,774**	**₱39,347,267**	**₱8,040,035,890**	**₱8,264,700,800**
Additions	**171,720**	**–**	**616,330**	**–**	**–**	**205,242,236**	**206,030,286**
Ending balances	**8,511,610**	**140,635,370**	**31,422,939**	**5,535,774**	**39,347,267**	**8,245,278,126**	**8,470,731,086**
Accumulated Depreciation							
Beginning balances	**2,512,595**	**16,795,178**	**26,199,409**	**5,077,697**	**24,167,116**	**–**	**74,751,995**
Depreciation (Note 17)	**452,393**	**5,331,352**	**2,327,408**	**458,077**	**5,864,491**	**–**	**14,433,721**
Ending balances	**2,964,988**	**22,126,530**	**28,526,817**	**5,535,774**	**30,031,607**	**–**	**89,185,716**
Net Book Value	**₱5,546,622**	**₱118,508,840**	**₱2,896,122**	**₱–**	**₱9,315,660**	**₱8,245,278,126**	**₱8,381,545,370**

	December 31, 2022						
	Land Improvements and Infrastructures	Buildings and Plant	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 22)	Total
Cost							
Beginning balances	₱8,107,498	₱68,776,345	₱30,763,117	₱5,535,774	₱39,347,267	₱7,532,408,411	₱7,684,938,412
Additions	232,392	71,859,025	615,955	–	–	507,627,479	580,334,851
Disposals	–	–	(572,463)	–	–	–	(572,463)
Ending balances	8,339,890	140,635,370	30,806,609	5,535,774	39,347,267	8,040,035,890	8,264,700,800
Accumulated Depreciation							
Beginning balances	1,930,708	10,959,858	23,055,999	4,223,266	15,085,424	–	55,255,255
Disposals	–	–	(272,118)	–	–	–	(272,118)
Depreciation (Note 17)	581,887	5,835,320	3,415,528	854,431	9,081,692	–	19,768,858
Ending balances	2,512,595	16,795,178	26,199,409	5,077,697	24,167,116	–	74,751,995
Net Book Value	₱5,827,295	₱123,840,192	₱4,607,200	₱458,077	₱15,180,151	₱8,040,035,890	₱8,189,948,805

The CIP account reflects expenditures related to the US$300.0 million investment commitment of LLI required by the License Agreement with PAGCOR. Total Project cost includes land acquisition; costs related to securing development rights; construction and development costs; and all other direct expenses. The CIP account also includes capitalized borrowing costs of nil and ₱246.3 million for the nine months ended September 30, 2023 and for the year ended December 31, 2022, respectively, equivalent to the effective interest incurred on the loans (see Note 10).

Advances to contractors of ₱522.7 million and ₱541.4 million as of September 30, 2023 and December 31, 2022, respectively, relate to initial deposits made for the ongoing construction of the Project. Retention payable to suppliers and contractors related to the construction project amounted to ₱25.0 million and ₱61.0 million as at September 30, 2023 and December 31, 2022, respectively.

Land at Revalued Amounts

	September 30, 2023	December 31, 2022
Land at the beginning of the year at fair value	**₱8,750,524,672**	₱8,142,637,234
Revaluation surplus recognized in OCI	**–**	607,887,438
Balance at end of the period	**₱8,750,524,672**	₱8,750,524,672

Land includes a 12.5 hectares beachfront property located in LapuLapu City, Mactan Island, Cebu. The latest appraisal as of December 31, 2022 values the land at ₱7.08 billion, an increase of ₱534.3 million from the prior year. Bulk of this property was acquired in 2019 in connection with the Group's purchase of LLC which owns the project site of Emerald Bay.

The Group also owns the Donatela Resort & Sanctuary situated on 7.2 hectares of land in Panglao Island, Bohol as well as 2,000 sqm. of commercial property adjacent to Alona Beach, which were purchased in 2018. The latest appraisal dated December 31, 2022 values the land at ₱1.43 billion.

In addition, the Group owns 3,134 sqm of land in Azuela Cove in Davao City, a 25-hectare master planned mixed use township co-developed by Ayala Land and the Alcantara Group of Companies. The land purchase was completed in 2019 and is valued at ₱241.0 million per latest appraisal dated December 31, 2022, an increase of ₱6.0 million from prior year.

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

	September 30, 2023	December 31, 2022
Balance at beginning of the year, net of tax	**₱2,741,696,789**	₱2,285,781,211
Revaluation surplus during the year	**–**	607,887,438
Deferred tax liability (see Notes 8 and 15)	**–**	(151,971,860)
Balance at end of the period, net of tax	**₱2,741,696,789**	₱2,741,696,789

The carrying value of these parcels of land had it been carried at cost amounted to ₱5.10 billion as of September 30, 2023 and December 31, 2022.

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

Valuation technique	Significant unobservable input	Range
Sales comparison approach	Selling price of identical piece of land	**₱20,000 to ₱1240,000 per square meter**
	External factor adjustments	**-20% to 5%**
	Internal factor adjustments	**-20% to 10%**
	Average fair value after internal and external factor adjustments	**₱21,500 to ₱77,000 per square meter**

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

DHPC's land, land improvements and infrastructures and building are used as a real estate mortgage with Landbank (see Note 10). The carrying value of the pledged properties was ₱1.49 billion and ₱1.43 billion as of September 30, 2023 and December 31, 2022, respectively.

Pursuant to the bank loans, LLI and LLC entered into a real estate mortgage and chattel mortgage indenture over its property and equipment to collateralize its bank loans. The carrying value of properties used as collateral amount to ₱14.7 billion and ₱14.5 billion as of September 30, 2023 and December 31, 2022, respectively (see Note 10).

9. Deposits for Future Property Acquisition

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

The Deeds of Absolute Sale for the 67,853 square meters were executed in August 2018 for a total consideration of ₱1.04 billion which was subsequently reclassified as property and equipment. As of September 30, 2023 and December 31, 2022, deposit for future property acquisition amounting to ₱66.8 million and ₱61.8 million, respectively pertains to the partial settlement pertaining to the remaining area. As of September 30, 2023 and December 31, 2022, DHPC has already paid ₱1.10 billion which represents 96% of the total purchase price.

10. **Loans Payable**

	September 30, 2023	December 31, 2022
Short-term loans:		
Peso denominated loans (a)	**₱5,200,000,000**	₱5,200,000,000
US dollar denominated loans* (a)	**848,625,000**	836,325,000
Long-term loan** (b)	**975,000,000**	975,000,000
	7,023,625,000	7,011,325,000
Debt issuance costs	**(2,577,709)**	(4,379,012)
Loans payable	**₱7,021,047,291**	₱7,006,945,988

**Dollar denominated loan amounting to $15.0 million was translated to Philippine Peso using foreign exchange closing rate of US$1:56.76 on September 30, 2023 and US$1:55.76 on December 31, 2022.*
***In November 2022, DHPC requested for a deferment of the testing period for the debt-to-equity ratio and debt service coverage ratio from December 31, 2022 to December 31, 2023. Landbank confirmed that this does not affect the term loan's original maturity of September 2028. Thus, the Group continues to classify the loan as noncurrent.*

a. CBC Short-term Loans

i. On June 7, 2017, LLI obtained a ₱900.0 million bank loan from CBC to fund the construction of the first phase of The Emerald Bay and a US$15.0 million loan to fund the escrow requirement of the Provisional License (see Note 21). In 2017, the Peso loan had an annual interest rate of 4.75% to 6.25% while the US$ loan had an annual interest of 3.5% to 6.25%.

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

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

In 2020, in connection with Republic Act No.11469 or the Bayanihan to Heal as One Act and Republic Act No.11494 or the Bayanihan to Recover as One Act, the loans were rolled over until December 18, 2020. Further extensions occurred in 2021 to 2023. In October 2023, the Group was able to successfully restructure their existing outstanding indebtedness with China Banking Corp. ("Chinabank"), through the execution of agreements for the sale, leaseback, with option to buyback certain land and improvements of Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC; the "Restructuring"). This Restructuring covers the property of LLI and LLC in Lapulapu City, Mactan, Cebu, with an area of approximately 12.4 hectares, plus improvements. The Restructuring also allows LLI and LLC to repay the Peso Bridge Loan Facility extended by Chinabank in 2018, while granting them continued possession and use over the property in order to finish the construction and development of the Emerald Bay Project. In addition, the option to buyback of the Restructuring allows LLI and LLC or their nominees to reacquire the properties.

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

	September 30, 2023	December 31, 2022
Principal	**₱6,048,625,000**	₱6,036,325,000
Less unamortized debt issue costs	–	–
	₱6,048,625,000	₱6,036,325,000

Amortized debt issue costs of ₱29.0 million for the nine months ended September 30, 2023 was expensed as part of "Interest expense" in the consolidated statements of comprehensive income while ₱29.2 million for the nine months ended September 30, 2022 was capitalized to CIP. These pertained to the ₱5.2 billion loan with CBC. Amortized debt issue costs pertaining to the US$15.0 million loan amounting to ₱4.7 million and ₱3.1 million for the nine months ended September 30, 2023 and 2022, respectively, were expensed and presented as part of "Interest expense" in the consolidated statements of comprehensive income.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of LLC and LLI to, among other things, create or incur certain indebtedness or liens in respect of its property or assets, consolidate or merge with other entities, redeem shares or repay subordinated indebtedness if such redemption or repayment would result in a debt-to-equity ratio of greater than 2.33 to 1.0 (on a combined basis). In addition, LLI and LLC are required to maintain on a combined basis a debt-to-equity ratio of not more than 2.33 to 1.0, maintain its property and insurance, and ensure exclusive use of Emerald Bay site. As of September 30, 2023 and December 31, 2022, the combined debt to equity ratio of LLI and LLC is compliant with the required debt to equity ratio at 0.66:1.0 and 0.65:1.0, respectively.

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

The carrying value of properties used as collateral amounted to ₱14.7 billion and ₱14.5 billion as of September 30, 2023 and December 31, 2022 (see Note 9).

Interest charges incurred on these loans amounted to ₱380.7 million and ₱379.9 million for the nine months ended September 30, 2023 and 2022, respectively. Of these interest charges, capitalized borrowing costs amounted to ₱368.2 million for the nine months ended September 30, 2022. No interest was capitalized for the nine months ended September 30, 2023. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position (see Note 9).

b. Landbank Long-term Loan (formerly UCPB)

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

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

	September 30, 2023	December 31, 2022
Principal at amortized cost*	**₱975,000,000**	₱975,000,000
Less unamortized debt issue costs	**(2,577,709)**	(4,379,012)
Long-term loan - net	**972,422,291**	970,620,988
Less current portion of long-term loan	**(132,859,395)**	–

Noncurrent portion of long-term loan	**₱839,562,896**	₱970,620,988

**As a result of the loan modification in 2022, the carrying balance of the loan was remeasured at the present of the modified cash flows discounted using the original EIR of the loan and subsequently carried at amortized cost.*

On June 25, 2021, interest and principal payments due beginning June 2020 and December 2020, respectively were deferred to March 3, 2022, as approved by UCPB. In February 2022, UCPB further deferred all the amounts due on March 3, 2022 to June 3, 2022.

On March 1, 2022, the merger between UCPB and state-run Landbank took effect, with Landbank being the surviving entity. On June 1, 2022, Landbank further approved that interest and principal payments due beginning June 2022 to December 2023 are to be paid equally over the remaining life of the loan starting March 3, 2024 until the loan's maturity on September 1, 2028. As a result of the modification, the Group recognized a gain on modification amounting to ₱15.3 million based on the present value of the modified cashflows discounted using the original EIR. The gain on modification was adjusted to accrued interest payable as of December 31, 2022.

The loan bears an annual interest rate based on the one-year PH Bloomberg Valuation Rate (PH BVAL) at the time of availment or resetting, as the case may be, plus a spread of 3.0% per annum. In no case, however, shall the interest be lower than 6.0% per annum. Interest shall be subject to resetting on the anniversary date of the availment and every year thereafter. Interest expense incurred on this loan for the nine months ended September 30, 2023 and 2022 amounted to ₱66.7 million and ₱51.3 million, respectively. Amortized debt issue costs for the nine months ended September 30, 2023 and 2022 of ₱1.8 million and ₱1.5 million, respectively, were expensed and presented as part of "Interest expense" in the consolidated statements of comprehensive income.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 8). The carrying value of the pledged properties amounted to ₱1.49 billion and ₱1.51 billion as of September 30, 2023 and December 31, 2022, respectively.

DHPC must comply with certain financial covenants for the term of the loan, including maintaining a debt service coverage ratio of at least 1.25x and a debt-to-equity ratio of not exceeding 2.33x.

In November 2022, DHPC requested for a deferment of the testing period for the DE ratio and debt service coverage ratio from December 31, 2022 to December 31, 2023. Landbank confirmed that this does not affect the term loan's original maturity of September 2028. Thus, the Group continues to classify the loan as noncurrent.

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

11. Right-of-Use Assets and Lease Liabilities

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

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

	September 30, 2023	December 31, 2022
Cost		
Balance at beginning and end of the year	**₱54,899,073**	₱54,899,073
Accumulated Amortization		
Balance at beginning of the year	**40,321,433**	30,488,650
Amortization (see Note 15)	**819,399**	9,832,783
Balance at end of the year	**41,140,832**	40,321,433
Net Book Value	**₱13,758,241**	₱14,577,640

The rollforward analysis of lease liabilities follows:

	September 30, 2023	December 31, 2022
Balance at beginning of year	**₱18,824,746**	₱29,970,045
Interest expense	**116,917**	1,846,734
Rent payables	**(1,073,492)**	(12,992,033)
Balance at end of the year	**15,721,183**	18,824,746
Current portion of lease liabilities	**12,335,837**	12,206,350
Lease liabilities - net of current portion	**₱5,532,334**	₱6,618,396

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

	September 30, 2023	December 31, 2022
Within one year	**₱13,364,993**	₱13,203,969
More than one year but not more than five years	**4,503,178**	6,763,009
Total gross lease liabilities	**17,868,171**	19,966,978
Less unamortized interest expense	**–**	1,142,232
Present value of future minimum lease payments	**17,868,171**	18,824,746
Less current portion	**12,335,837**	12,206,350
Noncurrent portion	**₱5,532,334**	₱6,618,396

12. **Trade and Other Payables**

	September 30, 2023	December 31, 2022
Interest payable (Notes 6 and 10)	**₱1,449,333,572**	₱1,089,170,599
Payable to contractors (Note 8)	**752,279,364**	459,303,826
Trade payables	**7,955,873**	5,662,021
Statutory payables	**71,399,383**	43,603,791
Management fees payable (Note 6)	**7,753,484**	7,220,127
Others	**110,946,959**	63,941,573
	₱2,399,668,635	₱1,668,901,937

Below are the terms and conditions of the liabilities:

- Payable to contractors are noninterest-bearing and normally settled within three months.
- Interest payables, statutory payables, including withholding taxes, payables to SSS, Pag-IBIG and Philhealth, and accrued documentary stamp taxes, trade payables, and management fees payable are noninterest-bearing and are normally settled within the following month.
- Trade payables from nonrelated parties are non-interest bearing and are normally settled within the following month.
- Contract liabilities and other payables (which include various accrued expenses such as professional fees and marketing fees) are noninterest-bearing and are normally settled within the following month.

13. Deposit 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.

In March 2023, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱329.58 million. On March 30, 2023, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of shares for 329.6 million common shares with a subscription price of ₱1.00 per share.

From April to September 2023, PH Resorts received advances for future stock subscription from Udenna Corporation totaling ₱2.61 billion. These are presented as “Advances for future stock subscription” under Liability in the consolidated statement of financial position as of September 30, 2023.

14. Equity

Capital Stock

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

	September 30, 2023		December 31, 2022	
	Number of shares	**Amount**	Number of shares	Amount
Authorized	**8,000,000,000**	**₱8,000,000,000**	8,000,000,000	₱8,000,000,000
Subscribed				
Balance at beginning of the year	**7,282,017,027**	**₱7,282,017,027**	7,282,017,027	₱7,282,017,027
Issuance during the year	**–**	**–**	–	–
Issued and outstanding	**7,282,017,027**	**₱7,282,017,027**	7,282,017,027	₱7,282,017,027

Track Record of Registration of Securities

Authorized capital stock

Date	Activity	Par Value	No. of Common Shares	Balance
January 30, 2009	Authorized	1.00	–	200,000,000
December 2015	Increased	1.00	300,000,000	500,000,000
December 10, 2018	Increased	1.00	7,500,000,000	8,000,000,000

Issued and outstanding

Date	Activity	No. of Common Shares	Balance
January 30, 2009	Issued and outstanding	162,161,000	162,161,000
December 2015	Stock dividend; issued during offer	81,080,504	243,241,504
December 21, 2018	Issued	406,376,691	649,618,195
December 26, 2018	Issued	4,143,648,309	4,793,266,504

(Forward)

Date	Activity	No. of Common Shares	Balance
November 5, 2020	Issued	450,000,000	5,243,266,504
December 4, 2020	Issued	1,686,309,523	6,929,576,027
August 18, 2021	Issued	352,441,000	7,282,017,027

On June 25, 2018, the BOD and the stockholders approved the increase in authorized capital stock from 500,000,000, consisting of 500,000,000 common shares with a par value of ₱1.00 per share to 8,000,000,000 consisting of 8,000,000,000 common shares with a par value of ₱1.00 per share (see Note 1).

As discussed in Notes 1 and 2, Udenna Corporation and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% of its equity interest in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₱1.00 per share to be issued by PH Resorts to Udenna out of the PH Resorts' increase in authorized capital stock, and (b) cash of ₱ 406.38 million.

On December 10, 2018, the SEC approved the application for increase in authorized capital stock. The issuance of 4,143,648,309 shares of PH Resorts occurred on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. On the same date, PH Travel became a legal subsidiary of PH Resorts (see Note 1).

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

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

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

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

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

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

Equity Reserve

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

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

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

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

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

15. **Operating Expenses**

	For the nine months ended	
	September 30, 2023	September 30, 2022
Salaries and wages (Note 6)	**₱44,021,195**	₱53,424,870
Depreciation and amortization (Notes 8 and 11)	**16,034,597**	23,091,026
Professional fees	**8,419,187**	12,883,329
Taxes and licenses	**4,637,776**	2,381,965
Transportation and travel	**4,154,919**	6,410,404
Utilities and communications	**3,883,684**	1,413,405
Repairs and maintenance	**1,198,245**	450,296
Insurance	**1,114,410**	702,047
Management fees	**856,538**	-
Dues and subscription	**763,986**	638,910
Outside services	**254,574**	85,060
Rentals	**244,469**	2,106,932
Sales marketing and advertising	**153,963**	113,924
Representation and entertainment	**136,038**	103,114
Office supplies	**125,947**	125,693
Miscellaneous	**29,561,276**	8,936,359
	₱115,560,804	₱112,867,334

Miscellaneous expense includes PAGCOR charges for the permitted use of funds in the escrow account for the continued construction of Emerald Bay.

16. **Income Taxes**

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

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

	For the nine months ended	
	September 30, 2023	September 30, 2022
Benefit from income tax computed at statutory income tax rate of 25%	**(₱550,112,073)**	(₱137,484,733)
Tax effects of:		
Nondeductible expenses	**441,619,676**	67,873,985
Movement in unrecognized deferred tax asset	**111,560,401**	74,227,805
MCIT	**–**	995,139
Nontaxable income	**–**	(3,505,486)
Movement in deferred tax liability and income subjected to final tax rate	**(838,069)**	(2,755,079)
	₱2,229,935	(₱648,369)

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

	September 30, 2023	December 31, 2022
Deferred tax liabilities:		
Revaluation surplus (see Note 8)	**₱913,898,930**	₱913,898,930
Debt issuance costs	**644,427**	1,094,753
Unrealized foreign exchange gain	**158,319**	1,996
Deferred tax liabilities	**₱914,701,676**	₱914,995,679

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

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

	September 30, 2023	December 31, 2022
Unrecognized deferred tax assets:		
NOLCO	**₱429,546,432**	₱318,317,746
Unrealized foreign exchange loss	**1,830,527**	171,683,128
MCIT	**3,046,448**	2,714,734
Net lease liabilities	**1,027,483**	–
Others	**67,230**	–
Total	**₱ 435,518,120**	₱492,715,608

As of September 30, 2023, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Period of Recognition	Availment Until	Applied/ Expired	Unapplied/ Unexpired
2020	December 31, 2025	₱–	₱424,785,417
2021	December 31, 2026	–	350,375,184
2022	December 31, 2025	–	498,110,383
2023	September 30, 2026	–	290,617,941
		₱–	₱1,563,888,925

Following are the details of the Company's MCIT as of September 30, 2023:

Period of Recognition	Availment Until	Applied/ Expired	Unapplied/ Unexpired
2021	December 31, 2024	₱–	₱1,353,699
2022	December 31, 2025	–	1,361,035
2023	September 30, 2026	–	331,714
		₱–	₱3,046,448

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

17. Financial Risks Management Objectives and Policies

The Group's principal financial instruments are cash which finance the Group's operations. The other financial assets and liabilities arising from its operations are trade and other receivables, security deposits, advances from and to related parties, cash in escrow, trade and other liabilities, loans payable, lease liabilities, retention payables and other payables.

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

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

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

	September 30, 2023	December 31, 2022
Cash*	**16,963,956**	₱3,890,986
Trade receivable	**12,360,334**	1,081,255
Other receivables**	**–**	10,643,437
Advances to related parties	**2,048,827**	2,043,483
Security deposit***	**7,000,619**	7,000,619
Cash in escrow	**296,844,923**	283,531,836
Total credit risk exposure	**₱335,218,658**	₱308,191,616

**Excluding cash on hand*
***Pertains to receivable from sale of a subsidiary and accrued interest receivable.*
****Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position.*

The financial assets of the Group are neither past due nor impaired and have high probability of collection as of September 30, 2023 and December 31, 2022.

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

	September 30, 2023			
	High Grade	**Medium Grade**	**Standard Grade**	**Total**
Cash*	**₱16,963,956**	**₱–**	**₱–**	**₱16,963,956**
Trade and other receivables	**–**	**12,360,334**	**–**	**12,360,334**
Advances to related parties	**–**	**2,048,827**	**–**	**2,048,827**
Security deposits**	**–**	**7,000,619**	**–**	**7,000,619**
Cash in escrow	**296,844,923**	**–**	**–**	**296,844,923**
	₱313,808,879	**₱21,409,780**	**₱–**	**₱335,218,658**

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

	December 31, 2022			
	High Grade	Medium Grade	Standard Grade	Total
Cash*	₱3,890,986	₱–	₱–	₱3,890,986
Trade and other receivables	–	11,724,692	–	11,724,692
Advances to related parties	–	2,043,483	–	2,043,483
Security deposits**	–	7,000,619	–	7,000,619
Cash in escrow	283,531,836	–	–	283,531,836
	₱287,422,822	₱20,768,794	₱–	₱308,191,616,

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

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

The table below shows the maximum exposure to credit risk for the Group's financial instruments by credit rating grades:

	September 30, 2023			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Credit impaired)**	**Total**
Cash	**₱16,963,956**	**₱–**	**₱–**	**₱16,963,956**
Trade and other receivables	**12,360,334**	**–**	**–**	**12,360,334**
Advances to related parties	**2,048,827**	**–**	**–**	**2,048,827**
Security deposits	**7,000,619**	**–**	**–**	**7,000,619**
Cash in escrow	**296,844,923**	**–**	**–**	**296,844,923**
Total	**₱335,218,658**	**₱–**	**₱–**	**₱335,218,658**

	December 31, 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit impaired)	Total
Cash	₱3,890,986	₱–	₱–	₱3,890,986
Trade and other receivables	10,643,437	–	–	10,643,437
Advances to related parties	2,043,483	–	–	2,043,483
Security deposits	7,000,619	–	–	7,000,619
Cash in escrow	283,531,836	–	–	283,531,836
Total	₱307,110,361	₱–	₱–	₱307,110,361

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

The Group maintains a financial strategy to raise adequate capital, obtain long-term financing and when applicable, generate enough cash from its business operations to satisfy debt service requirements. As of September 30, 2023, management is undertaking the necessary steps to apply for an increase in authorized capital stock and convert its bridge financing to a long-term facility.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as of September 30, 2023 and December 31, 2022, based on contractual undiscounted payments. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments and liquidity.

	September 30, 2023			
	Due and Demandable	**Less Than One Year**	**More than One Year**	**Total**
Cash*	**₱16,963,956**	**₱–**	**–**	**₱16,963,956**
Trade and other receivables	**10,000,000**	**2,360,334**	**–**	**12,360,334**
Advances to related parties	**2,048,827**	**–**	**–**	**2,048,827**
Security deposits**	**–**	**199,158**	**₱6,801,461**	**7,000,619**
Cash in escrow	**–**	**–**	**296,844,923**	**296,844,923**
	29,012,783	**2,559,492**	**303,646,384**	**335,218,659**
Loans payable****	**–**	**7,464,866,953**	**983,025,939**	**8,447,892,892**
Trade and other liabilities***	**–**	**875,950,753**	**–**	**875,950,753**
Retention payable	**–**	**–**	**25,002,727**	**25,002,727**
Lease liabilities	**–**	**13,364,993**	**3,381,504**	**16,746,497**
Advances from related parties	**877,174,291**	**395,437,211**	**–**	**1,272,611,502**
	877,174,291	**8,749,619,910**	**1,011,410,170**	**10,638,204,371**
Liquidity gap	**(₱848,161,508)**	**(₱8,747,060,418)**	**(₱707,763,786)**	**(₱10,302,985,712)**

**Excluding cash on hand*

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

****Excluding statutory payables.*

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

	December 31, 2022			
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash*	₱3,890,986	₱–	₱–	₱3,890,986
Trade and other receivables	10,000,000	2,260,364	–	12,260,364
Advances to related parties	2,043,483	–	–	2,043,483
Security deposits**	–	199,158	6,801,461	7,000,619
Cash in escrow	–	–	283,531,836	283,531,836
	15,934,469	2,459,522	290,333,297	308,727,288
Loans payable****	–	6,857,612,580	1,156,348,532	8,013,961,112
Trade and other liabilities***	–	536,127,549	–	536,127,549
Retention payable	–	–	61,041,244	61,041,244
Lease liabilities	–	13,203,969	6,763,009	19,966,978
Advances from related parties	2,523,589,473	–	–	2,523,589,473
	2,523,589,473	7,406,944,095	1,224,152,785	11,154,686,356
Liquidity gap	(₱2,507,655,004)	(₱7,404,484,573)	(₱933,819,488)	(₱10,845,959,068)

**Excluding cash on hand*
***Presented under "Prepaid and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position.*
****Excluding statutory payables.*
*****Including contractual interest and excluding unamortized debt issue costs.*

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

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

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

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

	September 30, 2023		December 31, 2022	
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$6,271**	**₱354,777**	$6,271	₱349,635
Receivables	**10,357**	**585,965**	11,539	643,381
Cash in escrow	**5,135,561**	**296,844,923**	5,085,317	283,531,836
	5,152,189	**297,785,665**	5,107,990	284,524,852
Liabilities				
Loans payable	**15,000,000**	**848,625,000**	15,000,000	836,325,000
Advances from related parties	**6,998,240**	**395,925,433**	30,407,613	1,695,528,522
	21,998,240	**1,244,550,433**	$45,407,613	2,524,239,395
Total		**(₱946,764,768)**		(₱2,239,714,543)

As of September 30, 2023 and December 31, 2022, the closing exchange rate was ₱56.575 and ₱55.76 for each US$, respectively.

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

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
September 30, 2023	**Increase by 1.46%**	**(13,914,753)**
	Decrease by 1.46%	**13,914,753**
December 31, 2022	Increase by 9.32%	(₱154,691,659)
	Decrease by 9.32%	154,691,659

Capital Management

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

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

	September 30, 2023	December 31, 2022
Total debt	**₱7,021,047,290**	₱7,006,945,988
Total capitalization	**19,478,501,022**	16,528,333,220
	0.36:1	0.42:1

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

18. Commitments and Contingencies

License Agreement with PAGCOR

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

   i. *Debt-Equity Ratio Requirement*

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

June 30, 2023 and December 31, 2022, both LLI and LLC are in compliance with the debt-equity ratio requirement

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

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

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

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

As of June 30, 2023 and December 31, 2022, both LLI and LLC are in compliance with the debt-equity ratio requirement. Below is the report submitted to PAGCOR.

	June 30, 2023	December 31, 2022
LLI	**53%-47%**	50%-50%
LLC	**47%-53%**	46%-54%

ii. *Investment Commitments*

As required by the License, LLI is required to complete its US$300.0 million investment commitment in phases. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project. As of September 30, 2023 and December 31, 2022, capitalized costs related to the Project amounted to ₱7.8 billion and ₱7.6 billion, respectively (see Note 9).

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

iii. *Requirement to Establish a Foundation*

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

On August 16, 2017, LapuLapu Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by LLI as no gaming revenue has been recognized since its incorporation.

b) As discussed in Note 1, on August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone. The term of Clark's License shall be for a period of 15 years from issuance date or until July 11, 2033. On 5 October 2021, CGLC received approval from PAGCOR of its request to voluntarily suspend the Clark Provisional License. CGLC sought for the voluntary suspension of its license on the back of PHR's strategic plan to prioritize its resources towards the completion of Emerald Bay. On August 30, 2022, upon the request of CGLC due to ongoing strategic investor negotiations, PAGCOR's BOD approved the lifting of the voluntary suspension of Clark Provisional License. The License may be renewed subject to certain terms and conditions. Under the Clark Provisional License, CGLC shall, among others, comply with the following:

i. *Investment Commitments*

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

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

ii. *Debt-Equity Ratio Requirement*

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

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

As of June 30, 2023 and December 31, 2022, CGLC's debt-equity ratio are 20-80% and 18%-82%, respectively, which are in compliance with the ratio requirement.

iii. *Requirement to Establish a Foundation*

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized since its incorporation.

c) Compliance with Provisional License

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

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

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

As of September 30, 2023 and December 31, 2022, the Group's cash in escrow amounted to ₱296.8 million and ₱283.5 million, respectively. The Group partially utilized the cash in escrow for the development of the project.

19. Loss Per Share

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

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

	Nine months ended	
	September 30, 2023	September 30, 2022
Net loss attributable to the equity holders of the Parent Company	**(₱2,202,678,226)**	(₱549,290,562)
Divided by weighted average number of common shares of Parent Company	**7,282,017,027**	7,282,017,027
	(₱0.3025)	(₱0.0754)

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

20. Segment Information

Segment information is prepared on the following bases:

Business Segments

The business segments pertain mainly to hotel and restaurant activities. Assets and processes related to other business activities such as gaming are still not operational as of reporting period. For management purposes, the Group is organized into two business activities - Hotel and restaurant and others. This segmentation is the basis upon which the Group reports its primary segment information.

Business Segment Data

Hotel and restaurant segment comprise revenues from hotel and restaurant activities and other incidental services related thereto. The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments:

	September 30, 2023			
	Hotels and Restaurant	**Others**	**Eliminations**	**Total**
Revenue	**₱19,412,591**	**₱99,514,170**	**(₱99,514,170)**	**₱19,412,591**
Results				
Direct costs and expenses	**(9,377,199)**	**–**	**–**	**(9,377,199)**
Operating expenses	**(11,214,334)**	**(88,311,873)**	**–**	**(99,526,207)**
Foreign exchange gain - net	**–**	**(13,621,286)**	**–**	**(13,621,286)**
Depreciation	**(5,759,237)**	**(10,275,360)**	**–**	**(16,034,597)**
Interest expense	**(69,747,497)**	**(2,028,589,198)**	**–**	**(2,098,336,695)**
Interest income	**864**	**10,190,458**	**–**	**10,191,321**
Income tax expense	**(173)**	**(2,523,764)**	**–**	**(2,523,937)**
Benefit from deferred tax	**450,326**	**(156,323)**	**–**	**294,002**
Other non-operating income - net	**6,848,267**	**(4,487)**	**–**	**6,843,780**
Net loss	**(₱69,386,393)**	**(₱2,033,777,665)**	**(₱99,514,169)**	**(₱2,202,678,226)**
Assets and liabilities				
Operating assets	**₱1,598,494,046**	**₱40,258,217,347**	**(₱22,970,558,541)**	**₱18,886,152,852**
Operating liabilities	**₱640,345,381**	**₱12,986,749,167**	**(₱8,937,009,194)**	**₱4,690,085,354**
Loans payable	**972,422,290**	**6,048,625,000**	**–**	**7,021,047,290**
Advances for future stock subscriptions	**–**	**2,606,486,500**	**–**	**2,606,486,500**
Deferred tax liabilities	**81,415,237**	**833,286,440**	**–**	**914,701,676**
Total liabilities	**₱1,694,182,908**	**₱22,475,147,107**	**(₱8,937,009,194)**	**₱15,232,320,820**

	September 30, 2022			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱–	₱99,513,882	(₱99,513,882)	₱–
Results				
Direct costs and expenses	–	–	–	–
Operating expenses	(3,695,803)	(86,080,505)	–	(89,776,308)
Foreign exchange gain – net	4,122	(352,448,715)	–	(352,444,593)
Depreciation	(5,743,219)	(17,347,807)	–	(23,091,026)
Interest expense	(54,832,547)	(678,279,219)	593,108,524	(87,108,497)
Interest income	344	1,209,635	–	1,209,979
Income tax expense	(69)	(1,176,999)	–	(1,177,068)
Benefit from deferred tax	450,326	1,375,111	–	1,825,437
Other non-operating expense – net	1,111,345	160,169	–	1,271,514
Net loss	(₱62,705,501)	(₱1,033,074,447)	₱493,594,642	(₱549,290,562)
Assets and liabilities				
Operating assets	₱1,523,128,242	₱41,132,898,068	(₱24,176,716,562)	₱18,479,309,748
Deferred tax asset	–	–	–	–
Total assets	₱1,523,128,242	₱41,132,898,068	(₱24,176,716,562)	₱18,479,309,748
Operating liabilities	₱555,778,823	₱15,691,555,344	(₱10,643,700,761)	5,603,633,406
Loans payable	970,020,554	6,090,518,526	–	7,060,539,080
Deferred tax liabilities	65,114,032	699,024,195	–	764,138,227
Total liabilities	₱1,590,913,409	₱22,481,098,064	(₱10,643,700,761)	₱13,428,310,713

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

The following management's discussion and analysis relate to the condensed consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of September 30, 2023 and December 31, 2022, and for the nine months ended September 30, 2023 and 2022.

2.1 Overview and Plan of Operation

Plan of Operations

The Company is expected to rely on the following sources of liquidity for the next 12 months: (1) shareholder advances and/or paid-up capital; and (2) funding from a strategic partner.

Strategic investor discussions are ongoing with several parties. Due diligence is ongoing and in various stages of completion.

LLI and LLC. Co-licensees for a PAGCOR Casino License in connection with the construction of Emerald Bay, an integrated tourism resort to be located on a 12.4-hectare site in Mactan Island, Lapu-Lapu, Cebu. Construction commenced in December 2017 and upon completion, it will benefit from a 7-year exclusivity period in LapuLapu City. LapuLapu Leisure Inc. leases the site from LapuLapu Land Corporation. Emerald Bay will be constructed in two phases. The Company is recasting its construction timetables and the opening date of the first phase. Current construction activity is minimal on a deliberate basis due to potential changes in specifications.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). On October 5, 2021, CGLC received approval from PAGCOR for its request to voluntarily suspend its Provisional License in connection with the Group's strategic plan to prioritize its resources towards the completion of Emerald Bay. On August 30, 2022, upon the request of CGLC due to ongoing strategic investor negotiations, PAGCOR's BOD approved the lifting of the voluntary suspension of the Clark Provisional License.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the resort in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a wine cellar. In October 2021, in a proactive response to preserve the Group's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations were not achieved. In December 2021, Typhoon Odette caused some damage to several villas of the Donatela Resort along with the landscaping. In December 2022, Donatela was reopened after necessary repairs and maintenance were made to the villas, pool and resort facilities. This was funded by additional shareholder advances. Currently, Donatela has opened 8 of the 12 villas. Group hotel and/or restaurant bookings have allowed the Donatela Resort to cover operating expenses, payroll and basic resort maintenance.

The other entities within the Group have no material operations as of September 30, 2023 and December 31, 2022.

2.2 Key Performance Indicators and Relevant Ratios

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

			For the nine months ended September 30	
I. PROFITABILITY			**2023**	2022
Basic Loss per Share	=	Net income (loss) – Preferred dividends	(2,202,678,226)	(549,290,562)
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.		Weighted average number of common shares outstanding	7,282,017,027	7,282,017,027
			(0.3025)	(0.0754)
Return on Total Assets	=	Net income (loss)	(2,202,678,226)	(549,290,562)
It measures efficiency of the Group in using its assets to generate net income.		Total Assets	18,886,152,852	18,479,309,748
			(11.66%)	(2.97%)
Return on Equity	=	Net income (loss)	(2,202,678,226)	(549,290,562)
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		Stockholder's Equity	3,653,832,033	5,050,999,035
			(60.28%)	(10.87%)

			September 30, 2023	December 31, 2022
II. FINANCIAL LEVERAGE				
Liabilities to Assets Ratio	=	Total Liabilities	15,232,320,820	13,107,764,580
It measures the degree to which the assets of the business are financed by the debt and the shareholders' equity of a business.		Total Assets	18,886,152,852	18,634,694,839
			0.8065	0.7034
Debt to Capitalization Ratio	=	Total Debt	7,021,047,290	7,006,945,988
It measures the degree to which a company is financing its operations through debt versus total capitalization.		Total Capitalization	19,478,501,022	16,528,333,220
			0.3605	0.4239

Liabilities to Equity Ratio	=	Total Liabilities	15,232,320,820	13,107,764,580
		Shareholder's Equity	3,653,832,033	5,526,930,259
It measures the degree to which a company is financing its operations through debt versus wholly owned funds.			4.1689	2.3716

Asset to Equity Ratio	=	Total Assets	18,886,152,852	18,634,694,839
		Shareholder's Equity	3,653,832,033	5,526,930,259
It relates to the proportion of total assets financed by the Group's equity.			5.1689	3.3716

III. MARKET VALUATION

Price to Book Ratio	=	Market value/share	0.6000	0.8200
		Book value/share	0.5018	0.7590
Relates the Group's stock market value to its book value per share			1.1957	1.0804

IV. LIQUIDITY

Current Ratio	=	Current assets	43,015,254	29,435,394
		Current liabilities*	10,700,149,354	10,973,139,741
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.			0.0040	0.0027

IV. INTEREST RATE COVERAGE RATIO

			For the nine months ended September 30	
			2023	2022
Interest Coverage Ratio	=	EBIT	(102,111,596)	(462,830,434)
		Interest Expense	2,098,336,695	87,108,497
It measures the Group's ability to pay interest on its outstanding debt.			(0.05x)	(5.31x)

**Current liabilities include a bridge loan facility._In October 2023, the Group was able to successfully restructure their existing outstanding indebtedness with China Banking Corp. ("Chinabank"), through the execution of agreements for the sale, leaseback, with option to buyback certain land and improvements of Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC; the "Restructuring"). This Restructuring covers the property of LLI and LLC in Lapulapu City, Mactan, Cebu, with an area of approximately 12.4 hectares, plus improvements. The Restructuring also allows LLI and LLC to repay the Peso Bridge Loan Facility extended by Chinabank in 2018, while granting them continued possession and use over the property in order to finish the construction and development of the Emerald Bay Project. In addition, the option to buyback of the Restructuring allows LLI and*

LLC or their nominees to reacquire the properties. Advances from a related party of ₱395.4 million, which is classified as a current liability as of September 30, 2023 and December 31, 2022, was extended to June 2024 in April 2023.

2.3 Results of Operations

Operating Results for the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

	FOR THE NINE MONTHS ENDED SEPTEMBER 30		HORIZONTAL ANALYSIS Change from Prior Year		VERTICAL ANALYSIS % to Revenues	
	2023	2022	Amount	% of Change	2023	2022
NET OPERATING REVENUES						
Rooms	11,419,906	-	11,419,906	100.00%	59.00%	0.00%
Food and beverage	7,106,851	-	7,106,851	100.00%	37.00%	0.00%
Others	885,835	-	885,835	100.00%	5.00%	0.00%
	19,412,592	-	19,412,592	100.00%	100.00%	0.00%
DIRECT COSTS AND EXPENSES						
Salaries and wages	3,302,377	-	3,302,377	100.00%	17.00%	0.00%
Inventories consumed	3,077,409	-	3,077,409	100.00%	16.00%	0.00%
Other costs and expenses	2,997,413	-	2,997,413	100.00%	15.00%	0.00%
	9,377,199	-	9,377,199	100.00%	48.00%	0.00%
GROSS INCOME	10,035,393	-	10,035,393	100.00%	52.00%	0.00%
OPERATING EXPENSES	115,560,804	112,867,334	2,693,470	2.39%	595.00%	0.00%
OPERATING LOSS	(105,525,411)	(112,867,334)	7,341,923	-6.50%	-544.00%	0.00%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(2,098,336,695)	(87,108,497)	(2,011,228,198)	2308.88%	-10809.00%	0.00%
Foreign exchange loss - net	(13,621,286)	(352,444,593)	338,823,307	-96.14%	-70.00%	0.00%
Interest income	10,191,321	1,209,979	8,981,342	742.27%	52.00%	0.00%
Other income - net	6,843,780	1,271,514	5,572,266	438.24%	35.00%	0.00%
	(2,094,922,880)	(437,071,597)	(1,657,851,283)	379.31%	-10792.00%	0.00%
LOSS BEFORE INCOME TAX	(2,200,448,291)	(549,938,931)	(1,650,509,360)	300.13%	-11335.00%	0.00%
PROVISION FOR (BENEFIT FROM) INCOME TAX	2,229,935	(648,369)	2,878,304	-443.93%	11.00%	0.00%
NET LOSS	(2,202,678,226)	(549,290,562)	(1,653,387,664)	301.00%	-11347.00%	0.00%
OTHER COMPREHENSIVE INCOME	-	-	-	0.00%	0.00%	0.00%
TOTAL COMPREHENSIVE LOSS	(2,202,678,226)	(549,290,562)	(1,653,387,664)	301.00%	-11347.00%	0.00%
Basic and Diluted Loss Per Share	(0.3025)	(0.0754)	(0.2271)	301.00%	0.00%	0.00%

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

NET OPERATING REVENUES

For the first nine months of 2023 (9ME2023), the Group reported revenues of ₱19.4 million versus nil in the same period last year (9ME2022).

The Donatela Resort & Sanctuary was temporarily closed in October 2021 up to mid-December 2022 due to the COVID-19 pandemic and onslaught of Typhoon Odette in December 2021 that damaged several villas and landscaping. It successfully reopened on December 15, 2022 after necessary repairs and maintenance were made to the villas, pool and resort facilities.

DIRECT COSTS AND EXPENSES

Direct costs and expenses pertaining to operations of the Donatela Resort & Sanctuary were ₱9.4 million for 9ME2023 versus nil (due to the resort's temporary closure) in the same period last year.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of Emerald Bay, operations of Donatela Resort & Sanctuary and other organizational expenses. Operating expenses increased by ₱2.7 million (+2.4%) to ₱115.6 million for 9ME2023. This is largely due to higher recorded PAGCOR penalties of ₱28.7 million (vs. ₱9.1 million the previous period) mainly as a result of the lifting of the suspension of CGLC's Provisional License in August 2022. This was partially offset by the decreases in salaries expense (-P9.4 million; -17.6%), depreciation and amortization (-P7.1 million; -30.6%) and professional fees related to fundraising (-P4.5 million; -34.7%).

NON-OPERATING EXPENSES

Interest Expense

Interest expense incurred on borrowings increased to ₱2.10 billion from ₱87.1 million the previous year. Due to no construction activity in Emerald Bay, interest charges on the Chinabank construction loan and intercompany advance for 9ME2023 were not capitalized to CIP and included as part of interest expense in the statement of financial performance.

Interest income

Interest income increased to ₱10.2 million from ₱1.2 million in 2022 due to higher returns on the escrow balance maintained at Chinabank.

Foreign exchange gain (loss)

The Group reported forex losses of ₱13.6 million for 9ME2023 on the USD-denominated intercompany advance and Chinabank escrow loan, 96.1% lower than the ₱352.4 million forex losses recorded for 9ME2022. The Philippine Peso weakened against the US Dollar settling at ₱56.58 as of September 30, 2023 (versus ₱55.76 as of end-2022). During the same period in 2022, it weakened against the US Dollar settling at ₱58.63 as of September 30, 2022 (versus ₱51.00 as of end-2021).

PROVISION FOR/ (BENEFIT FROM) INCOME TAX

The Group recorded a provision for income tax of ₱2.2 million for 9ME2023, a reversal from the ₱0.6 million benefit from income tax recorded in the same period last year. This was a result of unrealized gains on foreign exchange movements.

NET LOSS

The Group's net loss widened by ₱1.65 billion to ₱2.20 billion driven by higher reported interest expense of ₱2.10 billion (versus ₱87.1 million for 9ME2022).

EARNINGS/ (LOSS) PER SHARE

Loss per share increased to ₱0.3025 for 9ME2023 from ₱0.0754 for the same period last year due to higher net loss for the period.

Financial Position
(Comparison of September 30, 2023 and December 31, 2022)

	September 30,	December 31,	HORIZONTAL ANALYSIS Movement from prior period		VERTICAL ANALYSIS % of Total Assets/Liabilities & Equity	
	2023	**2022**	Change in Peso	Change in %	2023	2022
ASSETS						
Current Assets						
Cash	16,988,996	3,940,986	13,048,010	331.08%	0.09%	0.02%
Trade and other receivables	12,360,334	12,260,364	99,970	0.82%	0.07%	0.07%
Advances to related parties	2,048,827	2,043,483	5,344	0.26%	0.01%	0.01%
Inventories - at cost	1,588,334	1,420,143	168,191	11.84%	0.01%	0.01%
Prepayments and other current assets	10,028,763	9,770,418	258,345	2.64%	0.05%	0.05%
Total Current Assets	43,015,254	29,435,394	13,579,860	46.13%	0.23%	0.16%
Noncurrent Assets						
Property and equipment						
Construction-in-progress and others - at cost	8,381,545,371	8,189,948,805	191,596,566	2.34%	44.38%	43.95%
Land - at revalued amount	8,750,524,672	8,750,524,672	-	0.00%	46.33%	46.96%
Right-of-use assets	13,758,241	14,577,640	(819,399)	-5.62%	0.07%	0.08%
Deposit for future property acquisition	66,812,449	61,812,449	5,000,000	8.09%	0.35%	0.33%
Cash in escrow	296,844,923	283,531,836	13,313,087	4.70%	1.57%	1.52%
Input value-added tax	751,276,362	707,229,349	44,047,013	6.23%	3.98%	3.80%
Advances to contractors	522,686,990	541,414,935	(18,727,945)	-3.46%	2.77%	2.91%
Other noncurrent assets	59,688,590	56,219,759	3,468,831	6.17%	0.32%	0.30%
Total Noncurrent Assets	18,843,137,598	18,605,259,445	237,878,153	1.28%	99.77%	99.84%
TOTAL ASSETS	18,886,152,852	18,634,694,839	251,458,013	1.35%	100.00%	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	6,181,484,395	6,036,325,000	145,159,395	2.40%	32.73%	32.39%
Trade and other payables	2,399,668,635	1,668,901,937	730,766,698	43.79%	12.71%	8.96%
Advances from related parties	1,106,660,487	2,255,706,454	(1,149,045,967)	-50.94%	5.86%	12.10%
Current portion of lease liabilities	12,335,837	12,206,350	129,487	1.06%	0.07%	0.07%
Deposits payable	1,000,000,000	1,000,000,000	-	0.00%	5.29%	5.37%
Total Current Liabilities	10,700,149,354	10,973,139,741	(272,990,387)	-2.49%	56.66%	58.89%
Noncurrent Liabilities						
Retention payable	25,002,727	61,041,244	(36,038,517)	-59.04%	0.13%	0.33%
Lease liabilities - net of current portion	5,532,334	6,618,396	(1,086,062)	-16.41%	0.03%	0.04%
Loans payable - net of current portion	839,562,895	970,620,988	(131,058,093)	-13.50%	4.45%	5.21%
Deferred tax liabilities	914,701,676	914,995,679	(294,003)	-0.03%	4.84%	4.91%
Advances for future stock subscription	2,606,486,500	-	2,606,486,500	100.00%	13.80%	0.00%
Accrued interest payable	140,885,334	181,348,532	(40,463,198)	-22.31%	0.75%	0.97%
Total Noncurrent Liabilities	4,532,171,466	2,134,624,839	2,397,546,627	112.32%	24.00%	11.46%
Total Liabilities	15,232,320,820	13,107,764,580	2,124,556,240	16.21%	80.65%	70.34%
Equity						
Capital stock	7,282,017,027	7,282,017,027	-	0.00%	38.56%	39.08%
Additional paid-in capital	1,629,450,205	1,629,450,205	-	0.00%	8.63%	8.74%
Deposit for future stock subscription	939,500,000	609,920,000	329,580,000	54.04%	4.97%	3.27%
Equity reserve	(4,126,935,056)	(4,126,935,056)	-	0.00%	-21.85%	-22.15%
Revaluation surplus	2,741,696,789	2,741,696,789	-	0.00%	14.52%	14.71%
Deficit	(4,811,896,932)	(2,609,218,706)	(2,202,678,226)	84.42%	-25.48%	-14.00%
Total Equity	3,653,832,033	5,526,930,259	(1,873,098,226)	-33.89%	19.35%	29.66%
TOTAL LIABILITIES AND EQUITY	18,886,152,852	18,634,694,839	251,458,013	1.35%	100.00%	100.00%

The assets, liabilities and equity presented in the statement of financial position resulted mainly from the capital investments, project construction, business acquisitions, loan borrowings, group restructuring in 2018, and pre-operating activities of the Group from 2017 to September 30, 2023.

CURRENT ASSETS

The Group's current assets increased by ₱13.6 million (+46.1%) to ₱43.0 million due to the increase in the cash balance to ₱17.0 million as of September 30, 2023 from ₱3.9 million as of end-2022.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱237.9 million (+1.3%) to ₱18.84 billion. This resulted from the increases in: (i) construction-in-progress by ₱191.6 million (+2.3%); (ii) input VAT by ₱44.0 million (+6.2%); (iii) cash in escrow by ₱13.3 million (+4.7%); (iv) deposit for future property acquisition by ₱5.0 million (+8.1%); and (v) other noncurrent assets by ₱3.5 million (+6.2%). These were partially offset by the decreases in advances to contractors by ₱18.7 million (-3.5%); and (ii) right-of-use assets by ₱0.8 million (-5.6%).

Construction-in-progress increased by ₱191.6 million (+2.3%) to ₱8.38 billion after final billings were received and verification and reconciliation of work done by a contractor was completed.

Input-value added tax increased by ₱44.0 million (+6.2%) to ₱751.3 million due to the additional VAT paid on operating expenses and construction-related billings, which will be utilized against the Group's output VAT upon the start of operations.

Cash in escrow, denominated in USD, increased by ₱13.3 million (+4.7%) to ₱296.8 million due to foreign exchange gains.

Deposit for future property acquisition increased by ₱5.0 million (+8.1%) to ₱66.8 million due to a scheduled payment for land previously acquired by DHPC.

Other noncurrent assets increased by ₱3.5 million (+6.2%) to ₱59.7 million due to the recognition of additional creditable withholding tax on lease of land.

Advances to contractors were lower by ₱18.7 million (-3.5%) at ₱522.7 million as a result of the application of these advances against the progress billings of contractors.

Right-of-use assets decreased by ₱0.8 million (-5.6%) to ₱13.8 million owing to depreciation.

CURRENT LIABILITIES

The Group's current liabilities were lower by ₱273.0 million (-2.5%) at ₱10.70 billion. This was mainly due to the decrease in advances from related parties by ₱1.15 billion (-50.9%). This was partially offset by the increase in: (i) trade and other payables by ₱730.8 million (+43.8%); and (ii) loans payable by ₱145.2 million (+2.4%).

Advances from related parties were lower by ₱1.15 billion (-50.9%) at ₱1.11 billion as a result of partial repayments (from proceeds of deposits / advances for future stock subscription from Udenna Corporation) made in March to September 2023.

Trade and other payables increased by ₱730.8 million (+43.8%) to ₱2.40 billion due to additional contractor billings, accrued interest for the period and the reclassification of a portion of the interest payable on the Group's long-term loan from noncurrent to current.

Loans payable were higher by ₱145.2 million (+2.4%) at ₱6.18 billion due to the reclassification of a portion of the Group's long-term debt to current.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities increased by ₱2.40 billion (+112.3%) to ₱4.53 billion mainly due to advances for future stock subscription received from Udenna Corporation in April to September 2023 totaling P2.61 billion. This was partially offset by the decreases in: (i) the noncurrent portion of loans payable by ₱131.1 million (-13.5%); (ii) retention payable by ₱36.0 million (-59.0%); (iii) accrued interest payable by ₱40.5 million (-22.3%); and (iii) noncurrent portion of lease liabilities by ₱1.1 million (-16.4%).

Advances for future stock subscription totaling ₱2.61 billion received from Udenna Corporation in April to September 2023 were used to reduce advances from a related party.

Noncurrent portion of loans payable decreased by ₱131.1 million (-13.5%) to ₱839.6 million due to the reclassification of a portion of the Group's long-term debt to current.

Retention payable decreased by ₱36.0 million (-59.0%) to ₱25.0 million as a portion relating to verified work done by a contractor was reclassified to Accounts payable.

Accrued interest payable decreased by ₱40.5 million (-22.3%) to ₱140.9 million as a portion of the interest payable on the Group's long-term loan was reclassified as current.

Noncurrent portion of lease liabilities decreased by ₱1.1 million (-16.4%) to ₱5.5 million owing to amortization.

EQUITY

The Group's equity decreased by ₱1.87 billion (-33.9%) to ₱3.65 billion due to the net loss reported for the period, partially offset by a deposit for future stock subscription of ₱329.6 million received from Udenna Corporation in March 2023.

2.4 Liquidity and Capital Structure

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

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

Below is the table of consolidated cash flows of the Group for the nine months ended September 30, 2023 and 2022.

	For the 9-month period ending September 30		Movement from prior period	
	2023	**2022**	Change in Peso	Change in %
Net cash used in operating activities	(41,673,501)	(76,312,786)	34,639,285	-45.39%
Net cash provided by (used in) investing activities	12,859,379	(7,310,112)	20,169,491	-275.91%
Net cash provided by (used in) financing activities	41,863,319	36,158,660	5,704,659	15.78%
Net increase (decrease) in cash and cash equivalents	13,049,197	(47,464,238)	60,513,435	-127.49%
Effect of foreign exchange on cash and cash equivalents	(1,187)	68,242	(69,429)	-101.74%
Cash and cash equivalents at beginning of period	3,940,986	53,061,387	(49,120,401)	-92.57%
Cash and cash equivalents at end of period	16,988,996	5,665,391	11,323,605	199.87%

Net cash used in operating activities of ₱41.7 million (vs ₱76.3 million for 9ME2022) primarily represents payment of operating and pre-development expenses.

Net cash provided by investing activities of ₱12.9 million for 9ME2023 mainly came from the interest earned on the underlying investment of escrow balance. Net cash used in investing activities of ₱7.3 million for 9ME2022 pertain to construction-related spending on Emerald Bay.

Net cash provided by financing activities of ₱41.9 million for 9ME2023 came from ₱2.94 billion deposits / advances for future stock subscription from Udenna Corporation and ₱41.9 million advances from a related party, which were largely offset by ₱2.94 billion partial repayments of advances from a related party.

Net cash provided by financing activities was ₱36.2 million for 9ME2022, which included a ₱1.00 billion deposit from a potential investor, ₱562.4 million deposits for future stock subscription from Udenna Corporation, ₱72.5 million advances from a related party, and a ₱14.7 million short-term loan. These were largely offset by ₱1.56 billion partial repayments of advances from a related party and ₱51.0 million payment of documentary stamp tax related to loan extensions.

Capital Sources

Below is the table showing the Group's capital sources as of September 30, 2023 and December 31, 2022.

	As of		Movement from prior period	
	September 30, 2023	**December 31, 2022**	Change in Peso	Change in %
Loans payable	7,021,047,290	7,006,945,988	14,101,302	0.20%
Advances from related party	395,437,211	1,579,219,912	(1,183,782,701)	-74.96%
Advances for future stock subscription	2,606,486,500	-	2,606,486,500	-
Deposit for future stock subscription	939,500,000	609,920,000	329,580,000	54.04%
Capital stock	7,282,017,027	7,282,017,027	-	0.00%
Additional paid-in capital	1,629,450,205	1,629,450,205	-	0.00%
Total	19,873,938,233	18,107,553,132	1,766,385,101	9.75%

In March 2023, PH Resorts received deposits for future stock subscription from Udenna Corporation amounting to ₱329.58 million. On March 30, 2023, PH Resorts and Udenna Corporation executed a Memorandum of Agreement for the subscription of 329.58 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 June 30, 2023.

From April to September 2023, PH Resorts received advances for future stock subscription from Udenna Corporation totaling ₱2.61 billion. These are presented as "Advances for future stock subscription" under Noncurrent Liabilities in the consolidated statement of financial position as of September 30, 2023

The Company is expected to rely on the following sources of liquidity for the next 12 months: (1) shareholder advances and/or paid-up capital; and (2) funding from a strategic partner.

Strategic investor discussions are ongoing with several parties. Due diligence is ongoing and in various stages of completion.

In October 2023, Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC) signed a non-exclusive and non-binding Memorandum of Understanding ("MoU") with Cebu-based property developer AppleOne Properties, Inc ("AppleOne"). The MoU establishes broad parameters whereby AppleOne can make an investment in LLI and LLC, with the intention of obtaining at least a majority of the equity interest in the LLI and LLC, or an asset purchase of the land and improvements of the Emerald Bay Project. The consideration for the investment and resulting percentage of ownership are still subject to final negotiations by the Parties, which are expected to be completed within sixty (60) days, based on the MoU.

2.5 Risk Related to Financial Instruments

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

2.6 Other Financial Information

Aging of Trade and other receivables

The Group's trade and other receivables of ₱12.3 million are all current and not past due as of September 30, 2023.

Dividends

No dividends were declared for the nine months ended September 30, 2023 and year ended December 31, 2022.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None.

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

None.

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

None.

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

In 2021, the Philippines has been under different levels of community quarantine to contain the Covid-19 outbreak, the most restrictive of which was the enhanced community quarantine re-imposed in the third quarter of that year. This continued in the first quarter of 2022.

The Group reported net operating revenues of ₱19.4 million and nil for the nine-month period ending September 30, 2023 and 2022, respectively. The Donatela Resort & Sanctuary was temporarily closed due to the COVID-19 pandemic. In October 2021, in a proactive response to preserve the Company's resources and in response to the return of Enhanced Community Quarantine (ECQ) restrictions in the National Capital Region (NCR) and certain adjacent provinces, management decided to temporarily close the property until further reassessment of the situation. At that time, existing bookings were cancelled and the expected number of reservations were not achieved. In December 2021, Typhoon Odette caused some damage to several villas of the Donatela Resort along with the landscaping. In December 2022, Donatela was reopened after necessary repairs and maintenance were made to the villas, pool and resort facilities. This was funded by additional shareholder advances. Currently, Donatela has reopened 8 of the 12 villas and plans to reopen the remaining villas depending on market demand. Group hotel and/or restaurant bookings have allowed the Donatela Resort to cover operating expenses, payroll and basic resort maintenance.

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

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

Seasonal Aspects that have a Material Effect on the Financial Statements

None.

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

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

The Company is expected to rely on the following sources of liquidity for the next 12 months: (1) shareholder advances and/or paid-up capital; and (2) funding from a strategic partner.

Strategic investor discussions are ongoing with several parties. Due diligence is ongoing and in various stages of completion.

In October 2023, Lapulapu Leisure Inc. and Lapulapu Land Corp. (LLI and LLC) signed a non-exclusive and non-binding Memorandum of Understanding ("MoU") with Cebu-based property developer AppleOne Properties, Inc ("AppleOne"). The MoU establishes broad parameters whereby AppleOne can make an investment in the Subsidiaries, with the intention of obtaining at least a majority of the equity interest in the Subsidiaries, or an asset purchase of the land and improvements of the Emerald Bay Project. The consideration for the investment and resulting percentage of ownership are still subject to final negotiations by the Parties, which are expected to be completed within sixty (60) days, based on the MoU.

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

Incorporated in the discussion under "Plan of Operations" and "Financial Position"

PART II. OTHER INFORMATION

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

SIGNATURES

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

PH RESORTS GROUP HOLDINGS, INC.

By:

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN ESCALONA
President and Chief Executive Officer

LARA C. LORENZANA
Chief Financial Officer

Signed this 13 day of November 2023