

COVER SHEET

PH RESORTS GROUP HOLDINGS, INC.

Company's Full Name

GGDC Administrative Services Building,

Clark Global City, Clark Freeport Zone

Pampanga, Philippines

Company's Address: No./Street/City/Town/Province

(632) 403-4015

Company's Telephone Number

31 December

Fiscal Year Ending

(Month & Day)

*DEFINITIVE INFORMATION STATEMENT*

SEC Form 20-IS

FORM TYPE

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Cashier

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**EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER**

(State "NONE" if that is the case)





### **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**TO: ALL SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the annual stockholders' meeting of **PH Resorts Group Holdings, Inc.** (the "**Corporation**") will be held on **23 May 2019, Thursday, at 11 o'clock, at Quest Hotel and Conference Center, Clark, Filinvest Mimosa + leisure estate, Mimosa Dr, Clark Freeport, zone, 2023 Pampanga**, for the purpose of taking up the following:

#### **AGENDA**


1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of Minutes of Meeting of Stockholders held on 25 June 2018
5. Report of the President
6. Management Report
7. Approval of the Audited Financial Statements as of 31 December 2018
8. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period 25 June 2018 to 30 April 2019
9. Approval of the Amendments of the Articles of Incorporation of the Corporation for the following matters:
  - To change the principal office of the Corporation is located from GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines 2023 to Udenna Tower, 4th Ave. cor. Rizal Drive, Bonifacio Global City, Taguig City
  - To increase the authorized capital stock of the Corporation from Php 8,000,000,000 to up to Php15,000,000,000 divided into 15,000,000,000 common shares or as determined by the Board of Directors.
10. Approval of the Amendment of the By-Laws of the Corporation to change date of the annual shareholders meeting from any the 3<sup>rd</sup> Wednesday of June to the 3<sup>rd</sup> Wednesday of May.
11. Approval of the merger of the Company with its subsidiary, PH Travel and Leisure Holdings Corp.
12. Approval of the acquisition of 100% of the issued and outstanding common shares of Lapulapu Land Corp. by the Company's subsidiary, Lapulapu Leisure, Inc. at the consideration determined by the Board of Directors
13. Approval of the grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription and the listing of such shares with the Philippine Stock Exchange.
14. Approval of issuance of shares pursuant to an equity offering, private placement, or similar transaction to be determined by the Board and the listing of such shares.
15. Approval by the stockholders of the Employee Stock Incentive Plan.
16. Election of the Board of Directors for 2019.
17. Appointment of External Auditors
18. Other Matters
19. Adjournment



In accordance with the rules of the Philippine Stock Exchange, only stockholders of record as of 3 May 2019 are entitled to notice of and to vote as such in the annual shareholders' meeting and any adjournment thereof. Registration for those who are personally attending the meeting will start at 9:00 am and end promptly at 10:30 am on 23 May 2019. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation. All proxies should be received by the Corporation **at least four (4) business days** before the meeting, or on or before 17 May 2019. Proxies submitted will be validated by a Committee of Inspectors on 20 May 2019 at 10:00 o'clock in the morning. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card. Attendees unable to present identification document upon registration shall not be admitted to the meeting.

5 April 2019.

  
**LEANDRO E. ABARQUEZ**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
[ ] Preliminary Information Statement  
[ ☒ ] Definitive Information Statement
2. Name of Registrant as specified in its charter: **PH RESORTS GROUP HOLDINGS INC.**
3. Country of incorporation: **PHILIPPINES**
4. SEC Identification Number: **CS200901269**
5. BIR Tax Identification Code: **007-236-853-000**
6. Address of principal office:  
**GGDC Administrative Services Building,  
Clark Global City, Clark Freeport Zone,  
Pampanga, Philippines** Postal Code: **2023**
7. Registrant's telephone number, including area code: **(632) 403-4015**
8. Date, time and place of the meeting of security holders:  
**23 May 2018 (Thursday), 11:00 a.m.;**  
**Quest Hotel and Conference Center, Clark**  
Filinvest Mimosa + leisure estate,  
Mimosa Dr, Clark Freeport, zone, 2023 Pampanga
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
**2 May 2019**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA  
(information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class               | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|-----------------------------------|---|
| <b>Common Stock, ₱1 par value</b> | <b>4,793,266,504 shares</b>   |
11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

There are 243,241,504 common shares in the Company that are listed in the Philippine Stock Exchange.

**PART I.**  
**INFORMATION REQUIRED IN THE INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time, and Place of Meeting of Security Holders**

Date : 23 May 2019  
Time : 11:00 a.m.  
Place : **Quest Hotel and Conference Center, Clark**  
Filinvest Mimosa + leisure estate,  
Mimosa Dr, Clark Freeport, zone, 2023 Pampanga  
Principal: GGDC Administrative Services Bldg.  
Office Clark Global City, Clark Freeport Zone,  
Pampanga Philippines

The approximate date on which the information statement and proxy form will be sent to all shareholders is on 2 May 2019.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US  
A PROXY**

**Item 2. Dissenter's Right of Appraisal**

The stockholders of the Company may exercise the right of appraisal with respect to the actions to be taken up at the meeting pursuant to Title X on Section 80 governing the exercise of Appraisal Rights under the Revised Corporation Code of the Philippines which states that:

"Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this code; and
3. In case of merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

There is no matter to be taken up which will give rise to the exercise of this right.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than elections to office.

The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

As of 31 March 2019, there are 4,793,266,504 shares of PH Resorts Group Holdings, Inc. common stock outstanding and entitled to vote at the Annual Stockholders' Meeting. Each common share shall be entitled to one (1) vote. Only holders of the Company's stock of record at the close of business on 3 May 2019, acting in person or by proxy on the day of the meeting, are entitled to notice and to vote at the Annual Stockholders' Meeting to be held on 23 May 2019.

Cumulative voting is allowed for election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

#### a. Security Ownership of Certain Record and Beneficial Owners

The following table presents the record/beneficial owners known to the Company who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company as of 31 March 2019\*\*\*\*.

Title of Class of Shares Held	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Held
Common	Udenna Corporation	Dennis A. Uy / Cherylyn C. Uy	Filipino	4,313,927,702	90%

#### b. Security Ownership of Management

As of 31 March 2019, the shares owned of record or beneficially by the directors and the executive officers are as follows:

Title of Class	Name of Beneficial Owner of Common Stock	Nature of Beneficial Ownership (D) Direct / (I) Indirect	Citizenship	No. Of Shares	Percent of Class
Common	Dennis A. Uy*	D / I	Filipino	3,019,748,492	63%
Common	Cherylyn C. Uy*	D / I	Filipino	1,294,179,212	27%
Common	Raymundo Martin M. Escalona	D	Filipino	1	0%
Common	Jose Angel Sueiro	D	Spanish	1	0%
Common	Lara C. Lorenzana	D	Filipino	1	0%
Common	William W. Yap	D	Filipino	5,300	0%
Common	Eric O. Recto	D	Filipino	1,000	0%

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

Directors and officers as a group hold a total of 4,313,934,007 shares equivalent to 90% of the issued and outstanding capital stock of PHR. Dennis A. Uy and Cherylyn C. Uy own indirectly more than 5% shares of the Company's total outstanding capital stock.

*c. Voting Trust Holders of 5% or more*

The Company has no knowledge of any voting trust agreement or any other similar arrangement which may result in a change in control of the Company.

*d. Changes in Control*

There is no arrangement which may result in a change in control of the Company.

**Item 5. Directors and Executive Officers**

*a. Directors and Senior Officers*

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly on a monthly basis, or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

Except for Dennis A. Uy and Cherylyn C. Uy, none of the members of the Board of Directors and Officers of the Company own directly or indirectly more than 5% of PH Resorts Group Holdings Inc.'s shares.

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

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Term of Office as a Director/Officer</b>	<b>Period Served as a Director/Officer</b>	<b>Position</b>
Dennis A. Uy	44	Filipino	1 year	Since 1 June 2018	Chairman, Director
Cherylyn C. Uy	39	Filipino	1 year	Since 1 June 2018	Director
Raymundo Martin M. Escalona	57	Filipino	1 year	Since 1 June 2018	President, Director
Lara Lorenzana	44	Filipino	1 year	Since 1 June 2018	Chief Financial Officer, Treasurer, Director
Jose Angel Sueiro	46	Spanish	1 year	Since 1 June 2018	Chief Operating Officer, Director
Eric O. Recto	54	Filipino	1 year	Since 25 June 2018	Independent Director
William W. Yap	43	Filipino	1 year	Since 25 June 2018	Independent Director
Leandro E. Abarquez	36	Filipino	1 year	Since 1 June 2018	Corporate Secretary

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

**Dennis A. Uy**

Dennis A. Uy is the founder and Chairman of the Company. He is also the Chairman and President of Udenna Corporation, the Company's parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. ("PPHI"), Chelsea Logistics Holdings Corp. ("CLC"), Udenna Management & Resources Corp. ("UMRC"), UDEVCO, PH Travel and



Leisure, Le Penseur, Inc., and Udenna Water and Integrated Services, Inc. Mr. Uy is the Chairman and President of PPHI, the holding company of Phoenix Petroleum Philippines, Inc. ("PPPI") and serves as the President and Chief Executive Officer of PPPI. He is currently the Chairman of CLC. He is likewise the President and Chief Executive Officer of UMRC and its subsidiaries. In addition, Mr. Uy is the Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a director of shipping and logistics provider 2Go Group, Inc. through Udenna Investments BV's subsidiary KGLI-NM Holdings Inc. He also serves as Independent Director of Apex Mining Corp.

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

#### **Cherylyn C. Uy**

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

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

#### **Raymundo Martin M. Escalona**

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

#### **Lara Lorenzana**

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

#### **Jose Angel Sueiro**

Jose Angel Sueiro is the Chief Operating Officer of the Company. Mr. Sueiro has over 20 years of experience in the hotel and gaming industry and has worked on over 30 hotel and casino projects in 18 countries, such as Fiesta Casino Alajuela, Intercontinental Hotel Fiesta Casino Guatemala,

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

#### **Eric O. Recto**

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

#### **William W. Yap**

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

#### **Leandro E. Abarquez**

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

#### *b. Family Relationships*

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

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

#### *c. Independent Directors*

As of the submission of this report, Messrs. Eric O. Recto and William W. Yap are neither officers nor substantial shareholders of PH Resorts Group Holdings, Inc. nor are they directors or officers of any of its related companies.

Effective 1 January 2017, the Company has adopted the new rules on the term limits of Independent Directors under the New Code of Corporate Governance ("New CG Code"). Current Independent Directors are allowed to serve for a cumulative term of nine (9) years, with or without the cooling-off period. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.

In the instance that the Company wants to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

*d. Significant Employees*

While the Company values the contribution of each executive and non-executive employee, no single employee who is not an executive officer is expected to make a significant contribution to the business. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

*e. Involvement in Certain Legal Proceedings*

To the knowledge and/or information of the Company, the present members of the Board of Directors or its Senior Officers and the nominees for election as director named in the subsequent sections are not, as of the past five (5) years, been adjudged with finality in any material legal proceeding affecting/involving themselves and/or their properties before any court of law or administrative body in the Philippines or elsewhere. To the knowledge and/or information of the Company, the said persons have not been subject of any bankruptcy petition, convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or any other nation/country, or any violation of securities or commodities law.

*f. Certain Relationships and Related Transactions*

Historically, the Company receives or extends advances from and to its major shareholders from time-to-time as the need arises. These advances are non-interest bearing and payable under certain terms and conditions primarily dependent on the Company's cash position.

The Company, in the regular course of trade or business, enters into transactions with affiliated/related companies principally consisting of management fees, leasing agreements and cash advances. Generally, management and leasing arrangements are renewed on an annual basis and are based on terms similar to those offered to non-related parties.

There are no other transactions undertaken or to be undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

*g. Elections of Directors*

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The directors on the Nominations Committee are Mr. Raymundo Martin M. Escalona, Mr. William W. Yap, and Mr. Jose Angel Sueiro. The chairperson is Mr. Escalona and the Independent Director is Mr. Yap.

The following have been nominated as Directors of the Company for 2019-2020:

1. Dennis A. Uy
2. Cherylyn C. Uy
3. Raymundo Martin M. Escalona
4. Jose Angel Sueiro
5. Lara C. Lorenzana
6. Ma. Concepcion de Claro
7. Eric O. Recto
8. William W. Yap
9. Angel E. Ignacio

The nominees were formally nominated to the Nomination Committee by a stockholder of the Company, Eric O. Recto, William W. Yap, and Angel E. Ignacio are the nominees for Independent Director.

A background on the new nominees can be found below.

**Ma. Concepcion F. De Claro**

Ma. Concepcion F. De Claro holds a Bachelor of Science degree in Commerce, Major in Accounting from the Colegio de San Juan de Letran. She has been the Company's Chief Financial Officer since March 2018. She was Director of Alsons Prime Investment Corporation and Alsons Power Holdings Corporation and the Vice-President and Chief Operating officer of Alsons Corporation. She also served as the Director of Limay Energen Corporation and Manila North Harbour Port, Inc. Ms. de Claro also worked with Petron Corporation for several years. She was a Consultant for M&A Projects and a member of the Board of Trustees of Petron Corporation Employees Retirement Fund. She also served as Petron's Vice President for Corporate Planning & Services, Controller for the company and its subsidiaries, and held various positions in Corporate Planning. In addition, Ms. De Claro also served as a Director of New Ventures Realty Corporation, Las Lucas Development Corporation, Petron Marketing Corporation and Petron Freeport Corporation.

**Angela E. Ignacio**

Angela E. Ignacio is also the Executive Vice President of R.A. Ignacio Construction Corporation and the Managing Director for Corporate Advisory for Avisez Asia, Inc. She is a fellow of the Institute of Corporate Directors. She is also a Director of ESNA Financing & Investment Corp., ESNA Realty Corp., and ESNA Holdings; and Director and Vice President of Polestrom Consulting, Inc. She is also an independent director of Ayala Land, Inc. since 2017. She is a Certified Finance and Treasury Professional in Australia and a Member of the Finance and Treasury Association of Australia. She was an International Consultant for The World Bank's Public Financial Management Assistance Program in Vietnam for the oversight of state owned enterprises and the Infrastructure Sector Assessment Program (InfraSAP) SOE Mission in Indonesia. She served as a Commissioner of the Governance Commission for Government Owned or Controlled Corporations ("GCG") with a rank of Undersecretary from November 2011 to June 2016. Prior to her appointment as GCG member, she served as Vice President under the Office of the Board Chairman at the Philippine Deposit Insurance Corporation and also served concurrently as Special Assistant for Corporate Affairs and Management Information Systems to the Secretary of the Department of Finance ("DOF") from September 2010 to October 2011. She was a Director of the United Coconut Planters Bank where she was also a member of the Executive, Risk Management and Compensation and Benefits Committees; and a Director of UCPB Savings Bank and UCPB Securities. She obtained her double degree in Applied Economics and Commerce, major in Management of Financial Institutions from De La Salle University in 1994 where she was awarded Best Thesis by the Economics Department for her work on Financial Distress Prediction Models in the Philippines. She earned a Master's Degree in Applied Finance from the University of Melbourne in 2000.

As required under SRC Rule 38 and as ratified for inclusion in the Corporation's By-Laws by the stockholders in its meeting held November 24, 2010 (the amended By-Laws was approved by the SEC on December 23, 2009), the following criteria and guidelines shall be observed in the nomination and election of independent directors:

**A. Definition**

1. As used in Section 38 of the Code, independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:
  - a. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  - b. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
  - c. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this



purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

- d. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- e. Has not been employed in any executive capacity by the covered company and/or by any of its substantial shareholders within the last five (5) years;
- f. Is not retained as professional adviser by the Corporation, and/or any of its related companies and/or any of its substantial shareholder within the last five (5) years;
- g. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders;
- h. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the covered company's Manual on Corporate Governance provides.

Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

When used in relation to a company subject to the requirements of this Rule and Section 38 of the Code:

- a. **Related company** means another company which is: (a) its parent company, (b) its subsidiary, or (c) a subsidiary of its parent company; and
- b. **Substantial shareholder** means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

#### B. Qualifications

- 1. Must be the holder of at least one share of the Corporation;
- 2. College graduate or has sufficient management experience to compensate for lack of formal education or has been engaged or exposed to the business of the corporation for at least five (5) years;
- 3. Of legal age;
- 4. Possesses integrity and probity; and
- 5. Assiduous.

#### C. Disqualifications

- 1. Falls under Section II (5) of the Code of Corporate Governance;
- 2. Becomes an employee;
- 3. Beneficial ownership exceeds two percent (2%);
- 4. Absent in meetings up to 50%; and
- 5. Others as per Corporate Governance Manual.

#### D. Nominations

- 1. The Nominations Committee conducts nominations prior to the Annual Stockholders' Meeting.



2. The Nominations Committee solicits candidates for independent director. All recommendations are signed by the nominating shareholder together with acceptance and conformity by the prospective nominee.
3. The Nominations Committee pre-screens candidates whether they meet the requirements as an independent director per criteria mentioned above, general guidelines in the Corporate Governance Manual, Articles of Incorporation, By-Laws and perceived needs of the Board of Directors and the Corporation such as, but not limited to:
  - a. Nature of business of corporations which he is a director of;
  - b. Age;
  - c. No. of directorships/active memberships/officer in other corporations and organizations;
  - d. Possible conflict of interest.
4. The Nominations Committee shall prepare a list of all candidates and evaluate based on the above-listed required qualifications to enable it to effectively review the qualifications of the nominees for independent director.
5. After the nomination, the Committee shall prepare a final list of candidates which shall contain all the information about the nominees for independent director, as required under Part IV (A) and (C) of Annex C of SRC Rule 12, which list, shall be made available to the SEC and to all shareholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with SRC Rule 20, or in such other reports the company is required to submit to the SEC.  
The name of the person or group who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
6. Only nominees on the final list of candidates will be eligible for election. No other nominees shall be entertained after the final list is prepared. No further nomination will be allowed during the annual stockholders' meeting.

#### E. Election

1. Except as those required under the Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the company or its by-laws.
2. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
3. Specific slots for independent directors shall not be filled-up by unqualified nominees.
4. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The following nominees, as submitted to and pre-screened by the Nominations Committee of the Corporation, qualify as independent director:

1. Eric O. Recto
2. William W. Yap
3. Angel Ignacio

The name of the person who recommended Mr. Yap and Mr. Recto is Mr. Raymundo Martin M. Escalona. Mr. Escalona is not related by consanguinity or affinity to any of the nominated independent directors.

## Item 6. Compensation of Directors and Executive Officers

For the period ending 31 December 2018, the Company paid an aggregate remuneration of approximately ₱35.5 million to the senior executives of the Company, including the President, Chief Financial Officer and Chief Operating Officer, during the current fiscal year, based on certain assumptions by the Company.

**Summary Annual Compensation Table**

Compensation of Executives Officers and Directors (in thousand Pesos)							
		Year Ending December 31, 2018			Year Ending December 31, 2017		
Name	Principal Position	Salaries	Bonuses/13th Month/Other Income	Total	Salaries	Bonuses/13th Month/Other Income	Total
Dennis A. Uy	Chairman of the Board						
Raymundo Martin M. Escalona	President	₱ 32,860.00	₱ 2,678.00	₱ 35,538.00	₱ 6,177.55	₱ 943.49	₱ 7,121.04
Jose Angel Sueiro	Chief Operating Officer						
Lara Lorenzana	Chief Finance Officer						
All other officers and directors as a group unnamed		NA	NA	NA	NA	NA	NA

There is no compensatory plan or arrangement with respect to any of the Company's executive officers that will result from the resignation, retirement or termination of such executive officer or from a change of control in the Company.

### Standard Arrangements

Independent directors receive a minimal per diem of ₱15,000 per quarter or as may be determined by the Board of Directors for every meeting. There are no other standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

### Other Arrangements

There are no other standard arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2018 for any service provided as a director.

### Employment Contracts

As of the date of this Report, the Company has no special employment contracts with the named executive officers.

### Warrants and Options Outstanding

The Company has no outstanding stock warrants or stock options.

## Item 7. Independent Public Accountants

Constantino, Guadalquiver & Co. (CGCo) has been the Company's independent auditors since 2009 until 25 June 2018. On 25 June 2018, the Company change its External Auditors to SyCip Gorres Velayo & Co. (SGV & Co). Engagement partner for the ensuing year is Maria Pilar B. Hernandez.

Representatives of SGV & Co. will be present during the annual stockholders' meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions from stockholders, if needed. The engagement of the Company's external auditor is in compliance with paragraph (3)(b)(iv) of the Securities Regulation Code - Rule 68, as amended, which requires independent auditors or in case of an audit firm, the signing partner, to be rotated after every five years of engagement, with a two year cooling-off period to be observed in the re-engagement of the signing partner or independent auditor.

The approval of the appointment of SGV & Co. as the Company's external auditor for the current year will be among the matters to be acted upon during the Annual Stockholders' Meeting. SGV & Co. has accepted the Company's invitation to stand for re-election this year.

Mr. Eric O. Recto, an independent director, chairs the Audit Committee. The members are Mr. Raymundo Martin M. Escalona and Ms. Lara C. Lorenzana.

Maria Pilar B. Hernandez is the current audit partner for the Company and its subsidiaries and is recommended to be the audit partner for the ensuing year.

## **Item 8. Compensation Plans**

Approval is sought for the Company's Employee Stock Incentive Plan (the "Plan") for qualified employees, directors, officers and other qualified persons, the terms of which shall be determined by the Administrative Committee of the Plan, and to be approved by the Board of Directors.

The Purpose of the Plan is to: (a) reward and retain high performing employees; (b) motivation for work increased work performance; (c) to attract qualified and young talents; (d) improve employees' net worth; and (e) broaden the Company's ownership base.

Under the Plan, up to 5% of the outstanding common stock of the Company, from time to time, may be issued pursuant to awards under the Plan, and subject to terms and conditions determined by the Awards Committee and approved by the Board of Directors of the Company. The Plan shall be administered by the Company's Awards Committee, which shall be composed of the Company's Human Resources Head, Chief Legal Counsel, Chief Executive Officer, and Chief Financial Officer. However, with respect to Executive Grants, the Chairman of the Board shall form part of the committee.

Awards may be granted to the following employees ("Eligible Employees"):

- (a) permanent and regular officers of the Company with at least one (1) year of Continuous Service; and
- (b) employees with at least the rank of manager of the Company, its subsidiaries and affiliated with at least one (1) year of Continuous Service.

## **Item 9. Authorization or Issuance of Securities Other than for Exchange**

### **A. Increase in Authorized Capital Stock**

The Company is proposing an increase in authorized capital stock of the Corporation from Eight Billion Pesos (PhP8,000,000,000.00) divided into Eight Billion (8,000,000,000) shares with a par value of One Peso (PhP1.00) per share to up to Fifteen Billion Pesos (PhP15,000,000,000.00) divided into Twelve Billion (15,000,000,000) shares with a par value of One Peso (PhP1.00) per share or such other amount as determined by the Board of Directors.

Approval of the stockholders is hereby sought for said increase in authorized capital stock, the subscription to the increase in authorized capital stock, and to grant the Board of Directors the authority to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription.

### **B. Issuance and Listing of Shares**

Approval of the stockholders is also sought to grant Board of Directors the authority to issue shares pursuant to equity offering, private placement or such similar transaction under such terms and conditions as the Board of Directors may determine, and to list such shares with the Philippine Stock Exchange.

#### **Item 11. Financial and Other Information**

The Company's financial statements as of and for the year ended December 31, 2018 and Management Report are attached hereto as Annexes "A" and "B".

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

**MR. LEANDRO E. ABARQUEZ**

Corporate Secretary  
PH Resorts Group Holdings, Inc.  
GGDC Administrative Services Building,  
Clark Global City, Clark Freeport Zone,  
Pampanga, Philippines

#### **Item 12. Mergers, Consolidations, Acquisitions and other Similar Matters**

It is proposed that a merger of the Company and its subsidiary, PH Travel and Leisure Holdings Corp. ("PH Travel") be approved by the shareholders. PH Travel is 100% owned by the Company, and is the holding company for the gaming and hospitality arm of the Udenna Group, which includes LapuLapu Leisure, Inc., Clark Grand Leisure Corp., and Donatela Hotel Panglao Corp. The merger is being proposed for better efficiency and consolidation.

Considering the fact that the Company and PH Travel own, hold and manage various assets for the same beneficial owner, with PH Travel being the 100% direct subsidiary of the Company, it is deemed necessary and advisable to merge the two companies, in order to achieve greater efficiency and economy in the management and operations of both companies to the Companies' and their stockholders' advantage.

The Company presently owns 500,000,000 common shares in PH Travel, amounting to approximately 100% of PH Travel's outstanding capital stock. The effective date of the merger shall be, for all intents and purposes, the date when the Certificate of Merger shall have been issued and released by the Securities and Exchange Commission.

Upon effective date of the merger, each stockholder of the Company approving the merger shall receive common shares of stock in the Company using the exchange or swap ratio to be determined by the Company's management and approved by the Board of Directors. Any stockholder, in the alternative, can exercise his appraisal right under the law. If the merger is completed, PH Travel ceases to operate and loses its corporate personality. The Company will then directly will in turn directly hold the interests in the operating entities, including LapuLapu Leisure, Inc., Clark Grand Leisure Corp., and Donatela Hotel Panglao Corp.

#### **Material Features of the Proposed Transaction**

The Company has no dividends in arrears nor defaults in principal or interest in respect of any security that will be impaired or affected by the proposed merger with PH Travel. Each of the companies require the affirmative vote of their respective stockholders representing at least two thirds (2/3) of the outstanding capital stock. Representatives of SGV & Co. at the annual stockholders' meeting on 23 May 2018 will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

### Comparison of Relevant Information

Below is a comparison of the net sales, loss from continuing operations, and long-term obligations of the Company and PH Travel covering two fiscal years:

*Income Statement Comparison: (In Philippine Pesos)*

	December 31, 2018		December 31, 2017	
	PH Resorts	PH Travel Group	PH Resorts	PH Travel Group
Net operating revenues	–	82,758,452	–	–
Direct costs and expenses	–	(36,022,089)	–	–
Gross income	–	46,736,363	–	–
Operating expenses	(15,815,061)	178,667,044	(1,955,374)	(55,398,775)
Operating loss	(15,815,061)	(131,930,681)	(1,955,374)	(55,398,775)
Non-operating income (loss)	73,757,089	(76,623,868)	1,836,419	(20,263,000)
Income(Loss) before income tax	57,942,028	(208,554,549)	(118,955)	(75,661,775)
Provision for income tax	2,540,409	19,251,973	97,518	785,608
Net income (loss)/Total comprehensive income (loss) from continuing operations	55,401,619	(227,806,522)	(216,473)	(76,447,383)

*Long-term obligations: (In Philippine Pesos)*

	December 31, 2018		December 31, 2017	
	PH Resorts	PH Travel Group	PH Resorts	PH Travel Group
Long-term obligations:				
Loans payable	–	964,864,063	–	787,089
Retention payable	–	85,776,468	–	–
Total	–	1,050,640,531	–	787,089

The following is a table comparing the book value per share, cash dividends declared per share, and income or loss per share from continuing operations of the Company and PH Travel for the two fiscal years (in Philippine pesos):

	December 31, 2018		December 31, 2017	
	PH Resorts	PH Travel Group	PH Resorts	PH Travel Group
Book value per share:				
Equity/Shares outstanding	0.96	0.39	1.84	0.85
Cash dividends declared/share	nil	nil	nil	nil
Income (loss) per share from continuing operations:				
Income(loss)/shares outstanding	0.18	(0.46)	(0.01)	(0.15)

### INFORMATION FOR THE REGISTRANT AND FOR THE OTHER PERSON

For the relevant information for the registrant Company, please refer to Annex B, Management Report of this Information Statement.

On the other hand, the information on PH Travel Group is as follows:





**PH TRAVEL MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

The Financial information for the two years ended December 31, 2018 and 2017 are as follows:

**A. FOR THE YEARS ENDED DECEMBER 31, 2018 VERSUS, 2017**

**Results of Operations of PH Travel and Leisure Holdings Corp. and Subsidiaries  
(Comparison of December 31, 2018 and December 31, 2017)**

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended, December 31	For the year ended, December 31	% to Revenues		Change from Prior Year	
	2018	2017	2018	2017	Inc/(Dec)	%
<b>NET OPERATING REVENUES</b>						
Food and beverage	43,889,021	-	53%	-	43,889,021	100%
Rooms	35,148,627	-	43%	-	35,148,627	100%
Others	3,720,804	-	4%	-	3,720,804	100%
	82,758,452	-	100%	-	82,758,452	100%
<b>DIRECT COSTS AND EXPENSES</b>						
Inventories consumed	19,786,070	-	24%	-	19,786,070	100%
Salaries and wages	11,272,482	-	14%	-	11,272,482	100%
Other costs and expenses	4,963,537	-	6%	-	4,963,537	100%
	36,022,089	-	44%	-	36,022,089	100%
<b>GROSS INCOME</b>	46,736,363	-	56%	-	46,736,363	100%
<b>OPERATING EXPENSES</b>	178,667,044	55,398,775	216%	-	123,268,269	223%
<b>OPERATING LOSS</b>	(131,930,681)	(55,398,775)	-159%	-	(76,531,906)	138%
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Interest expense	(81,354,913)	(15,654,302)	-98%	-	(65,700,611)	420%
Interest income	20,643,486	12,053,748	25%	-	8,589,738	71%
Gain on disposal of a subsidiary	617,037	-	1%	-	617,037	100%
Foreign exchange gain (loss) – net	(16,185,103)	(16,613,055)	-20%	-	427,952	-3%
Other income (expenses)	(344,375)	(49,391)	0%	-	(294,984)	597%
	(76,623,868)	(20,263,000)	-93%	-	(56,360,868)	278%
<b>LOSS BEFORE INCOME TAX</b>	(208,554,549)	(75,661,775)	-252%	-	(132,892,774)	176%
<b>PROVISION FOR INCOME TAX</b>	19,251,973	785,608	23%	-	18,466,365	2351%
<b>NET LOSS</b>	(227,806,522)	(76,447,383)	-275%	-	(151,359,139)	198%
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	0%	-	-	0%
<b>TOTAL COMPREHENSIVE LOSS</b>	(227,806,522)	(76,447,383)	-275%	-	(151,359,139)	198%
<b>Basic and Diluted Loss Per Share</b>	(0.4556)	(0.1529)				

**NET OPERATING REVENUES**

For the year ended December 31, 2018, the PH Travel Group generated net operating revenues amounting to ₱82.76 million versus nil the previous period, attributable to the opening of the Donatela Hotel in Bohol, which commenced operations in January 2018. The hotel currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. In 2018, only the Donatela Hotel was operational.

## **DIRECT COSTS AND EXPENSES**

Direct costs and expenses of the PH Travel Group for the period ended December 31, 2018 registered at ₱36.02 million, equivalent to 44% of net operating revenues generated. All direct costs and expenses, composed mainly of inventories consumed and salaries and wages, were driven by the operations of the Donatela Hotel.

### Inventories consumed

For the period ended December 31, 2018, the PH Travel Group's reported inventory consumption amounted to ₱19.79 million, which comprised 55% of total direct operating cost and 24% of revenues. This pertained to inventories consumed in the Donatela Hotel's restaurants and bars.

### Salaries and wages

For the period ended December 31, 2018, the PH Travel Group incurred total salaries and wages expenses amounting to ₱11.27 million, which represented short term benefits to its employees directly involved in providing hotel services and food and beverages. These comprised 31% of total direct operating cost and 14% of revenues.

### Other cost and expenses

Other cost and expenses incurred for the period ended December 31, 2018 amounted to ₱4.96 million, which comprised 14% of total direct costs and 6% of revenues. The increase was driven by commissions and other departmental expenses incurred from the operations of the hotel.

## **OPERATING EXPENSES**

The PH Travel Group reported operating expenses amounting to ₱178.67 million for the year ended December 31, 2018, an increase of ₱123.27 million or 216% year on year. The increase was driven by the ongoing construction of the Emerald Bay and operations of the Donatela Hotel.

### Salaries and wages

Salaries and wages for the period ended December 31, 2018 increased to ₱63.71 million, which comprised 36% of total operating expenses. Salaries and wages increased on the back of the labor expenses incurred on the ongoing construction of The Emerald Bay as well as the rationalization of manpower requirements for the supervision, management, direction and administration of the project.

### Taxes and licenses

Taxes and licenses for the period ended December 31, 2018 increased by ₱11.73 million or by 51% year on year due to the payment of share issuance-related expenses, documentary stamp taxes and other permits, taxes and licenses related to borrowings and the construction of The Emerald Bay.

### Other operating expenses

Of the total operating expenses, 45% included expenses are mostly related to the management and administration of The Emerald Bay project, operation of the Donatela Hotel and organizational expenses. Expenses incurred includes management fees, professional fees, transportation, utilities expense, repairs and maintenance expense, sales and marketing, organization fees, representation and other operational expenses.

## **NONOPERATING EXPENSES**

### Interest Expense

Interest charges incurred on borrowings for the years ended December 31, 2018 and 2017, amounted to ₱110.79 million and ₱26.26 million, respectively, representing an increase of 322%. Out of these amounts, ₱29.44 million and ₱10.61 million were capitalized and ₱81.35 million and ₱15.65 million were expensed in 2018 and 2017, respectively. The rise in interest charges is attributable to the additional borrowings in 2018. On September 3, 2018, UCPB granted DHPC a ₱975.0 million loan with a term of 10 years. DHPC used the proceeds to refinance the acquisition of the hotel resort in Tawala, Panglao Bohol which was initially funded using the advances from DHPC's related parties. On October 2018, in connection with the refinancing of the U.S.\$15 million

and P900 million facilities, Chinabank approved a one-year bridge loan facility that extended the tenor of LapuLapu Leisure's short-term facilities to fund (i) the escrow required to be maintained by LapuLapu Leisure pursuant to the Emerald Provisional License and (ii) the construction of The Emerald. The facility is comprised of (a) a Peso loan facility in the aggregate principal amount of up to P3.1 billion, and (b) a Dollar loan facility in the aggregate principal amount of up to U.S.\$15.0 million. As of end-2018, these facilities were fully drawn and outstanding.

#### Interest income

Interest income posted 25% higher at ₱20.64 million for the period ended December 31, 2018, largely attributable to the additional escrow account established with a local bank amounting to USD10.0 million in compliance with the Provisional License granted by PAGCOR to CGLC.

#### Foreign exchange gain/ (loss)

Net foreign exchange loss, arising mainly from the Group's USD-denominated cash and escrow accounts, slightly decreased by 3% to ₱16.2 million from ₱16.6 million. This resulted from short term fluctuations of exchange rates due to the strengthening of the Philippine Peso versus the US dollar towards year end.

#### **PROVISION FOR INCOME TAX**

The PH Travel Group reported an increase in provision for income tax mainly due to the recognition of deferred tax liabilities on debt issuance cost from loan borrowings.

#### **NET LOSS**

With higher operating expenses and interest expense, net losses widened by 198% year-on-year to P227.81 million.

#### **EARNINGS PER SHARE**

Consequently, loss per share rose to ₱0.4556 for the year-ended December 31, 2018 from ₱0.1529 for the same period in 2017.

**Financial Position of PH Travel and Leisure Holdings Corp. and Subsidiaries  
(Comparison of December 31, 2018 and December 31, 2017)**

	December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2018	2017	Movement from prior year	% of Total Assets/Liabilities&Equity	2018	2017
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 649,406,292	₱ 165,586,738	₱ 483,819,554	292%	9.51%	7.11%
Trade and other receivables	13,986,884	5,124,797	8,862,087	173%	0.20%	0.22%
Advances to related parties	95,508,005	351,404,302	(255,896,297)	-73%	1.40%	15.09%
Inventories	1,761,369	—	1,761,369	100%	0.03%	0.00%
Restricted fund	139,955,985	—	139,955,985	100%	2.05%	0.00%
Prepayments and other current assets	58,542,117	3,077,481	55,464,636	1802%	0.86%	0.13%
Total Current Assets	959,160,652	525,193,318	433,967,334	83%	14.05%	22.55%
Noncurrent Assets						
Property and equipment	3,932,239,892	473,910,002	3,458,329,890	730%	57.59%	20.35%
Deposit for future property acquisition	111,430,494	470,687,867	(359,257,373)	-76%	1.63%	20.22%
Cash in escrow	1,315,918,771	751,913,965	564,004,806	75%	19.27%	32.29%
Input value-added tax	280,192,836	21,764,439	258,428,397	1187%	4.10%	0.93%
Advances to suppliers	213,337,217	84,242,355	129,094,862	153%	3.12%	3.62%
Deferred tax asset	—	503,124	(503,124)	-100%	0.00%	0.02%
Other noncurrent assets	15,347,898	149,786	15,198,112	10147%	0.22%	0.02%
Total Noncurrent Assets	5,868,467,108	1,803,171,538	4,065,295,570	225%	85.93%	77.45%
<b>TOTAL ASSETS</b>	<b>₱ 6,827,627,760</b>	<b>₱ 2,328,364,856</b>	<b>₱ 4,499,262,904</b>	<b>193%</b>	<b>99.98%</b>	<b>100.00%</b>
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 3,849,608,994	₱ 1,649,124,684	₱ 2,200,484,310	133%	56.38%	70.83%
Trade and other payables	388,856,434	125,533,173	263,323,261	210%	5.70%	5.39%
Advances from related parties	1,327,131,005	129,367,293	1,197,763,712	926%	19.44%	5.56%
Total Current Liabilities	5,565,596,433	1,904,025,150	3,661,571,283	192%	81.52%	81.78%
Noncurrent Liabilities						
Loans payable - net of current portion	964,864,063	787,089	964,076,974	122486%	14.13%	0.03%
Retention payable	85,776,468	—	85,776,468	100%	1.26%	0.00%
Deferred tax liabilities- net	15,644,701	—	15,644,701	100%	0.23%	0.00%
Total Noncurrent Liabilities	1,066,285,232	787,089	1,065,498,143	135372%	15.62%	0.03%
Total Liabilities	6,631,881,665	1,904,812,239	4,727,069,426	248%	97.13%	82%
Equity						
Capital stock	500,000,000	500,000,000	—	0.00%	7.32%	21.47%
Deficit	(304,253,905)	(76,447,383)	(227,806,522)	298%	-4.46%	-3.28%
Total Equity	195,746,095	423,552,617	(227,806,522)	-54%	2.87%	18.19%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 6,827,627,760</b>	<b>₱ 2,328,364,856</b>	<b>₱ 4,499,262,904</b>	<b>193%</b>	<b>100.00%</b>	<b>100.00%</b>

The total resources of the PH Travel Group as of December 31, 2018 significantly increased by ₱4.50 billion or by 193% compared to the prior year balance of ₱2.33 billion. The assets, liabilities and equity presented in the balance sheet as at December 31, 2018 and 2017 resulted mainly from the business acquisitions and group restructuring, capital investments, project construction, loan borrowings and pre-operating activities of the PH Travel Group.



## **CURRENT ASSETS**

The PH Travel Group's current assets increased by 83% or ₱433.97 million to ₱959.16 million as of December 31, 2018 due to the commencement of operations of DHPC in 2018 and borrowings from Chinabank and UCPB. The substantial increase in current assets in 2018 is primarily due to the increase in cash and cash equivalents by ₱483.82 million, restricted fund by ₱139.96 million, prepayments and other current assets by ₱55.46 million and trade and other receivables by ₱8.86 million which were partially offset by the ₱255.90 decrease in advances to related parties compared to the prior year 2017.

Cash and cash equivalents increased to ₱649.41 million as of December 31, 2018 from ₱165.59 million as of December 31, 2017. This is equivalent to 292% increase primarily due to the additional loan borrowings obtained from lenders and advances received from related parties.

Trade and other receivables increased by ₱8.86 million as of December 31, 2018. The increase is attributable to the trade receivables resulted from the business operations of DHPC and the outstanding receivable amounted to ₱10.0 million from the sale of AAPI.

Advances to related parties decreased by 73% or by ₱255.90 million primarily as a result of the collections of advances outstanding during the year and for the prior year 2017.

Inventories consists of food, beverage and operating supplies which increased by ₱1.76 million as of December 31, 2018 from nil as of December 31, 2017. The inventories account is attributable to DHPC's business operations which started only in 2018.

Restricted fund amounted to ₱139.96 million as of December 31, 2018 reflecting Chinabank loan proceeds held in the construction costs account which will be released in tranches upon presentation of invoices for the payment of relevant project construction costs.

Prepayments and other current assets increased to ₱58.54 million as of December 31, 2018 from ₱3.08 million as of December 31, 2017 due to the increase in prepaid expenses particularly on prepaid rental payments on The Emerald Bay property and higher deposits made under various contracts with suppliers.

## **NONCURRENT ASSETS**

The Group's noncurrent assets increased by ₱4.07 billion from ₱1.80 billion as of December 31, 2017 to ₱5.87 billion as of December 31, 2018. The significant increase in noncurrent assets is attributable to the increase in property and equipment by 730%, cash in escrow by 75%, input value-added tax by 1,187%, advances to suppliers by 153% and other noncurrent assets by 10,147%, which were partially reduced by the decrease in the deposit for future property acquisition and deferred tax asset compared to the prior year 2017.

Property and equipment increased by ₱3.46 billion to ₱3.93 billion as of December 31, 2018 due to the acquisition of the Donatela properties in Bohol and of construction-in-progress at The Emerald Bay.

Deposit for future property acquisition decreased to ₱111.43 million as of December 31, 2018 from ₱470.69 million as of December 31, 2017 after the Deed of Absolute Sale for the Donatela Hotel was executed in August 2018. ₱359 million was reclassified to property, plant and equipment.

Cash in escrow increased by ₱564.00 million or by 75% as of December 31, 2018 attributable to the new escrow fund maintained by CGLC primarily to meet the requirements of the License Agreement with Philippine Amusement and Gaming Corporation (PAGCOR) in relation to its investment commitments.

Input-value added tax increased to ₱280.19 million as of December 31, 2018 from ₱21.76 million as of December 31, 2017. The increase was mainly due to the increase in VAT paid on purchases of goods and services of the Group which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱213.34 million as of December 31, 2018 from ₱84.24 million as of December 31, 2017 in connection with construction of The Emerald Bay.

The deferred tax asset decreased to nil as of December 31, 2018 since the deferred tax asset for 2018 was presented as an offset to the deferred tax liabilities in the balance sheet. The deferred tax liabilities were much higher than the deferred tax asset in 2018.

Other noncurrent assets increased to ₱15.35 million as of December 31, 2018 from ₱0.15 million as of December 31, 2017. The increase was due to the additional long-term security deposits made to suppliers and other long-term prepayments.

### **CURRENT LIABILITIES**

The Group's current liabilities increased by ₱3.66 billion from ₱1.90 billion as of December 31, 2017 to ₱5.57 billion as of December 31, 2018.

Current portion of loans payable increased to ₱3.85 billion as of December 31, 2018 from ₱1.65 billion as of December 31, 2017 due to the additional drawdown of ₱2.20 billion made on November 26, 2018 to fund the ongoing construction of The Emerald Bay project.

Accounts payable and other current liabilities increased to ₱388.86 million as of December 31, 2018 from ₱125.53 million as of December 31, 2017 due to ongoing construction of The Emerald Bay as reflected in higher outstanding payable to contractors, increased in accrued expenses such as accrued interest and taxes, management fees payable and advances from customers.

### **NONCURRENT LIABILITIES**

The Group's noncurrent liabilities increased by ₱1.07 billion from ₱0.79 million as of December 31, 2017 to ₱1.07 billion as of December 31, 2018. The significant increase in noncurrent liabilities compared to the prior year 2017 is attributable to the increase in the noncurrent portion of loans payable by ₱964.08 million, retention payable by ₱85.78 million, and deferred tax liabilities by ₱15.64 million.

Noncurrent portion of loans payable increased from ₱0.79 million as of December 31, 2017 to ₱964.86 million, net of debt issuance costs as of December 31, 2018 after the availment of a ₱975.0 million term loan by DHPC on September 3, 2018 to refinance the acquisition of the Donatela Hotel.

Retention payable amounted to ₱85.78 million as of December 31, 2018. This consists of long-term outstanding payables to suppliers and contractors related to the construction of The Emerald Bay project.

Deferred tax liabilities increased to ₱15.64 million as of December 31, 2018 as a result of the deferred tax effect of the debt issuance costs related to the short-term and long-term loans availed in 2018 and the deferred tax on unrealized foreign exchange gain, net of any deferred tax assets recognized.

### **EQUITY**

The Group's equity decreased by ₱227.81 million from ₱423.55 million as of December 31, 2017 to ₱195.75 million as of December 31, 2018. The decrease in equity is attributable to incurred net losses or deficit in 2018 resulting from the PH Travel Group's pre-operating and non-operating expenses.

No movement in Capital stock from year-to-year.

The deficit of ₱76.45 million as of December 31, 2017 increased and resulted to a deficit of ₱304.25 million as of December 31, 2018. The deficit is attributable to the net comprehensive loss reported of ₱227.81 million.

## Key Performance Indicators of PH Travel and Leisure Holdings Corp. and Subsidiaries

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

		December	
		2018	2017
<b>I. PROFITABILITY</b>			
<b>Basic Loss per Share</b>	=	(Net income/loss – Preferred dividends)	(227,806,522) (76,447,383)
		Weighted average number of common shares outstanding	500,000,000 500,000,000
It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.		(0.46)	(0.15)
<b>Return on Total Assets</b>	=	Net income (loss)	(227,806,522) (76,447,383)
		Total Assets	6,827,627,760 2,328,364,856
It measures efficiency of the Group in using its assets to generate net income.		(0.03)	(0.03)
<b>Return on Equity</b>	=	Annual Net Income/Loss	(227,806,522) (76,447,383)
		Stockholder's Equity	195,746,095 423,552,617
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		(1.16)	(0.18)
<b>II. FINANCIAL LEVERAGE</b>			
<b>Debt Ratio</b>	=	Total Debt	4,991,573,057 1,649,911,773
		Total Assets	6,827,627,760 2,328,364,856
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		0.73	0.71
<b>Debt to Equity Ratio</b>	=	Total Debt	4,991,573,057 1,649,911,773
		Shareholder's Equity	195,746,095 423,552,617
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business		25.50	3.90
<b>III. LIQUIDITY</b>			
<b>Current Ratio</b>	=	Current assets	959,160,652 525,193,318
		Current liabilities	5,565,596,433* 1,904,025,150
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.		0.17*	0.28

\*Current liabilities include the bridge loan facility which will be refinanced via permanent financing

## Liquidity and Capital Structure

The PH Travel Group's sources and uses of funds and the Group's debt and equity profile will be discussed below.

### Liquidity

Below is the table of consolidated cash flows of the PH Travel Group for the year ended December 31, 2018 and 2017.

	For the Year Ended December 31		Movement from prior period	
	2018	2017	Change in Peso	Change in %
Net cash provided by (used in) operating activities	₱ 318,950,495	(₱ 285,177,996)	₱ 604,128,491	-212%
Net cash used in investing activities	(4,085,120,069)	(1,785,570,519)	(2,299,549,550)	129%
Net cash provided by financing activities	4,249,503,913	2,252,948,308	1,996,555,605	89%
Net increase in cash and cash equivalents	483,334,339	182,199,793	301,134,546	165%
Effect of foreign exchange on cash and cash equivalents	485,215	(16,613,055)	17,098,270	-103%
Cash and cash equivalents at beginning of period	165,586,738	-	165,586,738	100%
<b>Cash and cash equivalents at end of period</b>	<b>₱ 649,406,292</b>	<b>₱ 165,586,738</b>	<b>483,819,554</b>	<b>292%</b>

Cash and cash equivalents increased by ₱483.82 million or by 292% from ₱165.59 million as of December 31, 2017 to ₱649.41 million as of December 31, 2018. The significant increase is attributable to the net cash provided in operating activities and the net cash provided by financing activities which partially offset the net cash used in investing activities.

The net cash provided by operating activities amounted to ₱318.95 million for the year ended December 31, 2018 resulted from the collection of advances to related parties by ₱306.15 million from ₱351.40 million as of December 31, 2017; and the increase in outstanding trade and other payables by ₱209.26 million for the year ended December 31, 2018.

The net cash used in investing activities amounted to ₱4.09 billion for the year ended December 31, 2018 and ₱1.79 billion for the year ended December 31, 2017. These investing activities include the acquisition of property and equipment; increase in noncurrent assets such as advances to suppliers, input value-added tax, and other noncurrent assets; transfer of cash to escrow fund as part of PAGCOR requirements; and the cash derecognized as a result of the deconsolidation of a subsidiary. These were partially reduced by the interest income earned and the decrease in the deposit for future property acquisition.

The net cash provided by financing activities amounted to ₱4.25 billion for the year ended December 31, 2018 and ₱2.25 billion for the year ended December 31, 2017. These financing activities mainly represent the advances received from related parties; increase in retention payable; proceeds from loan borrowings, net of payments made; and the proceeds from the issuance of capital stock. These were partly lessened by the debt issuance costs for the year 2018.

### Capital Sources

Below is the table showing the PH Travel Group's capital sources as of December 31, 2018 and 2017.

	For the Year Ended December 31		Movement from prior period	
	2018	2017	Change in Peso	Change in %
Long-term debt, net	P 964,864,063	P 787,089	964,076,974	122486%
Equity	195,746,095	423,552,617	(227,806,522)	-54%
<b>Total long-term debt and equity</b>	<b>P 1,160,610,158</b>	<b>P 424,339,706</b>	<b>736,270,452</b>	<b>174%</b>

Total long-term debt and equity increased by ₱736.27 million from ₱424.34 million for the year 2017 to ₱1.16 billion for the year 2018. The increase was attributable to the long-term loan borrowings obtained by the PH Travel Group in 2018 and partially reduced by the net loss incurred by the PH Travel Group for the year ended December 31, 2018.

### Plan of Operations

PH Travel Group is expected to rely on the following sources of liquidity for the next 12 months: (1) financing lines provided by various creditors, (2) paid-up capital, and, to a certain extent, (3) cash flow from operations of the Donatela Hotel. The PH Travel Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity.

No research and development is expected to be performed in the next 12 months.

With the ongoing construction of the Emerald, significant additions to property and equipment is expected, which includes the value of the anticipated construction costs, furniture, fixtures and equipment, operating and supplies equipment.

PH Travel Group expects to commence the hiring process in respect of The Emerald's gaming and hotel operations and fill a number of managerial roles within the Company's principal office in the 3rd quarter of 2019 and estimates to hire an additional 30 managers by the end of the year.

### BUSINESS OF REGISTRANT AND ITS SIGNIFICANT SUBSIDIARIES

#### Business Development

PH Travel and Leisure Holdings Corp. (PH Travel) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 3, 2017. 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's registered office and principal place of business is located at 26th Floor, Fort Legend Towers, 3rd Ave. cor. 31st Street, Brgy. Bonifacio Global City, Taguig City.

As at December 31, 2017, PH Travel is a wholly-owned subsidiary of Udenna Corporation (Udenna), an entity incorporated in the Philippines.

On June 27, 2018, Udenna and PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures, Corp; PH Resorts), an entity listed and traded in the Philippine Stock Exchange, executed a deed of assignment wherein the Udenna shall assign its 100% ownership interest in PH Travel to PH Resorts as follows:



- Assign PH Travel's 44,654,000 common shares with ₱1.00 par value per share to PH Resorts in exchange for cash consideration amounting to ₱406,351,691.
- Assign PH Travel's 455,346,000 common shares with ₱1.00 par value per share in exchange for PH Resorts' 4,143,648,309 common shares with ₱1.00 par value per share (share swap transaction) to be issued by PH Resorts out of PH Resorts' planned increase in the authorized capital stock.

On December 10, 2018, the SEC approved the amendments to the PH Resorts' Articles of Incorporation which includes 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.

As at December 26, 2018, the issuance of shares by PH Resorts and the assignment of 500,000,000 shares of PH Travel, representing 100% interest ownership, from Udenna to PH Resorts took effect through share swap and partial cash consideration. Consequently, as at the same date, PH Travel became a wholly-owned subsidiary of PH Resorts and Udenna is their ultimate parent company.

## **Description of Business**

### **Principal Services**

PH Travel is the holding company for the gaming and hospitality arm of the Udenna Group, which includes LapuLapu Leisure, Inc. (L3), Clark Grand Leisure Corp. (CGLC), and Donatela Hotel Panglao Corp (DHPC). LapuLapu Leisure, Inc. is the developer of The Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu City, Cebu, Philippines. On May 3, 2017, LapuLapu Leisure, Inc. and UDEVCO were granted a provisional license by the Philippine Amusement and Gaming Corporation ("PAGCOR") to establish The Emerald Bay on a prime beachfront area on Lapu-Lapu City, Mactan Island, Cebu. In July 2018, upon the request of the Company, PAGCOR approved the substitution of Lapulapu Land Corp. as a new co-licensee of The Emerald Bay Provisional License in place of UDEVCO. The Emerald Bay will be located on a 13.5-hectare site located on the Punta Engaño peninsula of Mactan Island, which is approximately six kilometers away from Mactan-Cebu International Airport (MCIA) (CEB). LapuLapu Leisure, Inc. leases the site on which The Emerald Bay will be located from Lapulapu Land Corp. Construction of The Emerald Bay commenced in December 2017 and is expected to be completed in time for the anticipated opening of The Emerald Bay in the fourth quarter of 2020.

CGLC is the developer of The Base, an integrated tourism resort to be located on a 4.4-hectare site in Clark Global City, Clark Freeport Zone, Pampanga, approximately seven kilometers away from the Clark International Airport (CRK). On August 6, 2018, CGLC was granted a provisional license by PAGCOR. CGLC leases the site on which The Base will be located from Global Gateway Development Corporation. Groundbreaking of The Base is scheduled to commence before the end of 2019 and is expected to be completed by the end of 2022.

DHPC is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the Donatela Hotel in 2017. DHPC was incorporated on November 7, 2017 and Donatela Hotel currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. It is located on a 7.5-hectare property approximately a 10-minute drive from the Bohol-Panglao International Airport (TAG).

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

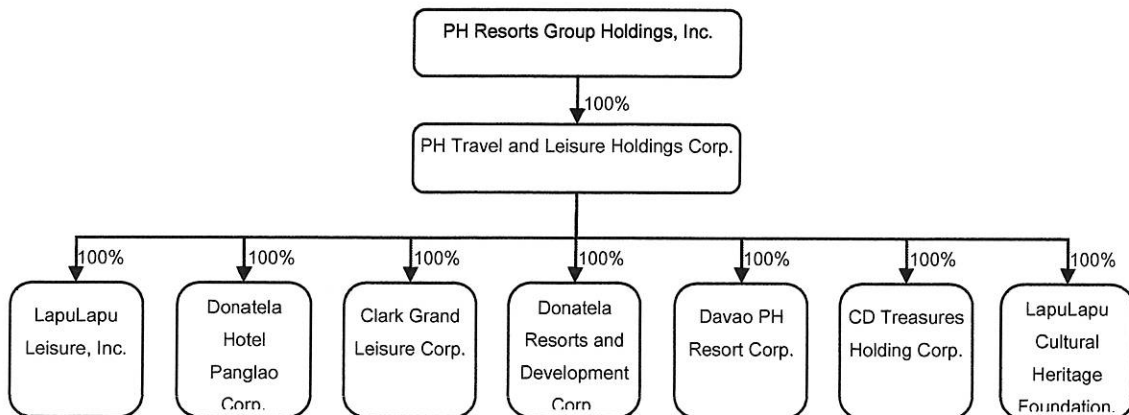
PH Resorts expects the Integrated Resorts to take advantage of the growing market for gaming in Asia, as evidenced by Macau, the world's largest gaming market in 2017, recording total casino revenues of US\$33.2 billion in 2017 according to The Innovation Group, translating to a CAGR of total casino revenues of 7.9% from 2015 to 2017. The Company believes that the Integrated Resorts will be able to take advantage of this strong demand by providing an attractive

gaming option for Philippine and regional Mass Market and VIP players, with its combination of world-class design and amenities, varied gaming and non-gaming offerings, and high-quality customer service.

The Company believes that The Emerald Bay and The Base (Integrated Resorts) will be two of the Philippines' premier integrated tourism resort and gaming complexes, offering a premium gaming experience to all of its customers in a gaming facility designed and operated according to world-class standards. Moreover, the Company believes the Donatela Hotel will complement the establishment of The Emerald Bay by offering additional upscale facilities to its gaming and non-gaming guests.

### Corporate Structure

The corporate structure of the Company and PH Travel is set out below:



### Competition

#### The Integrated Resorts

Each of the Company's Integrated Resorts will be designed, planned and developed according to world-class industry standards. These are expected to expand the integrated tourism resort and casino offering in the Philippines and compete with those currently operating in Entertainment City including Resorts World Manila, Solaire Resort & Casino, City of Dreams Manila and Okada Manila. The Integrated Resorts will also compete with other integrated tourism resorts and casinos in Macau, Singapore, Cambodia and other parts of Asia. With respect to VIP customers, the Company expects to compete primarily with Macau, Singapore and Australia for customers of independent junket promoters, while the Company expects Singapore to be strong competition for VIP Direct customers. Chinese High Rollers are still seen as a key component of the world market for casino VIP gambling.

In line with the memorandum of agreement between UDEVCO and the City Government of Lapu-Lapu, which provides effective exclusivity to UDEVCO with respect to the operation of a casino in Lapu-Lapu City for a period of seven years from the commencement of commercial operations of The Emerald Bay, the Company expects The Emerald Bay to be the only integrated resort in Lapu-Lapu City in the immediate future, and the only integrated resort in Cebu until other later openings such as that of JG Summit Holdings Corp.'s Universal Hotels and Resorts Inc. The Company expects The Base to be one of only five integrated resorts in Clark Freeport Zone. In terms of its integrated tourism resort and tourism business, the Company will compete domestically with both

Philippine and foreign-owned hotels and resorts. With respect to its gaming business in particular, the Integrated Resorts are expected to compete domestically with PAGCOR gaming facilities, existing privately-owned casinos and the facilities, if any, to be built by the other developers granted provisional licenses by PAGCOR. In addition, PAGCOR has licensed private casino operators in special economic zones, including Widus Hotel and Casino and Clark Casino in Clark Ecozone, Thunderbird Resort & Casino in Poro Point, La Union, and Fiesta Casino in Binangonan, Rizal. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

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

#### Donatela Hotel

The Donatela Hotel is one of several upscale hotels in the Bohol and Cebu area. As an upscale resort, the Donatela Hotel competes with many upscale hotels both domestically and internationally. The Donatela Hotel is subject to competition from many large hotels with established international brands, as well as smaller, “boutique” style hotels including Eskaya Resort and Amorita within Bohol, Abaca Boutique Resort and Kandaya Resort within the Cebu region, and Purist Villas Indonesia and Como Point Yamu Thailand within the Southeast Asian region. Given the development of The Emerald on Mactan Island and the current shortage of rooms required to meet the expected influx of visitors, the Company expects a number of new hotels to be developed in the coming years. The opening of the new Bohol-Panglao International Airport (TAG) in November 2018 is expected to increase tourist arrivals to Bohol. The Company expects that the increase in tourist arrivals will enable the Donatela Hotel to maintain a higher occupancy rate and therefore increase its revenues and keep its room rates at a competitive level. In addition, the members of the management team of DHPC, the operator of the Donatela Hotel, have significant experience in successfully operating upscale resorts. As such, the Company believes that the Donatela Hotel will be able to compete effectively with existing and future hotels in the region.

#### **Patents, trademarks, copyrights, franchises, concessions and royalty agreements held**

The Company has registered for the relevant trademarks with respect to the Company’s logo and domain name, as well as the logo and domain name for The Emerald Bay. The Company’s application in respect of “The Emerald Bay” trademark remains outstanding.

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

#### **Government License and Regulatory**

##### The Emerald Bay Provisional License

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

The Emerald Bay Provisional License is expected to be replaced with a regular casino gaming license upon The Emerald Bay's completion and PAGCOR's approval of a final report of The Emerald Bay's construction. The Emerald Bay Provisional License, as well as any regular license issued to replace it (which shall have the same terms and conditions as the Emerald Provisional License) will expire on May 3, 2032 and shall be renewed subject to the terms and conditions of the Emerald Provisional License.

#### The Clark Provisional License

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

The Clark Provisional License is expected to be replaced with a regular casino gaming license upon Clark Resort's completion and PAGCOR's approval of a final report of Clark Resort's construction. The Clark Provisional License, as well as any regular license issued to replace it (which shall have the same terms and conditions as the Clark Provisional License) will expire on July 11, 2033 and shall be renewed subject to the terms and conditions of the Clark Provisional License.

#### **Research and development activities**

For the period December 31, 2017 and December 31, 2018, the Company spent ₱5.4 million and ₱2.6 million on research and development, respectively. The primary purpose of these funds was for feasibility studies in connection with gaming market assessments for the Integrated Resorts.

#### **Employees**

As of December 31, 2018, the Company had 107 full-time employees, comprising 16 executives and 91 supervisors and rank and file employees. The Company expects to commence the hiring process in respect of The Emerald's gaming and hotel operations and fill a number of managerial and administrative roles within the Company's principal office in the third quarter of 2019. By the end of 2019, the Company expects to hire an additional 30 managers.

None of the employees are subject to collective bargaining agreements.

Since PH Travel is a holding company, it has no direct employees.

#### **Major risks**

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

#### Risk relating to the early stage of construction and development of the Integrated Resorts

The Integrated Resorts are in an early stage of development and are subject to significant risks and uncertainties. PH Travel could encounter problems that substantially increase the costs of completing the Integrated Resorts and delay or prevent their opening. The timeline and project costs of the Integrated Resorts may also be materially and adversely affected by the performance of third-party contractors and other factors beyond PH Travel's control.

The Company has assembled a team of professionals with a strong track record in project management and construction, and in delivering large-scale construction projects on time and on budget. The Company has appointed Tenman, a leading project management specialist, to manage all phases of the development and construction of the Integrated Resorts. Tenman has



been involved in some of the largest-scale development projects in the Asia, including Marina Bay Sands, The Venetian Macao, Four Seasons Macao, Solaire Resort & Casino and Sands Macao. In addition, for efficiency purposes, the Company has opted to breakdown the overall development process of The Emerald into several work packages. In line with this approach, the Company is working with 25 different consultants in relation to the design and construction, and 23 different contractors in relation to the construction and fit-out, of the various aspects of The Emerald and intends to work with certain additional consultants and approximately 50 additional contractors in connection with the design, construction and fit-out of The Emerald. Each of the consultants and contractors engaged by the Company has experience in the development of integrated resorts in the Philippines. The Company believes that working with multiple contractors in relation to each specific work package will enable a more streamlined construction process and ensure the expected timeline of The Emerald remains on target.

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

The Group's gaming operations are dependent on the Provisional Licenses issued by PAGCOR. PAGCOR may impose regulations on casino operations that may interfere with the Company's ability to provide certain services to customers.

LapuLapu Leisure, Inc. is a co-licensee of the Emerald Provisional License, and PAGCOR may hold LapuLapu Leisure, Inc. liable for any breach of the Emerald Provisional License by its co-licensee, Lapulapu Land Corp.

Any additional gaming licenses issued by PAGCOR, or any breach, termination or unenforceability of the memorandum of agreement between UDEVCO and the City Government of Lapu-Lapu, could increase competition, diminish the value of the Company's Provisional Licenses and cause the Company to lose or be unable to gain market share. The Company's business may also be adversely affected by policy changes and modified or additional conditions on its Provisional Licenses.

The memorandum of agreement between UDEVCO and the City Government of Lapu-Lapu provides effective exclusivity to UDEVCO with respect to the operation of a casino in Lapu-Lapu City for a period of seven years from the commencement of commercial operations of The Emerald. In light of the exclusivity granted by the City Government of Lapu-Lapu, the Company expects The Emerald to be the only integrated resort in Lapu-Lapu City in the immediate future, and the only integrated resort in Cebu until other later openings such as that of JG Summit Holdings Corp.'s Universal Hotels and Resorts Inc. The Company believes that the Lapu-Lapu City will abide by the provisions of the memorandum of agreement since contracts under Philippine law have the force of law between the contracting parties unless the stipulations in the contract are contrary to law, morals, good customs, public order or public policy.

#### General risks relating to the Company

All of PH Travel's business and assets are in the Philippines, and PH Travel expects a significant number of its customers to be from China and other parts of Asia. Any downturn in the Philippine or regional Asian economies may negatively impact PH Travel's business and results of operations. PH Travel's gaming and hotel businesses are vulnerable to global and regional economic downturns. PH Travel is a holding company and its ability to pay dividends is dependent upon the earnings of, and distributions by, its subsidiaries.



### Risks relating to the Philippines

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses. Political or social instability in the Philippines could destabilize the country and may have a negative effect on the Company. In addition, territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment. Changes in foreign exchange control regulations in the Philippines may also limit the Company's access to foreign currency.

### Properties

#### **The Emerald Bay**

The aggregate land area for The Emerald Bay site comprises 13.5 hectares. LapuLapu Land Corp. owns the land on which The Emerald Bay is being constructed following the purchase of several lots of land from third parties. Pursuant to the lease agreements entered into in July 2017 and August 2018 (the "Emerald Bay Lease Agreements"), LapuLapu Leisure, Inc. has leased the relevant land from LapuLapu Land Corp. for a period of 25 years, subject to renewal for an additional 25 years at the option of LapuLapu Leisure. The Emerald Bay Lease Agreements were entered into on arm's-length arrangements.

#### **The Base**

The Base is located in a 4.4-hectare property in Clark Global City, part of Clark Freeport Zone in Angeles City, Pampanga. In January 2019, CGLC entered into a memorandum of agreement with Global Gateway Development Corp., a wholly-owned subsidiary of UDEVCO and a related party of the Company (the "Clark MOA"), pursuant to which CGLC has agreed to enter into an agreement to lease the land on which The Base is to be constructed from Global Gateway Development Corp. by March 1, 2019. Such lease agreement would be for the period to April 2085, unless it is otherwise extended by the parties pursuant to the terms thereof. The land is owned and controlled by Clark International Airport Corp., which has entered into a lease agreement with Global Gateway Development Corp., which is due to expire in 2085. Under the Clark MOA, CGLC also has the irrevocable option exercisable within five years from the date of the lease agreement to lease an additional 2.7 hectares from Global Gateway Development Corp.

#### **The Donatela Hotel**

The aggregate land area of the Donatela Hotel comprises 7.5 hectares, which is sufficient for the Donatela Hotel's current operations and its planned expansion. The Company has entered into arrangements which would have PH Travel purchase the land, and subsequently assign the same in favor of DHPC. Apart from being a standalone upscale hotel offering in Bohol, the Donatela Hotel has also been envisioned to serve as a complementary property to The Emerald Bay, offering a quieter, more family-friendly option in close proximity to The Emerald Bay's gaming and entertainment offerings. When The Emerald Bay commences operations, the Company is planning to offer a private ferry service for guests to and from the two properties, which is a short ninety-minute boat ride away from each other.

### **Legal Proceedings**

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

## **Market for Issuer's Common Equity and Related Stockholder Matters**

### **Holders**

As mentioned, PH Travel is 100% owned by the Company.

### **Dividends**

No dividends were declared as of March 31, 2019 and in the years since PH Travel's incorporation. Pursuant to the Company's By-laws, the Board of Directors may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them.

## **Item 13. Acquisition/Disposition of Property**

In addition to the merger in Item 12, for approval and/or ratification is the acquisition of 100% of the issued and outstanding common shares of Lapulapu Land Corp. by the Company's subsidiary, Lapulapu Leisure, Inc. at the consideration determined by the Board of Directors.

## **Item 14. Restatement of Accounts**

There are no matters or actions to be taken up in the meeting relating to restatement of accounts.

## **Item 15. Action with Respect to Minutes of Previous Meeting**

Actions to be taken will constitute reading and approval of the minutes of the previous stockholders' meeting, approval of the Annual Report of Management, approval of the amendment of the Articles of Incorporation, and ratification of all acts of the officers and management for the year ended 31 December 2018. The minutes of the Annual Stockholders' Meeting held on 25 June 2018 and the relevant resolutions approved by the Board of Directors for ratification by the stockholders are attached hereto as Annexes "C" and "D".

## **Item 17. Amendments of Charter, By-Laws and Other Documents**

Amendment of the Articles of Incorporation of the Corporation as follows:

- I. To change the principal office address of the Corporation to "Udenna Tower, 4<sup>th</sup> Ave. cor. Rizal Drive, Bonifacio Global City, Taguig City."
- II. To increase the authorized capital stock of the Corporation from Eight Billion Pesos (PhP8,000,000,000.00) divided into Eight Billion Common shares (8,000,000,000) with a par value of One Peso (PhP1.00) per share to Fifteen Billion Pesos (PhP15,000,000,000.00) divided into Fifteen Billion (15,000,000,000) shares with a par value of One Peso (PhP1.00) per share.

The rationale and effect for the change in the principal office address is for operational efficiency and for convenience of shareholders by having the principal office in a more accessible location.

The increase in capital stock of the Corporation is intended to accommodate the relevant capital expenditure necessary for the Corporation's ongoing projects and for general corporate purposes. Please refer to Item 2 of the Management Report for a discussion on the Corporation's current projects.

Amendment of the By-Laws of the Corporation as follows:

- I. To change the date of the annual stockholders meeting to "the third Wednesday of May."

The change of the annual stockholders' meeting to the third Wednesday of May is intended to contribute to the Corporation's efficiencies.

**Item 18. Other Matters**

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

**Item 19. Voting Procedures**

The aforementioned motions will require the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Annual Meeting, except for the matters which require an amendment of the Articles of Incorporation of the Company, which will require a vote of 2/3 of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Annual Meeting. Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether the stockholders have approved that matter, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting and voting shall be by *viva voce*. SGV & Co., the Company's independent auditors, were requested and have agreed to manually tally the votes at the meeting. They will present the results afterwards.

## **SIGNATURE**

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 hereunto duly authorized.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Taguig City on this 5th day of April 2019.

**PH RESORTS GROUP HOLDINGS INC.**

By:

  
**LEANDRO E. ABARQUEZ**  
Corporate Secretary

# COVER SHEET

SEC Registration Number

C S 2 0 0 9 0 1 2 6 9

## COMPANY NAME

P H R E S O R T S G R O U P H O L D I N G S , I N C  
 . ( F O R M E R L Y P H I L I P P I N E H 2 O V E N  
 T U R E S C O R P . ) A N D S U B S I D I A R I E S

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

G G D C A d m i n i s t r a t i v e S e r v i c e s B  
 u i l d i n g , C l a r k G l o b a l C i t y , C l  
 a r k F r e e p o r t Z o n e , P a m p a n g a , P  
 h i l i p p i n e s , 2 0 2 3

Form Type

1 7 - A

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

lara.lorenzana@phresorts.com

Company's Telephone Number

(632) 800-8493

Mobile Number

N/A

No. of Stockholders

29

Annual Meeting (Month / Day)

3<sup>rd</sup> Wednesday of June

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Lara Lorenzana

Email Address

lara.lorenzana@phresorts.com

Telephone Number/s

(632) 800-8493

Mobile Number

N/A

## CONTACT PERSON'S ADDRESS

Unit 709, 7<sup>th</sup> Floor, The Infinity Tower, 26<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
PH Resorts Group Holdings, Inc.  
GGDC Administrative Services Building  
Clark Global City, Clark Freeport Zone  
Pampanga

### Opinion

We have audited the consolidated financial statements of PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures, Corp.) and Subsidiaries (collectively referred to as "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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



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

Accounting for the reverse acquisition of PH Travel and Leisure Holdings Corp.

On June 27, 2018, Udenna Corporation (Udenna) the Ultimate Parent Company and PH Resorts Group Holdings, Inc. (PH Resorts) executed a deed of assignment wherein Udenna assigned, transferred and conveyed 100% ownership interest of 500,000,000 shares at ₱1.00 par value per share over PH Travel Leisure Corporation (PH Travel) to PH Resorts in exchange for cash payment of ₱406.4 million and issuance of 4,143,648,309 shares of PH Resorts with ₱1.00 par value per share for a total consideration of ₱4,550.0 million. The transaction was accounted for as a reverse acquisition with PH Resorts, as the legal parent and the identified accounting acquirer, and PH Travel as the legal subsidiary and accounting acquirer.

The accounting for the Company's reverse acquisition of PH Resorts is a key audit matter due to the accounting complexity of the transaction and it involves significant amounts and judgment. Management judgment was required to determine that PH Resorts did not meet the definition of a "business" and should not be accounted for as a business combination.

*Audit response*

We obtained and reviewed the deed of assignment between the entities involved and related documents, including any arrangements entered into in connection with the transaction. We reviewed management's analysis and assessment on the accounting treatment and disclosures of the transaction against the requirements of the relevant accounting standards, including interpretation guidance and authoritative support. This accounting treatment involves the use of reverse acquisition accounting as the basis of preparation of the consolidated financial statements and the restatement of comparative information to reflect that the consolidated financial statements is that of the continuing business of PH Travel, the accounting acquirer.

The Group's disclosure on this matter is included in Note 2.

Compliance of Clark Grand Leisure Company to the Debt-Equity ratio requirement of Philippine Amusement and Gaming Corporation

On August 6, 2018, PAGCOR issued a Provisional License to Clark Grand Leisure Company ("Clark"), a subsidiary, for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone. The requirements of the PAGCOR Provisional License include maintenance of the 70% Debt – 30% Equity ratio. Management considers its interest-bearing liabilities as debt and as basis of calculation of debt-equity ratio. We consider this as a key audit matter because the Group's assessment on the potential outcome of the clarification with PAGCOR on the definition of debt and its potential impact to Clark and to the Group's financial position requires a significant level of management judgment.



#### *Audit response*

We reviewed the license agreement with PAGCOR and the documents submitted to comply with PAGCOR requirements. We recomputed and reviewed the basis of management's calculation of debt-equity ratio. We obtained management's assessment and legal basis on the (a) potential outcome on the clarification with PAGCOR; and (b) potential impact of the noncompliance with the provisional license requirements on the Group's financial condition. The Group's disclosure on this matter is included in Notes 5 and 20.

#### **Other Matter**

The financial statements of PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp.) for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 08, 2018.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.





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- 5 -

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is  
Maria Pilar B. Hernandez

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),

February 26, 2019, valid until February 25, 2022

Tax Identification No. 214-318-972

BIR Accreditation No. 08-001998-116-2019,

January 28, 2019, valid until January 27, 2022

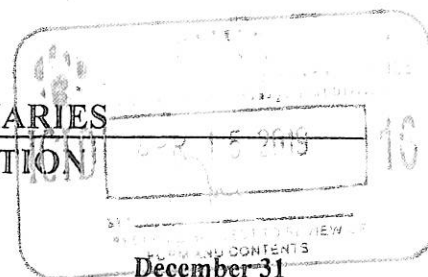
PTR No. 7332559, January 3, 2019, Makati City

April 12, 2019





**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



	2018 (Note 2)	2017 (Note 2)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱686,846,385	₱165,586,738
Trade and other receivables (Notes 5, 6 and 7)	13,986,884	5,124,797
Advances to related parties (Note 7)	45,068,343	351,404,302
Inventories - at cost	1,761,369	—
Restricted fund (Note 11)	139,955,985	—
Prepayments and other current assets (Notes 7 and 8)	62,563,121	3,077,481
Total Current Assets	950,182,087	525,193,318
<b>Noncurrent Assets</b>		
Property and equipment (Notes 9, 11 and 20)	3,932,239,892	473,910,002
Deposits for future property acquisition (Note 10)	111,430,494	470,687,867
Cash in escrow (Notes 5 and 20)	1,315,918,771	751,913,965
Input value-added tax (VAT)	280,192,836	21,764,439
Advances to suppliers (Note 9)	213,337,217	84,242,355
Deferred tax asset (Note 16)	—	503,124
Other noncurrent assets	15,347,898	149,786
Total Noncurrent Assets	5,868,467,108	1,803,171,538
<b>TOTAL ASSETS</b>	<b>₱6,818,649,195</b>	<b>₱2,328,364,856</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 11)	₱3,849,608,994	₱1,649,124,684
Trade and other payables (Notes 7 and 12)	397,254,293	125,533,173
Advances from related parties (Note 7)	1,279,332,675	129,367,293
Total Current Liabilities	5,526,195,962	1,904,025,150
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 11)	964,864,063	787,089
Retention payable (Note 9)	85,776,468	—
Deferred tax liabilities- net (Note 16)	15,644,701	—
Total Noncurrent Liabilities	1,066,285,232	787,089
Total Liabilities	6,592,481,194	1,904,812,239
<b>Equity</b>		
Capital stock (Note 13)	4,793,266,504	243,241,504
Subscription receivables (Note 13)	(406,376,691)	—
Additional paid-in capital (Note 13)	—	58,073,612
Equity reserve (Notes 2 and 13)	(4,050,000,000)	52,977,957
Retained earnings (Deficit)	(110,721,812)	69,259,544
Total Equity	226,168,001	423,552,617
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,818,649,195</b>	<b>₱2,328,364,856</b>

See accompanying Notes to the Consolidated Financial Statements.



**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 AND**  
**FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017**

	2018 (Note 2)	2017 (Note 2)
<b>NET OPERATING REVENUES</b>		
Food and beverage	₱43,889,021	₱—
Rooms	35,148,627	—
Others	3,720,804	—
	<b>82,758,452</b>	<b>—</b>
<b>DIRECT COSTS AND EXPENSES</b>		
Inventories consumed	19,786,070	—
Salaries and wages	11,272,482	—
Other costs and expenses (Note 14)	4,963,537	—
	<b>36,022,089</b>	<b>—</b>
<b>GROSS INCOME</b>	<b>46,736,363</b>	<b>—</b>
<b>OPERATING EXPENSES (Note 15)</b>	<b>175,162,104</b>	<b>55,398,775</b>
<b>OPERATING LOSS</b>	<b>(128,425,741)</b>	<b>(55,398,775)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>		
Interest expense (Notes 7 and 11)	(81,354,913)	(15,654,302)
Interest income (Note 5)	20,643,486	12,053,748
Gain on disposal of a subsidiary (Note 19)	617,037	—
Foreign exchange loss – net	(16,185,103)	(16,613,055)
Other expenses	(344,375)	(49,391)
	<b>(76,623,868)</b>	<b>(20,263,000)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(205,049,609)</b>	<b>(75,661,775)</b>
<b>PROVISION FOR INCOME TAX (Note 16)</b>		
Current	3,104,148	1,288,732
Deferred	16,147,825	(503,124)
	<b>19,251,973</b>	<b>785,608</b>
<b>NET LOSS/TOTAL COMPREHENSIVE LOSS (Note 23)</b>	<b>(₱224,301,582)</b>	<b>(₱76,447,383)</b>
<b>Basic and Diluted Loss Per Share (Note 21)</b>	<b>(₱0.7209)</b>	<b>(₱0.3143)</b>

*See accompanying Notes to the Consolidated Financial Statements.*



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

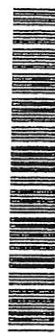
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2018 AND**

**FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017**

	Capital Stock (Notes 1 and 13)	Subscription Receivables (Note 13)	Additional paid-in capital (Note 13)	Equity Reserve (Notes 2 and 13)	Retained Earnings (Deficit) (Notes 2 and 13)	Total
Balance as at December 31, 2017	P243,241,504	P-	P58,073,612	P52,977,957	P69,259,544	P423,552,617
Issuance of capital stock, net of issuance costs	4,143,648,309	-	(58,073,612)	-	(11,081,389)	4,074,493,308
Subscription of shares (Note 13)	406,376,691	(406,376,691)	-	-	-	-
Total comprehensive loss	-	-	-	-	(224,301,582)	(224,301,582)
Effect of reverse acquisition (Notes 2 and 13)	-	-	-	(4,102,977,957)	55,401,615	(4,047,576,342)
Balance at December 31, 2018	P4,793,266,504	(P406,376,691)	P-	(P4,050,000,000)	(P110,721,812)	P226,168,001
Issuance of capital stock	P500,000,000	P-	P-	P-	P-	P500,000,000
Total comprehensive loss	-	-	-	-	(76,447,383)	(76,447,383)
Effect of reverse acquisition (Notes 2 and 13)	(256,758,496)	-	58,073,612	52,977,957	145,706,927	-
Balance at December 31, 2017	P243,241,504	P-	P58,073,612	P52,977,957	P69,259,544	P423,552,617

See accompanying Notes to the Consolidated Financial Statements.



**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 AND**  
**FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017**

	2018 (Note 2)	2017 (Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(P205,049,609)	(P75,661,775)
Adjustments for:		
Interest expense (Notes 7 and 11)	81,354,913	15,654,302
Interest income (Note 5)	(20,643,486)	(12,053,748)
Unrealized foreign exchange loss	11,608,188	16,613,055
Gain on disposal of a subsidiary (Note 19)	(617,037)	-
Depreciation (Notes 9 and 15)	3,848,296	507,512
Loss before working capital changes	(129,498,735)	(54,940,654)
Decrease (increase) in:		
Trade and other receivables	(2,907,940)	-
Advances to related parties	306,146,174	(351,404,302)
Inventories	(1,761,369)	-
Prepayments and other current assets	(55,527,973)	(3,077,481)
Increase in trade and other payables	209,255,050	125,533,173
Net cash generated from (used in) operations	325,705,207	(283,889,264)
Income taxes paid (includes creditable withholding taxes and final taxes)	(3,249,775)	(1,288,732)
Net cash provided by (used in) operating activities	322,455,432	(285,177,996)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment (Note 10)	(2,349,811,921)	(463,741,058)
Additions in deposits for future property acquisition	(673,930,178)	(470,687,867)
Decrease in:		
Input VAT	(258,578,183)	(21,914,225)
Advances to suppliers	(129,094,862)	(84,242,355)
Other noncurrent assets	(15,198,112)	-
Transfer of cash to escrow fund (Note 6)	(538,565,779)	(751,913,965)
Transfer of cash to restricted fund (Note 11)	(139,955,985)	-
Interest received	27,266,909	6,928,951
Cash and cash equivalents of deconsolidated subsidiary (Note 19)	(7,251,958)	-
Net cash used in investing activities	(4,085,120,069)	(1,785,570,519)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from related parties	1,147,222,065	129,367,293
Payments of:		
Interest	(104,247,274)	(26,330,758)
Mortgage loan (Note 11)	(683,981)	(343,827)
Proceeds from:		
Bank loans, net of debt issue costs (Note 11)	3,118,946,883	1,650,255,600
Mortgage loan (Note 11)	2,489,752	-
Increase in retention payable	85,776,468	-
Share issuance costs (Note 13)	(69,155,001)	-
Proceeds from issuance of capital stock (Note 13)	-	500,000,000
Net cash provided by financing activities	4,180,348,912	2,252,948,308

(Forward)



	2018 (Note 2)	2017 (Note 2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	P417,684,275	P182,199,793
EFFECT OF EXCHANGE RATE CHANGES ON CASH	485,215	(16,613,055)
CASH AND CASH EQUIVALENTS OF PH RESORTS BEFORE REVERSE ACQUISITION	103,090,157	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note 6)	165,586,738	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 6)	P686,846,385	P165,586,738

See accompanying Notes to the Consolidated Financial Statements.





**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General Information**

Corporate Information

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. "PH Resorts", "Parent Company" or "H2O") was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Parent Company is at GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga.

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

- Change of corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.
- Change the primary purpose of H2O from "to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act" to "to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest".
- Change of registered principal office address from 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines, 2023.
- Change the number of directors from seven to nine.
- Increase in authorized capital stock from ₱500.0 million, consisting of 500.0 million common shares with a par value of ₱1.00 per share to ₱8,000.0 million consisting of 8,000.0 million common shares with a par value of ₱1.00 per share.

The consolidated financial statements as at December 31, 2018 and 2017 and for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017 were authorized for issue by the BOD on April 12, 2019.



Change in Ownership of PH Resorts

On December 19, 2017, the Parent Company was notified by Jolliville Holdings Corporation (JHC, former parent company of H2O) that the latter along with its subsidiaries and related parties will be selling all their shareholdings in the Parent Company representing 62.006% of the issued and outstanding capital of the Parent Company to Udenna Development Corporation (UDEVCO), or to any of the latter's subsidiaries or affiliates (the H2O Sale). One of the conditions to the H2O Sale is the implementation and completion by H2O of a spin-off by selling all of its existing business and assets, including shares and interest in its subsidiaries. The Parent Company shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund.

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, "TPC", a wholly-owned subsidiary of JHC), entered into a purchase agreement, subject to conditions, with the Parent Company to purchase the latter's shares and interests, in Calapan Waterworks Corporation (CWWC) consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of ₱442.0 million. On April 4, 2018, the Parent Company's stockholders approved the CWWC sale. On June 1, 2018, the Parent Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Parent Company lost its control over CWWC.

On February 28, 2018, JHC and UDEVCO entered into a Share Purchase Agreement (SPA) to acquire 150,824,890 common shares representing 62.006% of the issued and outstanding common shares of H2O for a total purchase price of ₱647.9 million or ₱4.30 per share under the terms and conditions set forth in the SPA. On April 25, 2018, UDEVCO subsequently assigned all of its rights and obligations under the SPA to Udenna Corporation (Udenna, Ultimate Parent Company), a company incorporated in the Philippines. H2O will become a holding company for the tourism-related businesses of Udenna.

From April 30, 2018 to May 29, 2018, the tender offer commenced for the remaining 92,416,614 common shares, representing approximately 37.994% of the issued and outstanding common shares of H2O. Udenna conducted a tender offer for the remaining common shares. No other shareholders tendered their shares.

On June 1, 2018, upon completion of the tender offer and fulfillment of the conditions as provided in the SPA, the common shares of H2O were transferred to Udenna through a special block sale in PSE. Accordingly, on the same date, the Parent Company became a subsidiary of Udenna. All the assets and liabilities as of May 31, 2018 of the subsidiaries of the Parent Company were disposed through spin-off on June 1, 2018 as part of the conditions set forth in the SPA.

From June 13 to July 3, 2018, Udenna acquired additional 19,457,486 shares through a special block sale in PSE, effectively owning additional 7.994% ownership in H2O.

Change in Capital Structure and Group Reorganization

On June 27, 2018, Udenna and PH Resorts executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 44,654,000 shares of PH Travel and Leisure Holdings Corp. (PH Travel, a wholly-owned subsidiary of Udenna), representing its 8.93% interest ownership, to PH Resorts in exchange for cash consideration in the amount of ₱406.4 million.

On the same date, Udenna and PH Resorts also executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 455,346,000 shares of PH Travel, representing its 91.07% interest ownership, to PH Resorts in exchange for the issuance of 4,143,648,309 shares of PH Resorts to be issued at ₱1.00 par value per share for a total share swap consideration of ₱4,143.6 million (Share Swap Consideration). The Ultimate Parent Company shall apply the share swap consideration in payment of



its subscription to the additional shares in the capital stock of PH Resorts to be issued at the price of ₱1.00 per share from the proposed increase in the authorized capital stock of PH Resorts.

On December 10, 2018, the SEC approved the amendments in the Parent Company's AOI. The issuance of 4,143,648,309 shares of the Parent Company was made on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. Consequently, as at December 26, 2018, PH Travel became a legal subsidiary of PH Resorts.

#### 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 located at 26th Floor, Fort Legend Towers, 3rd Ave. cor. 31st Street, Brgy. Bonifacio Global City, Taguig City. 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.

As at December 31, 2018 and 2017, PH Travel holds ownership interests in the following entities incorporated in the Philippines:

<i>Subsidiary Name</i>	<i>Nature of Business</i>	<i>Date of Incorporation</i>	<i>% of Ownership as at</i>	
			<i>2018</i>	<i>2017</i>
LapuLapu Leisure, Inc. (L3)	Hotels, casino and gaming	January 25, 2017	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	-
Clark Grand Leisure Corp. (CGLC)	Hotels, casino and gaming	March 7, 2018	100	-
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	100	-
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	100	-
Aetos Air Philippines, Inc. (AAPI)	Transportation	February 24, 2017	-	100

On January 12, 2018, PH Travel sold its 100% interest ownership in AAPI to Udenna Management & Resources Corp. (a related party) for a consideration of ₱10.0 million which is equal to the investment cost of AAPI in PH Travel's books (see Notes 7 and 19).

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

#### Provisional Licenses

On May 3, 2017, Philippine Amusement and Gaming Corporation (PAGCOR) issued a Provisional License (License) authorizing L3 to develop approximately 13.5 hectares in Mactan Islands, LapuLapu City, Cebu and to establish and operate casinos and engage in gaming activities. The term of L3's License shall be 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 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.

Further details of the terms and commitments under the Provisional Licenses are included in Note 20.

#### Status of Operations

*DHPC.* DHPC is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the hotel in 2017. The Donatela Hotel commenced its operations in January 2018 and currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar.

*L3.* L3 leases the site from Lapulapu Land Corp. (LLC), a related party under common ownership, on which the integrated tourism resort will be located. Construction of the integrated tourism resort commenced in December 2017 and will be constructed in two phases. It is expected to be completed in time for the anticipated opening in the fourth quarter of 2020.

*CGLC.* CGLC leases the site on which integrated tourism resort will be located from Global Gateway Development Corporation. Groundbreaking of the integrated tourism resort is scheduled to commence before the end of 2019 and is expected to be completed by the end of 2022.

The other entities within the Group have no material operations as of December 31, 2018.

The Parent Company has ongoing plans for suitable financing and capital raising options.

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## **2. Basis of Preparation and Statement of Compliance**

#### Basis of Preparation

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

#### Statement of Compliance

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis of Consolidation

As at 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. 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 Note 1).





The comparative financial information for the year ended December 31, 2016 has not been presented in the consolidated financial statements as all companies within the PH Travel Group were incorporated in or after January 2017 and the effective date which PH Travel gained control over PH Resorts as described above was on December 26, 2018. The consolidated statements of financial position as at December 31, 2017 presented in the consolidated financial statements as of December 31, 2018 for comparative purposes, are retroactively adjusted to reflect the legal capital (i.e. the number and type of capital stock issued, additional paid-in capital and retained earnings) 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 as at December 31, 2018 and 2017, respectively.

In accounting for this transaction, the consolidated financial statements will reflect the following:

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

Reverse acquisition applies only to the consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of December 31, 2018 and 2017.

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

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

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

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





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

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

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

Noncontrolling interests, if any, represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. There are no noncontrolling interests as at December 31, 2018 and 2017, respectively.

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

If the Company loses control over a subsidiary, it:

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

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

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### 3. Changes in Accounting Policies and Financial Reporting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted these new accounting pronouncements discussed in the succeeding section starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.



• PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PFRS 9 with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the consolidated financial statements.

a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost or fair value through OCI (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

		PFRS 9 Measurement Category		
PAS 39 Measurement Category	As at January 1, 2018	FVPL	Amortized cost	FVOCI
Loans and receivables:				
Cash and cash equivalents	₱165,576,738	₱—	₱165,576,738	₱—
Trade and other receivables	5,124,797	—	5,124,797	—
Advances to related parties	351,404,302	—	351,404,302	—
Cash in escrow	751,913,965	—	751,913,965	—
Total	₱1,274,019,802	₱—	₱1,274,019,802	₱—

There were no changes to the classification and measurement of the financial liabilities. As at January 1, 2018, the Group does not hold financial liabilities designated at FVPL.

b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Impairment on cash and cash equivalents, accrued interest and cash in escrow has been measured on a 12-month expected loss basis and reflects short-term maturities of the exposures.



The Group considers that its high-grade cash and cash equivalents, accrued interest and cash in escrow have low credit risk based on external credit ratings of the banks. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

For advances to related parties, the ECL is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would be need to be set to 100%.

The adoption of PFRS 9 ECL approach however did not materially impact the Group's financial assets.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

The five-step model is as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and,
5. Recognize revenue as the entity satisfies a performance obligation.

PFRS 15 requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. There is no impact on the consolidated financial statements as at January 1, 2018 since most of the Group's subsidiaries either have not yet started their operations or have just started their operations during the year.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Considerations*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.



Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9 with PFRS 4
- Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Clarification that measuring investees at FVTPL is an investment-by-investment choice
- Amendments to PAS 40, *Investment Property*, Transfers of Investment Property

New Standards and Interpretation Issued but not yet effective

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

*Effective January 1, 2019*

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.



An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19: *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Effective Beginning on or After January 1, 2021*

- PFRS 17, *Insurance Contracts*

*Deferred Effectivity*

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

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

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

All other assets are classified as noncurrent.





A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

#### Financial instruments

##### *Initial Recognition and Subsequent Measurement Prior to the Adoption of PFRS 9*

Financial instruments are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

- *Date of Recognition.* Financial instruments are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.
- *"Day 1" Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.
- *Determination of Fair Value.* The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies.

Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

- *Financial Assets.* The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables, as appropriate. The classification depends on the purpose for which these were acquired and whether they are quoted in an active market. Management determines the classification of its



financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, trade and other receivables, advances to related parties, and cash in escrow.

- a. *Financial Assets and Liabilities at FVPL.* Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the consolidated statements of financial position at fair value. Subsequent changes in fair value are recognized directly in the consolidated statements of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

The Group has no financial assets and liabilities at FVPL as at December 31, 2017.

- b. *Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables, advances to related parties and cash in escrow are included in this category.

- c. *HTM Investments.* HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially





recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statements of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as at December 31, 2017.

- d. *AFS Investments.* AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in the consolidated statements of comprehensive income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

The Group has no AFS investments as at December 31, 2017.

- *Financial Liabilities.* Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include loans payable, trade and other payables, and advances from related parties.

The measurement of financial liabilities depends on its classification.

*Other Financial Liabilities at Amortized Cost.* This includes the Group's loans payable, trade and other payables, and advances from related parties.

The Group has no financial liabilities at FVPL or derivatives designated as hedging instruments as of December 31, 2017.

*Subsequent Measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium.

Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

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

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are



- potentially unfavorable to the Group; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

*Impairment of Financial Assets.* The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and, thus, were not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Impaired receivables are derecognized when they are assessed as uncollectible.

The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

As at December 31, 2017, there was no impairment recognized on its financial assets.





*Derecognition of Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

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

*Initial Recognition and Subsequent Measurement Upon Adoption of PFRS 9*

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group’s business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost
  - Financial assets measured at FVPL
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss
- *Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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



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

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

As at December 31, 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to related parties, restricted fund, cash in escrow and security deposits.

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

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



Dividends are recognized in profit or loss only when:

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

As at December 31, 2018, the Group does not have any financial assets under this category.

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

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

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

As at December 31, 2018, the Group does not have any financial assets under this category.

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

As at December 31, 2018, the Group's financial liabilities at amortized costs consist of loans payable, trade and other payables, advances from related parties and retention payables.

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

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

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

As at December 31, 2018, the Group does not have any financial assets under this category.



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

The Group does not reclassify its financial assets when:

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

*Derecognition of Financial Instruments*

- *Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when, and only when:
  - the contractual rights to the cash flows from the financial asset expire, or,
  - the Group transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which it either (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control.

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

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

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

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

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





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

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

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

#### *Impairment of Financial Assets*

Prior to the adoption of PFRS 9, the Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- *Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income in the consolidated statements of comprehensive income. Loans, together with the associated allowance, are written off when there





is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a future write-off is later recovered, the recovery is credited to interest expense in the consolidated statements of comprehensive income.

Upon adoption of PFRS 9, the standard introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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



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

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

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

#### Cash and Cash equivalents

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

Cash and cash equivalents exclude any restricted cash (presented under "Restricted fund") that is not available for use by the Group and therefore is not considered highly liquid.

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

#### Inventories

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

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

#### Other Current Assets

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

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position.

Input VAT on its construction costs and other purchase of asset or services expected to be recovered for more than a year upon the start of its commercial operations is recorded under Noncurrent assets portion in the consolidated statements of financial position.



### Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and any accumulated impairment.

Land is carried at cost less any impairment in value.

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

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

Land Improvements and Infrastructures	5-14 years
Buildings	25 years
Office Furniture, Fixtures and Equipment	2-10 years
Transportation Equipment	5-7 years
Leasehold Improvements and Others	3 years

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

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

Construction-in-progress (CIP) represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

### Advances to Suppliers

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

### Deposits for Future Property Acquisition

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

### Impairment of Nonfinancial Assets

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



The recoverable amount of the assets is the greater of fair value less cost to sell and value-in-use.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of the estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment losses are recognized in profit or loss.

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

#### Equity

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

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

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

*Equity reserve.* Equity reserve account pertains to the equity adjustments resulting from the effect of the reverse acquisition.

#### Revenue Recognition

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

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

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







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

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

#### Cost and Expenses

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

#### Short-term Employee Benefits

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

#### Borrowing Costs

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

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

#### Leases

The determination of whether the arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, only if any of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expense is recognized in profit or loss on a straight-line basis over the terms of the lease agreements. Operating lease costs incurred on land, directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, is capitalized as part of CIP.



#### Retention payable

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

#### Income Taxes

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

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

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

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

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

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

#### Foreign Currency Transactions and Translations

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

#### Related Party Transactions and Relationships

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

#### Earnings Per Share (EPS)

EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net



income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 22 to the consolidated financial statements.

#### Provisions

Provisions are recognized when: (1) the Group has a present obligation (legal or constructive) as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pretax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Contingencies

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

#### Events after the End of the Reporting Period

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

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

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

#### Judgments

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



*Accounting for the reverse acquisition of PH Travel and Leisure Holdings Corp.*

As discussed in Notes 1 and 2, as at December 26, 2018, the equity share swap transaction between PH Resorts and PH Travel became effective.

Management judgment was required to determine that PH Resorts did not meet the definition of a “business” and should not be accounted for as a business combination. 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. 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.

*Compliance of CGLC to the debt-equity ratio requirement of PAGCOR*

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 requirements of the PAGCOR Provisional License include maintenance of the 70% Debt – 30% Equity ratio. Management considers its interest-bearing liabilities as debt and as basis of calculation of debt-equity ratio. We consider this as a key audit matter because the Group’s assessment on the potential outcome of the clarification with PAGCOR on the definition of debt and its potential impact to CGLC and to the Group’s financial position requires a significant level of management judgment.

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 at December 31, 2018, CGLC’s debt-equity ratio based on interest-bearing liabilities was 0% - 100%. Management believes the Company met the required debt to equity ratio requirement of PAGCOR (see Note 20).

*Identifying performance obligations in food and beverages and rooms revenues, a bundled sale of services.*

The Group provides hotel services that are either sold separately or bundled together with the other services.

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

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

*Determination of operating lease - Group as Lessee*

The Group has operating lease agreements on land and various equipment. The Group has determined that the risks and rewards of ownership for the underlying properties have been retained by the lessors. Accordingly, the leases are accounted for as operating leases (see Note 7).





*Capitalization of operating lease payments*

The Group determines whether the amount of operating lease costs qualify for capitalization as part of construction costs, or should be expensed outright. Management assessed that the rent on land is a directly attributable cost to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Lease payments capitalized as part of construction in progress amounted to ₱128.4 million and ₱63.1 million for the years ended December 31, 2018 and 2017, respectively (see Notes 7 and 9).

*Capitalization of Borrowing Cost*

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

Capitalized borrowing costs equivalent to the effective interests incurred on the loans amounted to ₱80.8 million and ₱10.7 million for the years ended December 31, 2018 and 2017, respectively (see Note 9). Borrowing costs of ₱81.4 million and ₱15.7 million on loans availed for purposes other than financing the construction is expensed outright for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017.

*Transfer of risks and rewards over a property under conditional purchase*

In 2018 and 2017, the Group entered into contracts to sell, to acquire various parcels of land. The terms include the transfer of title only upon full payment of the agreed price as stated in the contract for DHPC and upon payment of 95% of the total purchase price as stated in the contract for DPRC. The contracts are subject to cancellation by the seller upon breach of the contract or default by the Group and the seller may forfeit the improvements therein. The Group has paid approximately 89% and 42% of the agreed price on the contract to sell entered by DHPC as at December 31, 2018 and 2017, respectively and 40% on the contract to sell of DPRC as at December 31, 2018. Hence, management believes that as at December 31, 2018 and 2017, the risks and rewards of ownership of the properties have been retained by the sellers. Accordingly, installment payments totaling ₱111.4 million and ₱470.7 million as at those dates, respectively, were presented as "Deposit for future property acquisition" in the consolidated statements of financial position (see Note 10).

*Impairment of nonfinancial assets*

The Group assesses impairment on nonfinancial assets (enumerated in the following table) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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





The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach.

There was no indication of impairment as of December 31, 2018 and 2017. The carrying values of nonfinancial assets as at December 31, 2018 and 2017 are as follows (see Notes 9, 10, 11, 16 and 20):

	2018	2017
Property and equipment	₱3,932,239,892	₱473,910,002
Deposits for future property acquisition	111,430,494	470,687,867
Input VAT	280,192,836	21,764,439
Advances to suppliers	213,337,217	84,242,355
Deferred tax asset	—	503,124
Other noncurrent assets	8,547,898	149,786

#### Estimates and assumptions

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

*Allowance for Doubtful Accounts Prior to 2018.* The Group reviews its loans and receivables at each financial reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

#### *Provision for expected credit losses on financial assets after January 1, 2018*

a. *Definition of Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s); or
  - c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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



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

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

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

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

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

No impairment was recognized on its financial assets as at December 31, 2018 and 2017.

*Estimation of useful lives of property and equipment*

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

The carrying value of the property and equipment as at December 31, 2018 and 2017 amounted to ₱3,932.2 million and ₱473.9 million, respectively.

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

The fair value of financial assets and financial liabilities are disclosed in Note 18.

*Determining Realizable Amount of Deferred Taxes*

The Group reviews the carrying amounts of its deferred income tax assets at the end of each balance sheet and recognized the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be



utilized. Accordingly, the Group did not recognize deferred tax asset from the carryover benefits of NOLCO and unrealized foreign exchange losses amounting to ₱269.8 million and ₱86.0 million as at December 31, 2018 and 2017, respectively (see Note 16).

## 5. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	₱686,846,385	₱116,560,751
Short-term placements	–	49,025,987
	<b>₱686,846,385</b>	<b>₱165,586,738</b>

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest of 1.25% in 2018 and 2017.

Interest income earned on cash and cash equivalents amounted to ₱0.7 million and ₱3.1 million for the years ended December 31, 2018 and 2017, respectively.

The Group has cash in escrow through L3 amounting to ₱788.7 million and ₱751.9 million as at December 31, 2018 and 2017, respectively, and cash in escrow through CGLC amounting to ₱527.2 million as at December 31, 2018 (nil as at December 31, 2017) which is presented under the Noncurrent Assets section of the consolidated statements of financial position. Interest income earned on cash in escrow amounted to ₱19.9 million and ₱8.9 million for the years ended December 31, 2018 and 2017, respectively. Accrued interest as at December 31, 2018 and 2017 amounted to ₱1.1 million and ₱5.1 million, respectively, and is presented under the “Trade and other receivables” account in the consolidated statements of financial position (see Note 6). 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 L3 and CGLC’s investment commitments (see Note 20).

## 6. Trade and Other Receivables

	2018	2017
Trade	₱2,700,432	₱–
Receivable from sale of a subsidiary (Notes 1, 7 and 19)	10,000,000	–
Accrued interest receivables (Note 5)	1,078,944	5,124,797
Others	207,508	–
	<b>₱13,986,884</b>	<b>₱5,124,797</b>

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

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

No provision for estimated credit losses was provided for the years ended December 31, 2018 and 2017.



## 7. Related Party Transactions

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

Outstanding balances at year-end are unsecured and non-interest bearing and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment assessment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the entity is exposed to credit risk. No other factors have been noted by the Group that would indicate that the advances are incapable of being repaid on demand, such that the borrower would default if the loan were called wherein the probability of default would be need to be set to 100%. For the years ended December 31, 2018 and 2017, 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	Bunkers Manila Inc.
	CGLC Cultural Heritage Foundation, Inc.
	Chelsea Logistics Holdings Corp.
	Chelsea Shipping Corp.
	Dennison Holdings Corp.
	Enderun Hospitality Management and Consultancy Services (Enderun)
	L3 Concrete Specialist
	Lapulapu Cultural Heritage Foundation, Inc.
	LLC
	Phoenix Petroleum Philippines, Inc.
	Udenna Development Corporation
	Udenna Infrastructure Corp.
	Udenna Management & Resources Corp.
	Udenna Water & Integrated Services, Inc.
	UDEVCO LLC
	Value Leases Inc.

The consolidated statements of financial position include the following amounts with respect to the balances with related parties for the years ended December 31, 2018 and 2017:

	Year	Amount/ Volume of Transaction	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<b>Ultimate Parent Company</b>						
Cash advances to a related party for working capital	2018	₱105,000,000	₱41,332,707	₱0	Noninterest-bearing; not impaired; due and demandable	Unsecured
	2017	0	0	0		
Cash advances from a related party for working capital and project completion	2018	1,043,736,603	0	942,195,175	Noninterest-bearing; due and demandable	Unsecured
	2017	129,367,293	-	129,367,293		

(Forward)



	Year	Amount/ Volume of Transaction	Outstanding Balance		Terms	Conditions
			Receivable	Payable		
<b>Affiliates under Common Control</b>						
Cash advances to related parties	2018	178,429,279	3,735,636	<input type="checkbox"/>	Noninterest-bearing; not	Unsecured
	2017	1,533,184,517	351,214,517	<input type="checkbox"/>	impaired; due and demandable	
Cash advances from related parties for working capital	2018	265,107,825	<input type="checkbox"/>	25,037,500	Noninterest-bearing; due	Unsecured
	2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	and demandable	
Cash advances from related parties for working capital (a)****	2018	281,100,000	<input type="checkbox"/>	191,941,996	Interest-bearing; due and	Unsecured
	2017		<input type="checkbox"/>		demandable	
Lease (see Notes 8 and 9) (b)**	2018	128,383,560	40,398,414	<input type="checkbox"/>	Noninterest-bearing; due	Unsecured
	2017	63,116,280	-	-	and demandable	
Management and consultancy services (see Notes 12 and 15) (c)***	2018	10,282,630	<input type="checkbox"/>	3,472,533	Noninterest-bearing; due	Unsecured
	2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	and demandable	
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 19)*	2018	10,000,000	10,000,000	<input type="checkbox"/>	Noninterest-bearing; due	Unsecured
	2017	<input type="checkbox"/>	<input type="checkbox"/>		and demandable	
<b>Stockholder</b>						
Cash advances to a stockholder	2018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Noninterest-bearing; not	Unsecured
	2017	189,785	189,785	<input type="checkbox"/>	impaired; due and demandable	
Cash advances from a stockholder for working capital	2018	135,000,000	<input type="checkbox"/>	135,000,000	Noninterest-bearing; due	Unsecured
	2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	and demandable	
<b>Employees</b>						
Advances to employees***** (see Note 8)	2018	1,950,260	66,470	<input type="checkbox"/>	Noninterest-bearing; not	Unsecured
	2017	1,100,000	1,100,000	<input type="checkbox"/>	impaired; one-month liquidation	

\*Outstanding balance is included in Trade and other receivables as at December 31, 2018.

\*\*Outstanding balance is included in Prepayments and other current assets as at December 31, 2018.

\*\*\*Outstanding balance is included in Trade and other payables as at December 31, 2018.

\*\*\*\*Outstanding interest is included in Trade and other payables as at December 31, 2018.

\*\*\*\*\*Outstanding advances to employees is included in Prepayments and other current assets as at December 31, 2018 and 2017.

(a) *Interest-bearing cash advances from related parties*

For year ended December 31, 2018, various related parties granted advances to the Group amounting to ₱281.1 million to refinance operating requirements of the Group. The advances are payable on demand at 6.5% to 7% interest per annum. Principal of ₱104.0 million was paid as at December 31, 2018.

Interest expense incurred on these cash advances for the year ended December 31, 2018 amounted to ₱17.4 million. Out of the ₱17.4 million, ₱14.8 million is still unpaid and included in Interest payable under "Trade and other payables" account in the consolidated statements of financial position as at December 31, 2018 (see Note 12).

(b) *Lease*

On July 14, 2017, L3 entered into a lease agreement with LLC for parcels of land with 116,882 square meters in Punta Engano, LapuLapu City, Cebu. On August 30, 2018, L3 entered into another lease agreement with LLC covering additional parcels of land in the property with 5,975 square meters.





The lease agreements are for a period of 25 years commencing upon the signing of the agreements and will be renewed for an additional 25 years at the option of L3. L3 shall pay a monthly aggregate of ₱10.5 million for the original contract and ₱0.5 million for the additional lease. L3 and LLC shall agree on an escalated rate of the consideration three years from the signing of the lease agreement and for every three-year interval thereafter. The most recent rental rate will be used as basis of the consideration in the event the parties fail to agree on an escalated rate at the end of each three-year interval.

The estimated annual minimum rentals under this lease agreement as at December 31, 2018 are shown below:

Period	Amount
Within one year	₱132,685,560
More than one year but not more than five years	530,742,240
More than five years	2,462,211,360
	<u>₱3,125,639,160</u>

Lease payments capitalized as part of CIP amounted to ₱128.4 million and ₱63.1 million for the years ended December 31, 2018 and 2017, respectively (see Note 9). As at December 31, 2018, the Group has prepaid rental payments to LLC amounting to ₱41.6 million presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position (see Note 8).

(c) *Management fees*

DHPC entered into a Management Services Agreement in November 2017 for certain management and operational services with Enderun. Enderun manages the hotel operations starting January 2018 according to the terms and conditions set forth in the agreement as Enderun has substantial experience and knowledge of the operation of standard full service hotels throughout the Philippines. Management fees consist of basic management fee, incentive fee, marketing fee and corporate shared service fees (see Note 15).

(d) *Guarantees*

L3's bank loans with China Banking Corporation (CBC) are secured by a corporate guaranty by Udenna and by certain stockholders through a Continuing Surety Agreement with the bank (see Note 11).

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

(e) *Compensation and Other Benefits of Key Management Personnel*

The compensation of key management personnel for the years ended December 31, 2018 and 2017 pertaining to short-term employee benefits amounted to ₱35.5 million and ₱7.1 million, respectively.

There are no other short-term and long-term benefits given to key management personnel.



## 8. Prepayments and Other Current Assets

	2018	2017
Prepaid rent (Note 7)	₱41,643,503	₱—
Short-term security deposits	9,529,758	220,000
Advances to suppliers	4,403,210	650,000
Input VAT	3,401,868	—
Prepaid insurance	1,604,853	43,391
Prepaid expenses	1,307,457	805,136
Creditable withholding taxes	145,628	—
Advances to employees (Note 7)	66,470	1,100,000
Others	460,374	258,954
	<b>₱62,563,121</b>	<b>₱3,077,481</b>

Prepaid rent, prepaid insurance and prepaid expenses are amortized on a periodic basis over a period not exceeding 1 year.

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

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

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



9. Property and Equipment

2018								
	Land	Land Improvements and Infrastructures	Buildings	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction-in-progress (see Notes 7, 11 and 20)	Total
Cost								
Beginning balances	P-	P-	P-	P686,905	P3,767,750	P165,875	P469,796,984	P474,417,514
Additions	1,027,200,819	8,055,377	68,532,916	28,294,020	3,045,069	5,546,648	2,323,157,219	3,463,832,068
Effect of deconsolidation of a subsidiary (Note 19)	-	-	-	-	(1,872,321)	-	-	(1,872,321)
Ending balances	1,027,200,819	8,055,377	68,532,916	28,980,925	4,940,498	5,712,523	2,792,954,203	P3,936,377,261
Accumulated Depreciation								
Beginning balances	-	-	-	22,527	471,162	13,823	-	507,512
Additions (Note 15)	-	191,795	1,091,857	1,658,105	575,813	330,726	-	3,848,296
Effect of deconsolidation of a subsidiary (Note 19)	-	-	-	-	(218,439)	-	-	(218,439)
Ending balances	-	191,795	1,091,857	1,680,632	828,536	344,549	-	4,137,369
Net Book Value	P1,027,200,819	P7,863,582	P67,441,059	P27,300,293	P4,111,962	P5,367,974	P2,792,954,203	P3,932,239,892

2017								
	Land	Land Improvements and Infrastructures	Building	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold improvements and Others	Construction- in-progress (see Notes 7, 11 and 20)	Total
Cost	P-	P-	P-	P686,905	P3,767,750	P165,875	P469,796,984	P474,417,514
Accumulated Depreciation (Note 15)	-	-	-	22,527	471,162	13,823	-	507,512
Net Book Value	P-	P-	P-	P664,378	P3,296,588	P152,052	P469,796,984	P473,910,002



The CIP account mainly pertains to the US\$300.0 million (approximately ₱14,976.9 million) investment commitment of L3 required by the License Agreement with PAGCOR. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, development costs and all other expenses directly related to the completion of the Project. The account also includes capitalized borrowing costs amounting to ₱80.8 million and ₱10.7 million for the years ended December 31, 2018 and 2017, respectively, equivalent to the effective interests incurred on the loans (see Note 11). Lease payments capitalized as part of CIP amounted to ₱128.4 million and ₱63.1 million for the years ended December 31, 2018 and 2017, respectively (see Note 7).

Advance payments made to suppliers by the Group in relation to the construction of the project amounted to ₱213.3 million and ₱84.2 million as at December 31, 2018 and 2017, respectively, while payable to contractors amounted to ₱309.7 million and ₱102.4 million as at those periods, respectively (see Note 12). Retention payable to suppliers and contractors related to the construction project expected to be completed in 2021 amounted to ₱85.8 million as at December 31, 2018 (nil as at December 31, 2017).

DHPC's land, land improvements and infrastructures and building are used as a real estate mortgage for the long-term loan acquired from UCPB (see Note 11). The carrying value of the pledged properties amounted to ₱1,102.5 million as at December 31, 2018.

Pursuant to the bank loans, L3 entered into a real estate mortgage and chattel mortgage indenture over the property and equipment to collateralize its bank loans. The carrying value of properties used as collateral amounted to ₱2,786.9 million and ₱469.8 million as at December 31, 2018 and December 31, 2017 (see Note 11).

The Group has no idle and fully depreciated property and equipment as at December 31, 2018 and 2017.

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#### 10. Deposit 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 and in Tagbilaran, 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 amounting to ₱1,033.2 million which were subsequently reclassified as property and equipment. Remaining deposit for the future property acquisition amounting to ₱26.8 million pertains to the partial settlement of the total purchase price for the remaining area of 6,725 square meters. As at December 31, 2018 and 2017, DHPC has already paid ₱1,060.0 million and ₱470.7 million, respectively, which represents 89% and 42%, respectively, of the total purchase price.

On April 20, 2018, the DPRC entered into a contract to sell, to acquire various parcels of land in Lanang, Davao City with a total area of 3,134 square meters. The Deed of Absolute Sale for the parcel of land to be acquired in Lanang shall be executed upon payment of 95% of the total purchase price of ₱211.5 million. As at December 31, 2018, DPRC has already paid ₱84.6 million, which represents 40% of the total purchase price.

The Group expects to settle the full purchase price of both properties in 2019.



## 11. Loans Payable

	2018	2017
Short-term loans	₱3,848,015,068	₱1,648,590,000
Long-term loan	963,330,444	—
Mortgage loans	3,127,545	1,321,773
	4,814,473,057	1,649,911,773
Less current portion of loans payable	3,849,608,994	1,649,124,684
Noncurrent portion of loans payable	₱964,864,063	₱787,089

### Short-term loans

On June 7, 2017, L3 obtained bank loans from CBC to fund the escrow requirement of the Provisional License (see Notes 5 and 20) and to fund the construction of the first phase of the integrated resort, hotel and casino in Lapu Lapu City, Cebu. The loan amounting to US\$15.0 million that was used to finance the escrow requirement bears an annual interest of 3.5% to 6.25% while the second loan amounting to ₱900.0 million that was used to mainly fund the construction bears an annual interest of 4.75% to 6.25%.

In October 2018, in connection with the refinancing of the U.S.\$15 million and ₱900 million facilities, CBC approved a one-year bridge loan facility that extended the tenor of L3's short-term facilities to fund (i) the escrow required to be maintained by L3 pursuant to the Provisional License and (ii) the construction of the Project. The facility is comprised of (a) a Peso loan facility in the aggregate principal amount of up to ₱3.1 billion, and (b) a Dollar loan facility in the aggregate principal amount of up to U.S.\$15.0 million. The Peso and Dollar facilities were fully drawn on November 26, 2018 bearing interest rates of 9.55% and 6.25%, respectively.

The details of the short-term loans, which will be due for payment on November 21, 2019, as at December 31, 2018 are as follows:

Principal	₱3,888,700,000
Less unamortized debt issue costs	40,684,932
	₱3,848,015,068

Amortized debt issue costs of ₱2.9 million pertaining to the ₱3.1 billion loan was capitalized to CIP for the year ended December 31, 2018 and amortized debt issue costs ₱0.8 million pertaining to the U.S.\$15.0 million loan was expensed and presented as part of "Interest Expense" in the consolidated statements of comprehensive income in the same period.

As at December 31, 2018, restricted fund of ₱140.0 million from the proceeds of the short-term loans as construction costs account by CBC is presented as "Restricted Fund" in the consolidated statements of financial position. This will be released in installments upon presentation of invoices for the payment of relevant construction costs within the term of the loan in relation to the investment commitment as part of the requirements of PAGCOR (see Note 20).

The terms of the CBC bridge loan facility contain covenants that restrict the ability of each of LLC and L3 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), lend money or credit or provide any guarantee, enter into certain profit-sharing arrangements, make voluntary prepayments in respect of its long-term indebtedness, engage in certain activities or incorporate subsidiaries, maintain certain bank accounts, incur certain capital expenditure,





issue additional shares without consent, pay interest and dividends, or amend the development or project implementation plans of the Project without consent. In addition, each of LLC and L3 is 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 the Project site.

L3's loans are secured by a corporate guaranty of Udenna and by certain stockholders through a Continuing Surety Agreement with CBC (see Note 7). Failure by Udenna or by certain stockholders to repay indebtedness pursuant to agreements unrelated to L3 could trigger a cross default provision.

The carrying value of properties used as collateral amounted to ₱2,786.9 million and ₱469.8 million as at December 31, 2018 and December 31, 2017 (see Note 9).

The Group, through L3, and CBC are in the process of syndication for a term loan facility. Upon securing this term loan facility, the Group expects to use the proceeds of such loan to refinance the CBC bridge loan facility and in part fund the ongoing construction and fit-out of the first phase of the Project.

Interest charges incurred on these loans for the years ended December 31, 2018 and 2017, amounted to ₱118.7 million and ₱26.3 million, respectively. The capitalized borrowing costs from the total interest charges amounted to ₱80.8 million and ₱10.7 million for the years ended December 31, 2018 and 2017, respectively, equivalent to the effective interest of the ₱3.1 billion loans. 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).

#### Long-term loan

On September 3, 2018, UCPB granted DHPC a ₱975.0 million term loan with a term of 10 years. DHPC used the proceeds to refinance the acquisition of the hotel resort in Tawala, Panglao Bohol which was initially funded using the advances from DHPC's related parties.

The details of the long-term loan as at December 31, 2018 is as follows:

Principal	₱975,000,000
Less unamortized debt issue costs	11,669,556
	<u>₱963,330,444</u>

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

The loan bears an annual interest rate based on the one-year Philippine Dealing System Treasury-Reference Rate PM (PDST-R2) at the time of availment or resetting, as the case maybe, 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 year ended December 31, 2018 amounted to ₱25.9 million.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 9). The carrying value of the pledged properties amounted to ₱1,102.5 million as at December 31, 2018.



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. As at April 12, 2019, the bank confirmed the deferral of the testing period for the purpose of compliance with certain financial covenants.

The performance of the obligations of DHPC due to UCPB at any time under the loan agreement and the payment of the availments therein shall be the joint and several liability of the PH Travel and DHPC (see Note 7).

#### Mortgage loans

In 2018 and 2017, the Group entered into various mortgage loan agreements with local banks to finance the acquisitions of transportation equipment amounting to ₱3.7 million and ₱1.9 million, respectively. The loans bear effective interest rate of 11.86% and 8.50% per annum, and 8.50% per annum for the years ended December 31, 2018 and 2017, respectively and will mature in 3 years.

The details of the loans are as follows:

	2018	2017
Mortgage loans	₱3,127,545	₱1,321,773
Less current portion of mortgage loans payable	1,593,925	524,684
Noncurrent portion of the mortgage loans payable	₱1,533,620	₱797,089

Interest expense incurred on these loans for the years ended December 31, 2018 and 2017, amounted to ₱0.2 million and ₱0.1 million, respectively.

## 12. Trade and Other Payables

	2018	2017
Payable to contractors (Note 9)	₱309,651,085	₱102,387,744
Interest payable (Note 7)	54,241,605	—
Statutory payables	10,317,848	23,140,959
Trade payables	9,680,371	—
Management fees payable (Note 7)	3,472,533	—
Contract liabilities	1,384,988	—
Others	8,505,863	4,470
	₱397,254,293	₱125,533,173

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.
- 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. Equity

#### Capital Stock

The Parent Company's common shares (at ₱1 par value per share) as at December 31, 2018 and 2017 consist of the following:

	2018		2017	
	Number of shares	Amount	Number of shares	Amount
Authorized	8,000,000,000	₱8,000,000,000	243,241,504	₱243,241,504
Subscribed	4,793,266,504	₱4,793,266,504	243,241,504	₱243,241,504
Subscription receivables	—	(406,376,691)	—	—
Issued and outstanding	4,793,266,504	4,386,889,813	243,241,504	243,241,504
Additional paid-in capital	—	—	—	58,073,612
Paid-up capital	4,793,266,504	₱4,386,889,813	243,241,504	₱301,315,116

#### 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 26, 2018	Issued	4,143,648,309	4,386,889,813

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.

As discussed in Notes 1 and 2, Udenna and PH Resorts executed a deed of assignment on June 27, 2018 wherein Udenna assigned, transferred and conveyed 100% equity interests of Udenna 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 of increase in authorized capital stock (see Note 1). The issuance of 4,143,648,309 shares of the Parent Company occurred on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. Consequently, as at December 26, 2018, PH Travel became a legal subsidiary of PH Resorts.

Incremental costs of ₱69.2 million directly attributable to the issuance of shares was deducted from the additional paid-in capital of ₱58.1 million. The excess of ₱11.1 million was charged to deficit as at December 31, 2018.

On December 21, 2018, 406,376,691 shares were subscribed with a par value of ₱1.00 per share. The subscription receivables amounting to ₱406.4 million remain uncollected as at December 31, 2018. Subscription receivables of ₱101.6 million was subsequently collected as at April 12, 2019.

#### 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 at December 26, 2018, the date of effectivity of the share swap transaction.

The equity reserve is accounted for as follows:

	2018	2017
Retroactive adjustment of legal capital of PH Resorts	₱-	₱447,022,043
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	447,022,043
Elimination of PH Travel Group's legal capital	(500,000,000)	(500,000,000)
	(₱4,050,000,000)	₱52,977,957

#### 14. Other Direct Costs and Expenses

In 2018, the other direct costs and expenses consist of:

	2018
Commissions	₱3,141,803
Departmental expenses	1,073,167
Recreation and entertainment	382,488
Travel and transportation	167,957
Miscellaneous	198,122
	₱4,963,537



## 15. Operating Expenses

	2018	2017
Salaries and wages (Note 7)	₱63,714,054	₱10,142,510
Taxes and licenses	34,609,756	22,880,289
Management fees (Note 7)	10,282,630	—
Professional fees	9,761,974	10,474,747
Transportation and travel	9,017,535	5,128,166
Utilities and communications	8,782,327	—
Outside services	7,403,162	—
Repairs and maintenance	7,070,415	—
Sales marketing and advertising	5,389,905	—
Organization fees	4,706,286	—
Representation and entertainment	3,641,007	2,908,302
Depreciation (see Note 9)	3,848,296	507,512
Rent of equipment and office	2,711,197	440,000
Office supplies	1,433,826	—
Insurance	1,333,782	—
Miscellaneous	1,455,952	2,917,249
	<b>₱175,162,104</b>	<b>₱55,398,775</b>

## 16. Income Taxes

- The current provision for income tax pertains to final withholding taxes on interest income.
- The components of the Group's net deferred income tax assets and liabilities are as follows:

	2018	2017
Deferred tax assets:		
Contract liabilities	₱415,497	₱—
NOLCO	—	503,124
	<b>415,497</b>	<b>503,124</b>
Deferred tax liabilities:		
Debt issuance costs	15,706,458	—
Unrealized foreign exchange gain	353,740	—
	<b>16,060,198</b>	<b>—</b>
Net deferred tax assets (liabilities)	<b>(₱15,644,701)</b>	<b>₱503,124</b>

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





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

	2018	2017
Benefit from income tax computed at statutory income tax rate of 30%	(P61,514,883)	(P22,698,533)
Tax effects of:		
Movement in NOLCO for which no deferred tax asset was recognized	55,130,817	25,811,533
Nondeductible expenses	8,163,548	—
Interest income subjected to final tax	(3,088,898)	(2,327,392)
Share issuance costs	20,746,500	—
Nontaxable income	(185,111)	—
	<b>P19,251,973</b>	<b>P785,608</b>

The Group did not recognize DTA amounting to P80.9 million and P25.8 million as at December 31, 2018 and 2017, respectively, on the temporary difference arising from NOLCO and unrealized foreign exchange losses since management believes that it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. The NOLCO incurred by the Group can be claimed against future taxable income until 2021 and 2020, respectively.

As at December 31, 2018 and 2017, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Applied/ Expired	Unused
2017	December 31, 2020	P69,425,388	P—	P69,425,388
2018	December 31, 2021	170,982,069	—	170,982,069
		<b>P240,407,457</b>	<b>P—</b>	<b>P240,407,457</b>

## 17. Financial Risks Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to 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, restricted fund, cash in escrow, trade and other liabilities, loans payable and retention payables.

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

*Credit Risk.* Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy 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:

	2018	2017
Cash and cash equivalents*	₱686,386,451	₱165,576,738
Trade and other receivables	13,986,884	5,124,797
Advances to related parties	45,068,343	351,404,302
Security deposit**	16,329,758	—
Restricted fund	139,955,985	—
Cash in escrow	1,315,918,771	751,913,965
<b>Total credit risk exposure</b>	<b>₱2,217,646,192</b>	<b>₱1,274,019,802</b>

\*Excluding cash on hand

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

The financial assets of the Group are neither past due nor impaired and have high probability of collection as at December 31, 2018 and 2017.

*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:

	2018						2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit- impaired	Lifetime ECL Simplified Approach	Total	
High grade	₱2,143,340,151	₱—	₱—	₱—	₱—	₱2,143,340,151	₱922,615,500
Medium grade	74,306,041	—	—	—	—	74,306,041	351,404,302
Standard grade	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—
Gross carrying amount	2,217,646,192	—	—	—	—	2,217,646,192	1,274,019,802
Loss allowance	—	—	—	—	—	—	—
<b>Carrying amount</b>	<b>₱2,217,646,192</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱2,217,646,192</b>	<b>₱1,274,019,802</b>

Financial assets classified as "high grade" are those cash and cash equivalents, accrued interest, restricted fund and cash in escrow transacted with reputable local banks and financial assets with no history of default on the agreed contract terms while "medium grade" includes those financial assets being collected on due dates with an effort of collection. Financial instruments classified as "standard grade" are those financial assets with little history of default on the agreed terms of the contract.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due. "Past due but not impaired" financial assets are items with history of frequent default. Nevertheless, the amounts due are still collectible. Lastly, "Impaired" items are those that are long outstanding and have been specifically identified as impaired.



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

	2018			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	₱686,386,451	₱—	₱—	₱686,386,451
Trade and other receivables	13,986,884	—	—	13,986,884
Advances to related parties	45,068,343	—	—	45,068,343
Security deposits**	16,329,758	—	—	16,329,758
Restricted fund	139,955,985	—	—	139,955,985
Cash in escrow	1,315,918,771	—	—	1,315,918,771
	₱2,217,646,192	₱—	₱—	₱2,217,646,192

\*Excluding cash on hand

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

	2017			
	Neither Past Due nor Impaired	Past Due but not impaired	Impaired	Total
Cash and cash equivalents*	₱165,576,738	₱—	₱—	₱165,576,738
Trade and other receivables	5,124,797	—	—	5,124,797
Advances to related parties	351,404,302	—	—	351,404,302
Cash in escrow	751,913,965	—	—	751,913,965
	₱1,274,019,802	₱—	₱—	₱1,274,019,802

\*Excluding cash on hand

**Liquidity Risk.** Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding, expected commencement of operations, and flexibility through the use of advances to related parties. The Group maintains sufficient cash to finance its operations.

The Group maintains a financial strategy that the scheduled debts are within the Group's ability to generate cash from its business operations. In addition, sufficient volume of sales is pursued through its operating entity to create enough profit and cash flows to meet all of the Group's maturing obligations.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as at December 31, 2018 and 2017, 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.



December 31, 2018				
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱686,386,451	₱-	₱-	₱686,386,451
Trade and other receivables	10,000,000	3,986,884	-	13,986,884
Advances to related parties	45,068,343	-	-	45,068,343
Security deposits**	-	9,529,758	6,800,000	16,329,758
Restricted fund	-	139,955,985	-	139,955,985
Cash in escrow	-	-	1,315,918,771	1,315,918,771
	₱741,454,794	₱153,472,627	₱1,322,718,771	₱2,217,646,192
Loans payable****	-	4,243,851,910	1,648,107,310	5,891,959,220
Trade and other liabilities***	-	386,938,465	-	386,938,465
Retention payable	-	-	85,776,468	85,776,468
Advances from related parties	1,279,332,675	-	-	1,279,332,675
	1,279,332,675	4,630,790,375	1,733,883,778	7,644,006,828
Liquidity gap	(₱537,877,881)	(₱4,477,317,748)	(₱411,165,007)	(₱5,426,360,636)

\*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, 2017				
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱165,576,738	₱-	₱-	₱165,576,738
Trade and other receivables	-	5,124,797	-	5,124,797
Advances to related parties	351,404,302	-	-	351,404,302
Cash in escrow	-	-	751,913,965	751,913,965
	₱516,981,040	₱5,124,797	₱751,913,965	₱1,274,019,802
Loans payable***	-	1,718,167,146	787,089	1,718,954,235
Trade and other current liabilities**	-	102,392,214	-	102,392,214
Advances from related parties	129,367,293	-	-	129,367,293
	129,367,293	1,820,559,360	787,089	1,950,713,742
Liquidity gap	₱387,613,747	(₱1,815,434,563)	₱751,126,876	(₱676,693,940)

\*Excluding cash on hand

\*\*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.



*Foreign Currency-denominated Financial Assets and Financial Liabilities*

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

	December 31, 2018		December 30, 2017	
	US\$ Value	Peso Equivalent	US\$ Value	Peso Equivalent
<b>Assets</b>				
Cash	\$447,575	₱23,533,494	\$993,640	₱49,612,445
Receivables	20,520	1,078,944	102,640	5,124,797
Cash in escrow	25,026,983	1,315,918,771	15,059,362	751,913,965
	25,495,078	1,340,531,209	16,155,642	806,651,207
<b>Liabilities</b>				
Loans payable	15,000,000	788,700,000	15,000,000	748,950,000
<b>Total</b>		<b>₱551,831,209</b>		<b>₱57,701,207</b>

As at December 31, 2018 and 2017, the closing exchange rate was ₱52.58 and ₱49.93 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). There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
<b>December 31, 2018</b>	<b>Increase by 5.31%</b>	<b>₱29,302,238</b>
	<b>Decrease by 5.31%</b>	<b>(29,302,238)</b>
<b>December 31, 2017</b>	<b>Increase by 10.78%</b>	<b>6,220,190</b>
	<b>Decrease by 10.78%</b>	<b>(6,220,190)</b>

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 others 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 changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payment to stockholders, return capital to stockholders or issue new shares. The Group's debt-to-equity ratios are as follows:

	2018	2017
Total liabilities	₱6,592,481,194	₱1,904,812,239
Total equity	226,168,001	423,552,617
	<b>29.15:1</b>	<b>4.50:1</b>

The Group's goal in capital management is to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio. This will be addressed with its planned suitable financing and capital raising options and expansion projects. The debt 70% debt – 30% equity capital management goal is also in line with L3 and CGLC's Provisional License Agreement with PAGCOR (see Note 20).





## 18. Fair Value Information

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sales.

*Financial Instruments Whose Carrying Amounts Approximate Fair Value.* Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, advances to and from related parties, restricted fund, cash in escrow, security deposits, trade and other current liabilities, and retention payable, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

*Long-term loan payable.* The fair value of long-term loan payable amounting to ₱894,287,474 is determined by discounting the expected cash flows using the discount rate of 9.07% as at December 31, 2018. Fair value measurement is categorized under Level 3 with significant observable inputs.

## 19. Deconsolidation of a Subsidiary

- a. Analysis of assets and liabilities of AAPI as at January 12, 2018 are as follows:

<i>Assets</i>	
Cash and cash equivalents	₱7,251,958
Advances to a related party	189,785
Prepayments and other current assets	208,965
Property and equipment – net (Note 9)	1,653,882
Deferred input VAT	149,786
<b>Total Assets</b>	<b>9,454,376</b>
<i>Liabilities</i>	
Accounts payable and other current liabilities	71,413
<b>Net assets of deconsolidated subsidiary</b>	<b>₱9,382,963</b>

- b. Gain on sale of investment in a subsidiary

Consideration	₱10,000,000
Less net assets of deconsolidated subsidiary	9,382,963
<b>Gain on sale of investment in a subsidiary</b>	<b>₱617,037</b>

As at December 31, 2018, the consideration remains due from a related party and presented as part of "Trade and other receivables" in the consolidated statements of financial position (see Note 6).



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## 20. Commitments and Contingencies

### License Agreement with PAGCOR

- i. As discussed in Note 1, on May 3, 2017, PAGCOR issued a Provisional License (License) authorizing L3 to develop of approximately 13.5 hectares in Mactan Islands, LapuLapu City, Cebu and to establish and operate casinos and engage in gaming activities. The term of L3's License shall be for a period of 15 years or until May 3, 2032, which may be renewed subject to the terms of conditions of the License.

#### *(a) Debt-Equity Ratio Requirement*

The License provides, among others, that L3's License may be revoked or suspended upon failure of L3 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 at December 31, 2017, L3's debt-equity ratio was 78% - 22%, which exceeded the required debt to equity ratio of PAGCOR. On February 19, 2018, the SEC approved the application for the increase in the authorized capital stock of L3 from ₱500.0 million to ₱1,500.0 million. Subsequently, on March 5, 2018, L3 was given an extension by PAGCOR until April 30, 2018 to comply with the 70% debt - 30% equity ratio requirement.

On April 17, 2018, L3 and Udenna Development Corp. (UDEVCO) submitted a request to PAGCOR to:

- a. Amend the Provisional License to remove UDEVCO 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 has fully subscribed the remaining ₱1,000.0 million authorized capital stock of L3.

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

For purposes of measuring its debt-equity ratio in relation to PAGCOR's requirement, management considers its interest bearing liabilities as debt. As at December 31, 2018, the combined debt-equity ratio of L3 and LLC is 69% - 31%. As at June 30, 2018, L3 has complied with the required 70% debt to 30% equity ratio requirement of PAGCOR.

#### *(b) Investment Commitments*

As required by the License, L3 is required to complete its US\$300.0 million (approximately ₱14,976.9 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 at December 31, 2018 and December 31, 2017, capitalized costs related to the Project amounted to ₱2,786.9 million and ₱469.8 million, respectively (see Note 9).

As a requirement in developing the aforementioned Project, L3 opened an escrow account with a local bank mutually agreed by PAGCOR and L3. At any given time, the escrow



account shall have a maintaining balance of not lower than US\$15.0 million (about ₱748.8 million) (see Note 5). For failure to comply with such maintaining balance requirement, L3 shall be charged by PAGCOR an amount equal to ₱1.0 million for every 15 calendar day period, or a fraction thereof, until the noncompliance is corrected. Withdrawals from the escrow deposit can be made only for the construction costs and other fees for the development of the investment commitment. The investment amount shall be exhausted for each phase of the project. The escrow deposit requirement is effective until the completion of the Project and/or upon the receipt of a written notice from the Licensee, duly acknowledged by PAGCOR, instructing the full withdrawal of the deposit and termination of the escrow agreement, whichever comes first.

*(c) Requirement to Establish a Foundation*

L3, 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 L3 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 L3 as no gaming revenue has been recognized for the year ended December 31, 2018 and for the period from August 16, 2017 to December 31, 2017.

- ii. 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. Under the Clark Provisional License, CGLC shall, among others, comply with the following:

*(a) Investment Commitments*

As required by the License Agreement, CGLC is required to invest a minimum of U.S.\$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 shall transfer the amount of U.S.\$20 million within 15 banking days from signing of the License to an Escrow Account into which all funds for development of Clark must be deposited and all funds withdrawn from this account must be used only for such development and should maintain a balance of U.S.\$10 ("maintaining balance").

*(b) Debt-Equity Ratio Requirement*

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



unaudited financial statements sixty (60) calendar days after the end of the applicable semi-annual period and an annual audited financial statements, within one hundred twenty (120) days after CGLC's year end.

For purposes of measuring its debt-equity ratio in relation to PAGCOR's requirement, management considers its interest-bearing liabilities as debt in the absence of any specification or definition in the License Agreement. As at December 31, 2018, CGLC's debt-equity ratio based on interest-bearing liabilities was 0% - 100%. Management believes the Company met the required debt to equity ratio requirement of PAGCOR.

When the debt-equity ratio is computed using total liabilities, which as at December 31, 2018, the balance is solely Advances from Parent Company, the Company's debt-equity ratio as at December 31, 2018 is 82% - 18%, which is higher than the required 70% - 30% debt-equity ratio of PAGCOR. Subsequently, on March 5, 2019, the management sent a letter to PAGCOR to clarify the definition of debt. As at April 12, 2019, no reply has been received with respect to the clarification and no notice of noncompliance has been received from PAGCOR. The lack of confirmation from PAGCOR with respect to the definition of debt may have an impact to CGLC and on the Group's financial position because the Provisional License has not clearly defined debt and will be addressed upon confirmation by PAGCOR.

(c) *Requirement to Establish a Foundation*

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized for the period from March 7 to December 31, 2018.

## 21. 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:

	2018	2017
Net loss attributable to the equity holders of the Parent Company	(P224,301,582)	(P76,447,383)
Divided by weighted average number of common shares of Parent Company	311,137,418	243,241,504
	(P0.7209)	(P0.3143)

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



## 22. 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. Information presented for the year ended December 31, 2017 pertains to the consolidated operations of the Group since the hotel and restaurant operations commenced only at the beginning of 2018.

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the years ended December 31, 2018 and 2017:

	2018			2017	
	Hotels and Restaurant	Others	Eliminations	Total	Total
	₱82,758,452	₱-	₱-	₱82,758,452	₱-
Revenue					
Results					
Direct costs and expenses	(36,022,089)	-	-	(36,022,089)	-
Operating expenses	(37,019,037)	(134,294,771)	-	(171,313,808)	(54,891,263)
Foreign exchange loss - net	(367,475)	(15,817,628)	-	(16,185,103)	(16,613,055)
Depreciation	(2,543,972)	(1,304,324)	-	(3,848,296)	(507,512)
Interest expense	(25,768,117)	(55,586,796)	-	(81,354,913)	(15,654,302)
Interest income	68,201	20,575,285	-	20,643,486	12,053,748
Income tax expense	(3,599,825)	(15,652,148)	-	(19,251,973)	(785,608)
Gain on disposal of a subsidiary	-	-	617,037	617,037	-
Other non-operating expense - net	(214,094)	(130,281)	-	(344,375)	(49,391)
Net loss	(₱22,707,956)	(₱202,210,663)	₱617,037	(₱224,301,582)	(₱76,447,383)
Assets and liabilities					
Operating assets	₱1,209,752,605	₱14,232,825,504	(₱8,623,928,914)	₱6,818,649,195	₱2,327,861,732
Deferred tax asset	-	-	-	-	503,124
Total assets	₱1,209,752,605	₱14,232,825,504	(₱8,623,928,914)	₱6,818,649,195	₱2,328,364,856
Operating liabilities	₱140,688,831	₱3,570,603,519	(₱1,948,928,914)	₱1,762,363,436	₱254,900,466
Loans payable	964,860,196	3,849,612,861	-	4,814,473,057	1,649,911,773
Deferred tax liabilities	3,085,481	12,559,220	-	15,644,701	-
Total liabilities	₱1,108,634,508	₱7,432,775,600	(₱1,948,928,914)	₱6,592,481,194	₱1,904,812,239





## 23. Notes to Consolidated Statements of Cash Flows

The following are the noncash investing activities of the Group for the year ended December 31, 2018:

	December 31, 2018
<b>Noncash investing activities:</b>	
Reclassification from deposits for property acquisition to property and equipment (Note 10)	
Property and equipment	P1,033,187,551
Deposits for future property acquisition	(1,033,187,551)
Sale of subsidiary still receivable as at December 31, 2018 (Notes 1, 7 and 19)	
Trade and other receivables	10,000,000
Advances to related parties	(189,785)
Prepayment and other current assets	(208,965)
Property and equipment (Note 9)	(1,653,882)
Input VAT	(149,786)
Trade and other payables	71,413

Changes in liabilities and equity arising from financing activities:

	January 1, 2018	Cash flows	Noncash changes	December 31, 2018
Loans payable	P1,648,590,000	P3,118,946,883	P43,808,629	P4,811,345,512
Mortgage loans	1,321,773	1,805,771	-	3,127,544
Interest payable	-	(104,247,274)	158,488,879	54,241,605
Advances from related parties	129,367,293	1,147,222,065	2,743,317	1,279,332,675
Retention payables	-	85,776,468	-	85,776,468
Capital Stock	243,241,504	-	4,143,648,309	4,386,889,813
Additional paid-in capital	58,073,612	(58,073,612)	-	-
Equity reserve	52,977,957	-	(4,102,977,957)	(4,050,000,000)
Total liabilities and equity from financing activities	P2,133,572,139	P4,191,430,301	P245,711,177	P6,570,713,617

Noncash changes include effect of accrual of interests, amortization of debt issue costs and the issuance of 4,143,648,309 shares with a par value of P1.00 per share by the Parent Company to Udenna as part of the share swap transaction (see Notes 1, 2 and 13).

## 24. Net Loss/Total Comprehensive Loss

The Group's net loss and total comprehensive loss for the years ended December 31, 2018 and 2017 are the same since the Group does not have other comprehensive income or loss.

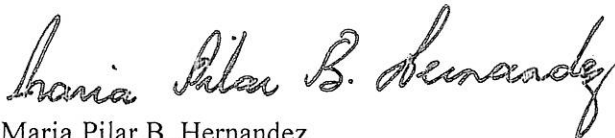


## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders  
PH Resorts Group Holdings, Inc.  
GGDC Administrative Services Building  
Clark Global City, Clark Freeport Zone  
Pampanga

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries (collectively referred to as "the Company") as at December 31, 2018 and 2017 and for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017, included in this Form 17-A and have issued our report thereon dated April 12, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez  
Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),

February 26, 2019, valid until February 25, 2022

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES  
As of December 31, 2018  
Schedule A. Financial Assets  
(In Philippine peso)

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
<b>Cash and cash equivalents:</b>				
China Banking Corporation	N/A	601,875,854	601,875,854	105,964
ChinaTrust Philippines Commercial Bank Corp	N/A	28,955,108	28,955,108	-
United Coconut Planters Bank	N/A	27,814,173	27,814,173	32,460
Rizal Commercial Banking Corporation	N/A	12,562,149	12,562,149	203,924
BDO Unibank Inc.	N/A	10,513,869	10,513,869	568,791
Bank of the Philippine Islands	N/A	4,568,684	4,568,684	8,551
Asia United Bank	N/A	96,614	96,614	378,267
		686,386,451	686,386,451	1,297,957
<b>Accounts receivable, net:</b>				
Various customers	N/A	2,700,432	2,700,432	-
<b>Interest receivable</b>				
China Banking Corporation	N/A	1,078,944	1,078,944	-
<b>Advances to officers and employees*</b>				
Various employees	N/A	66,470	66,470	-
<b>Other receivables</b>				
Various	N/A	141,038	141,038	-
<b>Restricted fund</b>				
China Banking Corporation	N/A	139,955,985	139,955,985	-
<b>Security deposits</b>				
Various entities	N/A	16,329,758	16,329,758	-
<b>Cash in escrow</b>				
China Banking Corporation	N/A	788,700,050	788,700,050	17,256,384
Philippine National Bank	N/A	527,218,721	527,218,721	2,089,145
		1,315,918,771	1,315,918,771	19,345,529
<b>Amount due from affiliates</b>				
Various affiliates	N/A	45,068,343	45,068,343	-
<b>Amount due from a related party for sale of a subsidiary</b>				
Udenna Management & Resources Corp.	N/A	10,000,000	10,000,000	-
		2,217,646,192	2,217,646,192	20,643,486

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES  
As of December 31, 2018  
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
(In Philippine peso)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Non Current	Balance at End of Period
			Amount Collected	Amount Reclassified	Amount Written-Off			
Amount due from affiliates under common control								
Various affiliates	351,404,302	283,429,279	(589,765,238)	-	-	45,068,343	-	45,068,343
Amount due from a related party for sale of a subsidiary								
Udema Management & Resources Corp.	-	10,000,000	-	-	-	10,000,000	-	10,000,000
Advances to officers and employees*	1,100,000	1,950,260	(2,983,790)	-	-	66,470	-	66,470
	<u>352,504,302</u>	<u>295,379,539</u>	<u>(592,749,028)</u>	<u>-</u>	<u>-</u>	<u>55,134,813</u>	<u>-</u>	<u>55,134,813</u>

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

**PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES**  
**As of December 31, 2018**  
**Schedule E. Long-Term Debt**  
**(In Philippine peso)**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet (a)
9.5523% Short-term loan due 2019	P 3,100,000,000	3,067,566,722	-
7.9442% Longterm loan due 2028	975,000,000	-	963,330,444
6.2452% Short-term loan due 2019	788,700,000	780,448,346	-
7.7532% Mortgage loan with monthly installments	3,100,000	708,138	821,613
8.50% Mortgage loan with monthly installments	1,665,600	581,931	205,159
8.50% Mortgage loan with monthly installments	960,000	303,856	506,848
	P 4,869,425,600	P 3,849,608,993	P 964,864,064

(a) Balance represents principal amount net against unamortized debt finance costs

See note 11 on consolidated financial statements for details of interest rates, amounts and maturity dates and other related information.



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**PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES**  
As of December 31, 2018  
Schedule H. Capital Stock  
(In Philippine peso)

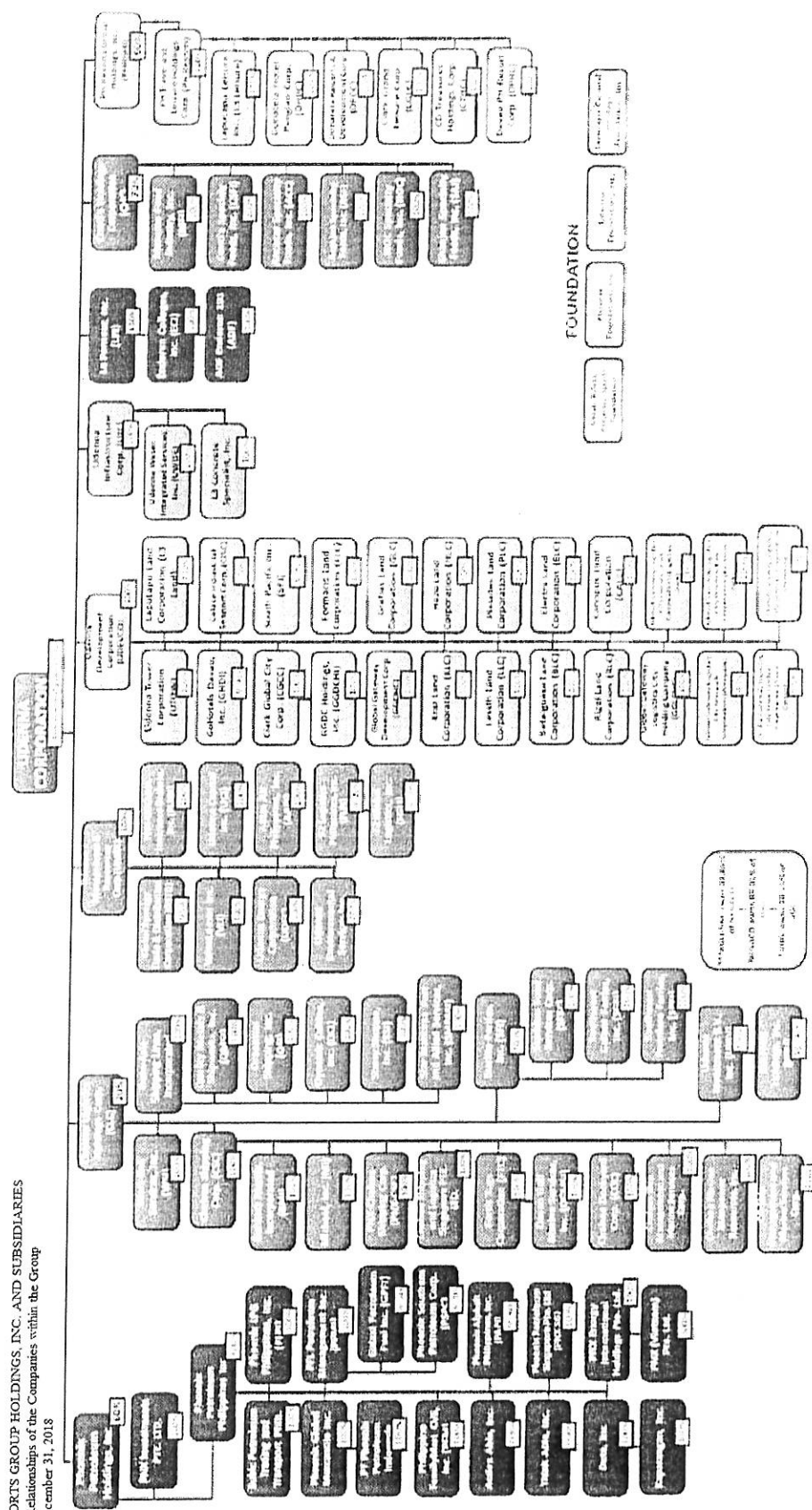
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Ordinary shares	8,000,000	4,793,266,504	-	4,313,927,702	6,301	479,332,501

**PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES**  
**RECONCILIATION OF RETAINED EARNINGS**  
**As of December 31, 2018**  
*(In Philippine peso)*

Unappropriated retained earnings available for dividend declaration, beginning	145,706,927
Net income during the year closed to retained earnings	
Adjustment -	55,401,619
Share issuance costs	
Net income actual/realized	<u>(7,576,452)</u>
	<u>47,825,167</u>
Unappropriated retained earnings available for dividend declaration, end	<u><u>193,532,094</u></u>

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES  
Key Performance Indicators  
For the Years Ended December 31, 2018 and 2017

		December 31, 2018	December 31, 2017
<b>PROFITABILITY RATIOS</b>			
<b>Basic loss per share</b>	Net income over weighted average number of common shares outstanding	(0.7477)	(0.3143)
<b>Return on Total Assets</b>	Net income before interest, net of tax over total assets	(0.0329)	(0.0328)
<b>Return on Equity</b>	Annual net income/loss over shareholder's equity	(0.9917)	(0.1805)
<b>FINANCIAL LEVERAGE RATIOS</b>			
<b>Debt ratio</b>	Total liabilities over total assets	0.7320	0.7086
<b>Debt-to-equity ratio</b>	Total liabilities over total equity	22.070	3.8954
<b>MARKET VALUATION RATIO</b>			
<b>Price to book ratio</b>	Market value/share over book value/share	115.4661	3.5318
<b>LIQUIDITY RATIO</b>			
<b>Current ratio</b>	Current assets over current liabilities	0.1719	0.2758



**PH RESORTS GROUP HOLDINGS INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2018**

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Unappropriated retained earnings available for dividend declaration, beginning	₱145,706,927
Net income actually earned during the year	₱55,401,619
Stock issue costs	(7,576,452)
	<hr/>
Unappropriated retained earnings available for dividend declaration, end	₱193,532,094
	<hr/>





**PH RESORTS GROUP HOLDINGS, INC.**  
**(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Effective as of December 31, 2018</b>				
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 19	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

# ANNEX B

## MANAGEMENT REPORT

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

### Short Background of Business of Registrant

PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. "PH Resorts", "Parent Company" "Company" or "H2O") is the parent company of PH Travel and Leisure Holdings Corp., the holding company for the gaming and hospitality arm of the Udenna Group, which includes LapuLapu Leisure, Inc., Clark Grand Leisure Corp., and Donatela Hotel Panglao Corp.

LapuLapu Leisure, Inc. (LLLI) is the developer of The Emerald Bay, an integrated tourism resort to be located on a 13.5-hectare site in Lapu-Lapu City, Mactan Island, Cebu, Philippines. On May 3, 2017, LapuLapu Leisure and its co-licensee were granted a provisional license by the Philippine Amusement and Gaming Corporation ("PAGCOR").

Clark Grand Leisure Corp. (CGLC) is the developer of The Base, an integrated tourism resort to be located on a 4.4-hectare site in Clark Global City, Clark Freeport Zone, Pampanga, Philippines. On August 6, 2018, CGLC was granted a provisional license by PAGCOR.

Donatela Hotel Panglao Corp (DHPC) is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the Donatela Hotel in 2017. The Donatela Hotel commenced operations on November 7, 2017 and currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. It is located on a 7.5-hectare property approximately a 10-minute drive from the Bohol-Panglao International Airport.

### Business and General Information

#### Item 1. Business Development

PH Resorts Group Holdings, Inc. 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 GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga.

As of December 31, 2018, the Parent Company is a majority-owned subsidiary of Udenna Corporation ("Ultimate Parent Company" or "Udenna"), a company incorporated in the Philippines.

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

- Change in corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.
- Change in the primary purpose of H2O from "to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes,

evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act" to "to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest".

- Change in registered principal office address from 4/F, 20 Lansbergh Place Bldg., 170 Tomas Morato Ave, Quezon City 1103 to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, 2023.
- Change in the number of directors from seven to nine.
- Increase in authorized capital stock from P500.0 million, consisting of 500.0 million common shares with a par value of P1.00 per share to P8.0 billion consisting of 8.0 billion common shares with a par value of P1.00 per share.

On December 19, 2017, the Parent Company was notified by Jollville Holdings Corporation (JHC, former parent company of H2O) that the latter, along with its subsidiaries and related parties, will be selling all their shareholdings in the Parent Company representing 62.006% of the issued and outstanding capital of the Parent Company to Udenna Development Corporation (UDEVCO), or to any of the latter's subsidiaries or affiliates (the H2O Sale). One of the conditions for the H2O Sale is the implementation and completion by H2O of a spin-off by selling all of its existing business and assets, including shares and interest in its subsidiaries. The Parent Company shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund.

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, "TPC", a wholly-owned subsidiary of JHC), entered into a purchase agreement, subject to conditions, with the Parent Company to purchase the latter's shares and interests, in Calapan Waterworks Corporation (CWWC) consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of P442.0 million. On April 4, 2018, the Parent Company's stockholders approved the CWWC sale. On June 1, 2018, the Parent Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Parent Company lost its control over CWWC.

On February 28, 2018, JHC and UDEVCO entered into a Share Purchase Agreement (SPA) for the latter to acquire 150,824,890 common shares from the former representing 62.006% of the issued and outstanding common shares of H2O for a total purchase price of P647.9 million or P4.30 per share. On April 25, 2018, UDEVCO subsequently assigned all of its rights and obligations under the SPA to the ultimate parent company, Udenna Corporation. Consequently, H2O became the holding company for the tourism-related businesses of Udenna.

Udenna conducted a tender offer from April 30, 2018 to May 29, 2018 to buy the remaining 92,416,614 common shares, representing approximately 37.994% of the issued and outstanding common shares of H2O. No shareholder tendered their shares.

On June 1, 2018, upon completion of the tender offer and fulfillment of the conditions as provided in the SPA, the common shares of H2O were transferred to Udenna through a special block sale in the PSE. Accordingly, on the same date, the Parent Company became a subsidiary of Udenna, a company incorporated in the Philippines. All the assets and



liabilities as of May 31, 2018 of the subsidiaries of the Parent Company were disposed through a spin-off on June 1, 2018 as part of the conditions set forth in the SPA.

From June 13 to July 3, 2018, Udenna acquired additional 19,457,486 shares through various transactions, effectively owning an additional 7.994% interest in H2O.

On June 27, 2018, Udenna and PH Resorts executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 44,654,000 shares of PH Travel and Leisure Holdings Corp. (PH Travel, a wholly-owned subsidiary of Udenna), representing its 8.93% interest ownership, to PH Resorts in exchange for cash consideration in the amount of P406.4 million.

On the same date, Udenna and PH Resorts also executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 455,346,000 shares of PH Travel, representing its 91.07% interest ownership, to PH Resorts in exchange for the issuance of 4,143,648,309 shares of PH Resorts to be issued at P1.00 par value per share for a total share swap consideration of P4,143.6 million (Share Swap Consideration). The Ultimate Parent Company shall apply the share swap consideration in payment of its subscription to the additional shares in the capital stock of PH Resorts to be issued at the price of P1.00 per share from the proposed increase in the authorized capital stock of PH Resorts. Upon effectivity, PH Travel will become a direct wholly owned subsidiary of PH Resorts.

Neither the Company nor its subsidiaries are the subject of any bankruptcy, receivership or similar proceedings.

## **Item 2. Business of Issuer**

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

PH Resorts Group Holdings, Inc. is the parent company of PH Travel and Leisure Holdings Corp. (PH Travel), the holding company for the gaming and hospitality arm of the Udenna Group, which includes LapuLapu Leisure, Inc. (L3), Clark Grand Leisure Corp. (CGLC), and Donatela Hotel Panglao Corp (DHPC). LapuLapu Leisure, Inc. is the developer of The Emerald Bay, an integrated tourism resort to be located in Mactan Island, Lapu-Lapu City, Cebu, Philippines. On May 3, 2017, LapuLapu Leisure, Inc. and UDEVCO were granted a provisional license by the Philippine Amusement and Gaming Corporation ("PAGCOR") to establish The Emerald Bay on a prime beachfront area on Lapu-Lapu City, Mactan Island, Cebu. In July 2018, upon the request of the Company, PAGCOR approved the substitution of Lapulapu Land Corp. as a new co-licensee of The Emerald Bay Provisional License in place of UDEVCO. The Emerald Bay will be located on a 13.5-hectare site located on the Punta Engaño peninsula of Mactan Island, which is approximately six kilometers away from Mactan-Cebu International Airport (MCIA) (CEB). LapuLapu Leisure, Inc. leases the site on which The Emerald Bay will be located from Lapulapu Land Corp. Construction of The Emerald Bay commenced in December 2017 and is expected to be completed in time for the anticipated opening of The Emerald Bay in the fourth quarter of 2020.

CGLC is the developer of The Base, an integrated tourism resort to be located on a 4.4-hectare site in Clark Global City, Clark Freeport Zone, Pampanga, approximately seven kilometers away from the Clark International Airport (CRK). On August 6, 2018, CGLC was granted a provisional license by PAGCOR. CGLC leases the site on which The Base will be

located from Global Gateway Development Corporation. Groundbreaking of The Base is scheduled to commence before the end of 2019 and is expected to be completed by the end of 2022.

DHPC is the owner of the Donatela Hotel, a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the Donatela Hotel in 2017. DHPC was incorporated on November 7, 2017 and Donatela Hotel currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. It is located on a 7.5-hectare property approximately a 10-minute drive from the Bohol-Panglao International Airport (TAG).

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

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

PH Resorts expects the Integrated Resorts to take advantage of the growing market for gaming in Asia, as evidenced by Macau, the world's largest gaming market in 2017, recording total casino revenues of US\$33.2 billion in 2017 according to The Innovation Group, translating to a CAGR of total casino revenues of 7.9% from 2015 to 2017. The Company believes that the Integrated Resorts will be able to take advantage of this strong demand by providing an attractive gaming option for Philippine and regional Mass Market and VIP players, with its combination of world-class design and amenities, varied gaming and non-gaming offerings, and high-quality customer service.

The Company believes that The Emerald Bay and The Base (Integrated Resorts) will be two of the Philippines' premier integrated tourism resort and gaming complexes, offering a premium gaming experience to all of its customers in a gaming facility designed and operated according to world-class standards. Moreover, the Company believes the Donatela Hotel will complement the establishment of The Emerald Bay by offering additional upscale facilities to its gaming and non-gaming guests.

### **Item 3. Properties**

#### *The Emerald Bay*

The aggregate land area for The Emerald Bay site comprises 13.5 hectares. LapuLapu Land Corp. owns the land on which The Emerald Bay is being constructed following the purchase of several lots of land from third parties. Pursuant to the lease agreements entered into in July 2017 and August 2018 (the "Emerald Bay Lease Agreements"), LapuLapu Leisure, Inc. has leased the relevant land from LapuLapu Land Corp. for a period of 25 years, subject to renewal for an additional 25 years at the option of LapuLapu Leisure. The Emerald Bay Lease Agreements were entered into on arm's-length arrangements.

#### *The Base*

The Base is located in a 4.4-hectare property in Clark Global City, part of Clark Freeport Zone in Angeles City, Pampanga. In January 2019, CGLC entered into a memorandum of agreement with Global Gateway Development Corp., a wholly-owned subsidiary of UDEVCO and a related party of the Company (the "Clark MOA"), pursuant to which CGLC has agreed to enter into an agreement to lease the land on which The Base is to be constructed from Global Gateway Development Corp. by March 1, 2019. Such lease agreement would be for the period to April 2085, unless it is otherwise extended by the parties pursuant to the terms thereof. The land is owned and controlled by Clark International Airport Corp., which has entered into a lease agreement with Global Gateway Development Corp., which is due to expire in 2085. Under the Clark MOA, CGLC also has

the irrevocable option exercisable within five years from the date of the lease agreement to lease an additional 2.7 hectares from Global Gateway Development Corp.

#### *The Donatela Hotel*

The aggregate land area of the Donatela Hotel comprises 7.5 hectares, which is sufficient for the Donatela Hotel's current operations and its planned expansion. The Company has entered into arrangements which would have PH Travel purchase the land, and subsequently assign the same in favor of DHPC. Apart from being a standalone upscale hotel offering in Bohol, the Donatela Hotel has also been envisioned to serve as a complementary property to The Emerald Bay, offering a quieter, more family-friendly option in close proximity to The Emerald Bay's gaming and entertainment offerings. When The Emerald Bay commences operations, the Company is planning to offer a private ferry service for guests to and from the two properties, which is a short ninety-minute boat ride away from each other.

### **Item 4. Legal Proceedings**

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

### **Item 5. Management's Discussion and Analysis 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) financing lines provided by various creditors, (2) paid-up capital, and, to a certain extent, (3) cash flow from operations of the Donatela Hotel. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity.

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

No research and development is expected to be performed in the next 12 months.

With the ongoing construction of the Emerald, significant additions to property and equipment is expected, which includes the value of the anticipated construction costs, furniture, fixtures and equipment, operating and supplies equipment.

The Company expects to commence the hiring process in respect of The Emerald's gaming and hotel operations and fill a number of managerial roles within the Company's principal office in the 3rd quarter of 2019 and estimates to hire an additional 30 managers by the end of the year.

#### Acquisition of PH Travel Group by PH Resorts through Partial Cash Payment and Share Swap Transaction

As at 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. 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

The comparative financial information for the year ended December 31, 2016 has not been presented in the consolidated financial statements as all companies within the PH Travel Group were incorporated in or after January 2017 and the effective date which PH Travel gained control on PH Resorts as described above was on December 26, 2018. The consolidated balance sheet as of December 31, 2017 presented in the consolidated financial statements as of December 31, 2018, for comparative purposes, is retroactively adjusted to reflect the legal capital (i.e. the number and type of capital stock issued, and additional paid-in capital) of PH Resorts. The adjustment, which is the difference between the capital structure of PH Travel and PH Resorts, is recognized as part of equity reserve in the consolidated balance sheets as of December 31, 2018 and 2017, respectively.

In accounting for this transaction, the consolidated financial information will reflect the following:

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

Reverse acquisition applies only to the consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of December 31, 2018 and 2017.

## Results of Operations

### Operating Results for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended, December 31	For the year ended, December 31	% to Revenues		Change from Prior Year	
	2018	2017	2018	2017	Inc/ (Dec)	%
<b>NET OPERATING REVENUES</b>						
Food and beverage	43,889,021	-	53%	-	43,889,021	100%
Rooms	35,148,627	-	43%	-	35,148,627	100%
Others	3,720,804	-	4%	-	3,720,804	100%
	82,758,452	-	100%	-	82,758,452	100%
<b>DIRECT COSTS AND EXPENSES</b>						
Inventories consumed	19,786,070	-	24%	-	19,786,070	100%
Salaries and wages	11,272,482	-	14%	-	11,272,482	100%
Other costs and expenses	4,963,537	-	6%	-	4,963,537	100%
	36,022,089	-	44%	-	36,022,089	100%
<b>GROSS INCOME</b>	46,736,363	-	56%	-	46,736,363	100%
<b>OPERATING EXPENSES</b>	175,162,104	55,398,775	212%	-	119,763,329	216%
<b>OPERATING LOSS</b>	(128,425,741)	(55,398,775)	-155%	-	(73,026,966)	132%
<b>NON-OPERATING INCOME (EXPENSES)</b>						
Interest expense	(81,354,913)	(15,654,302)	-98%	-	(65,700,611)	420%
Interest income	20,643,486	12,053,748	25%	-	8,589,738	71%
Gain on disposal of a subsidiary	617,037	-	1%	-	617,037	100%
Foreign exchange gain (loss) – net	(16,185,103)	(16,613,055)	-20%	-	427,952	-3%
Other income (expenses)	(344,375)	(49,391)	0%	-	(294,984)	597%
	(76,623,868)	(20,263,000)	-93%	-	(56,360,868)	278%
<b>LOSS BEFORE INCOME TAX</b>	(205,049,609)	(75,661,775)	-248%	-	(129,387,834)	171%
<b>PROVISION FOR INCOME TAX</b>	19,251,973	785,608	23%	-	18,466,365	2351%
<b>NET LOSS</b>	(224,301,582)	(76,447,383)	-271%	-	(147,854,199)	193%
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	0%	-	-	0%
<b>TOTAL COMPREHENSIVE LOSS</b>	(224,301,582)	(76,447,383)	-271%	-	(147,854,199)	193%
<b>Basic and Diluted Loss Per Share</b>	(0.7209)	(0.3143)				





## Financial Position (Comparison of December 31, 2018 and December 31, 2017)

	December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2018	2017	Movement from prior year	% of Total Assets/Liabilities&Equity	2018	2017
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 686,846,385	P 165,586,738	P 521,259,647	315%	10.07%	7.11%
Trade and other receivables	14,008,494	5,124,797	8,883,697	173%	0.21%	0.22%
Advances to related parties	45,068,343	351,404,302	(306,335,959)	-87%	0.66%	15.09%
Inventories	1,761,369	-	1,761,369	100%	0.03%	0.00%
Restricted fund	139,955,985	-	139,955,985	100%	2.05%	0.00%
Prepayments and other current assets	62,214,235	3,077,481	59,136,754	1922%	0.91%	0.13%
<b>Total Current Assets</b>	<b>949,854,811</b>	<b>525,193,318</b>	<b>424,661,493</b>	<b>81%</b>	<b>13.93%</b>	<b>22.55%</b>
<b>Noncurrent Assets</b>						
Property, plant and equipment	3,932,239,893	473,910,002	3,458,329,891	730%	57.67%	20.35%
Deposit for future property acquisition	111,430,494	470,687,867	(359,257,373)	-76%	1.63%	20.22%
Cash in escrow	1,315,918,771	751,913,965	564,004,806	75%	19.30%	32.29%
Input value-added tax	280,558,514	21,764,439	258,794,075	1189%	4.11%	0.93%
Advances to suppliers	213,337,217	84,242,355	129,094,862	153%	3.13%	3.62%
Deferred tax asset	-	503,124	(503,124)	-100%	0.00%	0.02%
Other noncurrent assets	15,347,898	149,786	15,198,112	10147%	0.23%	0.02%
<b>Total Noncurrent Assets</b>	<b>5,868,832,787</b>	<b>1,803,171,538</b>	<b>4,065,661,249</b>	<b>225%</b>	<b>86.07%</b>	<b>77.45%</b>
<b>TOTAL ASSETS</b>	<b>P 6,818,687,598</b>	<b>P 2,328,364,856</b>	<b>P 4,490,322,742</b>	<b>193%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Current portion of loans payable	P 3,849,608,993	P 1,649,124,684	P 2,200,484,309	133%	56.46%	70.83%
Accounts payable and other current liabilities	397,292,581	125,533,173	271,759,408	216%	5.83%	5.39%
Advances from related parties	1,279,332,676	129,367,293	1,149,965,383	889%	18.76%	5.56%
<b>Total Current Liabilities</b>	<b>5,526,234,250</b>	<b>1,904,025,150</b>	<b>3,622,209,100</b>	<b>190%</b>	<b>81.05%</b>	<b>81.78%</b>
<b>Noncurrent Liabilities</b>						
Noncurrent portion of loans payable	964,864,063	787,089	964,076,974	122486%	14.15%	0.03%
Retention payable	85,776,468	-	85,776,468	100%	1.26%	0.00%
Deferred tax liabilities	15,644,591	-	15,644,591	100%	0.23%	0.00%
<b>Total Noncurrent Liabilities</b>	<b>1,066,285,122</b>	<b>787,089</b>	<b>1,065,498,033</b>	<b>135372%</b>	<b>15.64%</b>	<b>0.03%</b>
<b>Total Liabilities</b>	<b>6,592,519,372</b>	<b>1,904,812,239</b>	<b>4,687,707,133</b>	<b>246%</b>	<b>96.68%</b>	<b>82%</b>
<b>Equity</b>						
Capital stock	4,793,266,504	243,241,504	4,550,025,000	1871%	70.30%	10.45%
Subscription receivable	(406,376,691)	-	(406,376,691)	100%	-5.96%	0.00%
Additional paid-in capital	-	58,073,612	(58,073,612)	-100%	0.00%	2.49%
Equity reserve	(4,050,000,000)	52,977,958	(4,102,977,958)	-7745%	-59.40%	2.28%
Retained earnings (deficit)	(110,721,587)	69,259,543	(179,981,130)	-260%	-1.62%	2.97%
<b>Total Equity</b>	<b>226,168,226</b>	<b>423,552,617</b>	<b>(197,384,391)</b>	<b>-47%</b>	<b>3.32%</b>	<b>18.19%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 6,818,687,598</b>	<b>P 2,328,364,856</b>	<b>4,490,322,742</b>	<b>193%</b>	<b>100.00%</b>	<b>100.00%</b>

## NET OPERATING REVENUES

For the year ended December 31, 2018, the Group generated net operating revenues amounting to ₱82.4 million versus nil the previous period, attributable to the opening of the Donatela Hotel in Bohol, which commenced operations in January 2018. The hotel currently has 12 upscale villas with pools, fine-dining restaurants and a wine cellar. In 2018, only the Donatela Hotel was operational.

## **DIRECT COSTS AND EXPENSES**

Direct costs and expenses of the Group for the period ended December 31, 2018 registered at ₱ 36.02 million, equivalent to 44% of net operating revenues generated. All direct costs and expenses, composed mainly of inventories consumed and salaries and wages, were driven by the operations of the Donatela Hotel.

### Inventories consumed

For the period ended December 31, 2018, the Group's reported inventory consumption amounted to ₱19.79 million, which comprised 55% of total direct operating cost and 24% of revenues. This pertained to inventories consumed in the Donatela Hotel's restaurants and bars.

### Salaries and wages

For the period ended December 31, 2018, the Group incurred total salaries and wages expenses amounting to ₱11.27 million, which represented short term benefits to its employees directly involved in providing hotel services and food and beverages. These comprised 31% of total direct operating cost and 14% of revenues.

### Other cost and expenses

Other cost and expenses incurred for the period ended December 31, 2018 amounted to ₱4.96 million, which comprised 14% of total direct costs and 6% of revenues. The increase was driven by commissions and other departmental expenses incurred from the operations of the hotel.

## **OPERATING EXPENSES**

The Group reported operating expenses amounting to ₱175.16 million for the year ended December 31, 2018, an increase of ₱119.76 million or 216% year on year. The increase was driven by the ongoing construction of the Emerald Bay and operations of the Donatela Hotel.

### Salaries and wages

Salaries and wages for the period ended December 31, 2018 increased to ₱63.71 million, which comprised 36% of total operating expenses. Salaries and wages increased on the back of the labor expenses incurred on the ongoing construction of The Emerald Bay as well as the rationalization of manpower requirements for the supervision, management, direction and administration of the project.

### Taxes and licenses

Taxes and licenses for the period ended December 31, 2018 increased by ₱11.73 million or by 51% year on year due to the payment of share issuance-related expenses, documentary stamp taxes and other permits, taxes and licenses related to borrowings and the construction of The Emerald Bay.

### Other operating expenses

Of the total operating expenses, 44% included expenses are mostly related to the management and administration of The Emerald Bay project, operation of the Donatela Hotel and organizational expenses. Expenses incurred includes management fees, professional fees, transportation, utilities expense, repairs and maintenance expense, sales and marketing, organization fees, representation and other operational expenses.

## **NONOPERATING EXPENSES**

### Interest Expense

Interest charges incurred on borrowings for the years ended December 31, 2018 and 2017, amounted to P110.79 million and P26.26 million, respectively, representing an increase of 322%. Out of these amounts, P29.44 million and P10.61 million were capitalized and P81.35 million and P15.65 million were expensed in 2018 and 2017, respectively. The rise in interest charges is attributable to the additional borrowings in 2018. On September 3, 2018, UCPB granted DHPC a P975.0 million loan with a term of 10 years. DHPC used the proceeds to refinance the acquisition of the hotel resort in Tawala, Panglao Bohol which was initially funded using the advances from

DHPC's related parties. On October 2018, in connection with the refinancing of the U.S.\$15 million and P900 million facilities, Chinabank approved a one-year bridge loan facility that extended the tenor of LapuLapu Leisure's short-term facilities to fund (i) the escrow required to be maintained by LapuLapu Leisure pursuant to the Emerald Provisional License and (ii) the construction of The Emerald. The facility is comprised of (a) a Peso loan facility in the aggregate principal amount of up to P3.1 billion, and (b) a Dollar loan facility in the aggregate principal amount of up to U.S.\$15.0 million. As of end-2018, these facilities were fully drawn and outstanding.

#### Interest income

Interest income posted 25% higher at ₱20.64 million for the period ended December 31, 2018, largely attributable to the additional escrow account established with a local bank amounting to USD10.0 million in compliance with the Provisional License granted by PAGCOR to CGLC.

#### Foreign exchange gain/ (loss)

Net foreign exchange loss, arising mainly from the Group's USD-denominated cash and escrow accounts, slightly decreased by 3% to ₱16.2 million from ₱16.6 million. This resulted from short term fluctuations of exchange rates due to the strengthening of the Philippine Peso versus the US dollar towards year end.

#### **PROVISION FOR INCOME TAX**

The Group reported an increase in provision for income tax mainly due to the recognition of deferred tax liabilities on debt issuance cost from loan borrowings.

#### **NET LOSS**

With higher operating expenses and interest expense, net losses widened by 193% year-on-year to P224.30 million.

#### **EARNINGS PER SHARE**

Consequently, loss per share rose to ₱0.7209 for the year-ended December 31, 2018 from ₱0.3143 for the same period in 2017.

## Financial Position (Comparison of December 31, 2018 and December 31, 2017)

		HORIZONTAL ANALYSIS				VERTICAL ANALYSIS	
December 31		Movement from prior year		% of Total Assets/Liabilities&Equity			
	2018	2017	Change in Peso	Change in %	2018	2017	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	P 686,846,385	P 165,586,738	P 521,259,647	315%	10.07%	7.11%	
Trade and other receivables	13,986,884	5,124,797	8,862,087	173%	0.21%	0.22%	
Advances to related parties	45,068,343	351,404,302	(306,335,959)	-87%	0.66%	15.09%	
Inventories	1,761,369	-	1,761,369	100%	0.03%	0.00%	
Restricted fund	139,955,985	-	139,955,985	100%	2.05%	0.00%	
Prepayments and other current assets	62,563,121	3,077,481	59,485,640	1933%	0.92%	0.13%	
Total Current Assets	950,182,087	525,193,318	424,988,769	81%	13.94%	22.55%	
<b>Noncurrent Assets</b>							
Property and equipment	3,932,239,892	473,910,002	3,458,329,890	730%	57.67%	20.35%	
Deposit for future property acquisition	111,430,494	470,687,867	(359,257,373)	-76%	1.63%	20.22%	
Cash in escrow	1,315,918,771	751,913,965	564,004,806	75%	19.30%	32.29%	
Input value-added tax	280,192,836	21,764,439	258,428,397	1187%	4.11%	0.93%	
Advances to suppliers	213,337,217	84,242,355	129,094,862	153%	3.13%	3.62%	
Deferred tax asset	-	503,124	(503,124)	-100%	0.00%	0.02%	
Other noncurrent assets	15,347,898	149,786	15,198,112	10147%	0.23%	0.02%	
Total Noncurrent Assets	5,868,467,108	1,803,171,538	4,065,295,570	225%	86.07%	77.45%	
<b>TOTAL ASSETS</b>	<b>P 6,818,649,195</b>	<b>P 2,328,364,856</b>	<b>P 4,490,284,339</b>	<b>193%</b>	<b>100.01%</b>	<b>100.00%</b>	
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Loans payable	P 3,849,608,994	P 1,649,124,684	P 2,200,484,310	133%	56.46%	70.83%	
Trade and other payables	397,254,293	125,533,173	271,721,120	216%	5.83%	5.39%	
Advances from related parties	1,279,332,675	129,367,293	1,149,965,382	889%	18.76%	5.56%	
Total Current Liabilities	5,526,195,962	1,904,025,150	3,622,170,812	190%	81.05%	81.78%	
<b>Noncurrent Liabilities</b>							
Loans payable - net of current portion	964,864,063	787,089	964,076,974	122486%	14.15%	0.03%	
Retention payable	85,776,468	-	85,776,468	100%	1.26%	0.00%	
Deferred tax liabilities- net	15,644,701	-	15,644,701	100%	0.23%	0.00%	
Total Noncurrent Liabilities	1,066,285,232	787,089	1,065,498,143	135372%	15.64%	0.03%	
Total Liabilities	6,592,481,194	1,904,812,239	4,687,668,955	246%	96.68%	82%	
<b>Equity</b>							
Capital stock	4,793,266,504	243,241,504	4,550,025,000	1871%	70.30%	10.45%	
Subscription receivables	(406,376,691)	-	(406,376,691)	100%	-5.96%	0.00%	
Additional paid-in capital	-	58,073,612	(58,073,612)	-100%	0.00%	2.49%	
Equity reserve	(4,050,000,000)	52,977,957	(4,102,977,957)	-7745%	-59.40%	2.28%	
Retained earnings (deficit)	(110,721,812)	69,259,544	(179,981,356)	-260%	-1.62%	2.97%	
Total Equity	226,168,001	423,552,617	(197,384,616)	-47%	3.32%	18.19%	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 6,818,649,195</b>	<b>P 2,328,364,856</b>	<b>4,490,284,339</b>	<b>193%</b>	<b>100.00%</b>	<b>100.00%</b>	

### CURRENT ASSETS

The Group's current assets increased by 81% or P424.99 million to P950.18 million as of December 31, 2018 due to the commencement of operations of DHPC in 2018 and borrowings from Chinabank and UCPB. The substantial increase in current assets in 2018 is primarily due to the increase in cash and cash equivalents by P521.26 million, restricted fund by P139.96 million, prepayments and other current assets by P59.49 million and trade and other receivables by P8.86 million which were partially offset by the P306.34 decrease in advances to related parties compared to the prior year 2017.

Cash and cash equivalents increased to P686.85 million as of December 31, 2018 from P165.59 million as of December 31, 2016. This is equivalent to 315% increase primarily due to

the additional loan borrowings obtained from lenders and advances received from related parties.

Trade and other receivables increased by ₱8.86 million as of December 31, 2018. The increase is attributable to the trade receivables resulted from the business operations of DHPC and the outstanding receivable amounted to ₱10.0 million from the sale of AAPI.

Advances to related parties decreased by 87% or by ₱306.34 million primarily as a result of the collections of advances outstanding during the year and for the prior year 2017.

Inventories consists of food, beverage and operating supplies which increased by ₱1.76 million as of December 31, 2018 from nil as of December 31, 2017. The inventories account is attributable to DHPC's business operations which started only in 2018.

Restricted fund amounted to ₱139.96 million as of December 31, 2018 reflecting Chinabank loan proceeds held in the construction costs account which will be released in tranches upon presentation of invoices for the payment of relevant project construction costs.

Prepayments and other current assets increased to ₱62.56 million as of December 31, 2018 from ₱3.08 million as of December 31, 2017 due to the increase in prepaid expenses particularly on prepaid rental payments on The Emerald Bay property and higher deposits made under various contracts with suppliers.

#### **NONCURRENT ASSETS**

The Group's noncurrent assets increased by ₱4.07 billion from ₱1.80 billion as of December 31, 2017 to ₱5.87 billion as of December 31, 2018. The significant increase in noncurrent assets is attributable to the increase in property and equipment by 730%, cash in escrow by 75%, input value-added tax by 1,187%, advances to suppliers by 153% and other noncurrent assets by 10,147%, which were partially reduced by the decrease in the deposit for future property acquisition and deferred tax asset compared to the prior year 2017.

Property and equipment increased by ₱3.46 billion to ₱3.93 billion as of December 31, 2018 due to the acquisition of the Donatela properties in Bohol and of construction-in-progress at The Emerald Bay.

Deposit for future property acquisition decreased to ₱111.43 million as of December 31, 2018 from ₱470.69 million as of December 31, 2017 after the Deed of Absolute Sale for the Donatela Hotel was executed in August 2018. ₱359 million was reclassified to property, plant and equipment.

Cash in escrow increased by ₱564.00 million or by 75% as of December 31, 2018 attributable to the new escrow fund maintained by CGLC primarily to meet the requirements of the License Agreement with Philippine Amusement and Gaming Corporation (PAGCOR) in relation to its investment commitments.

Input-value added tax increased to ₱280.19 million as of December 31, 2018 from ₱21.76 million as of December 31, 2017. The increase was mainly due to the increase in VAT paid on purchases of goods and services of the Group which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱213.34 million as of December 31, 2018 from ₱84.24 million as of December 31, 2017 in connection with construction of The Emerald Bay.

The deferred tax asset decreased to nil as of December 31, 2018 since the deferred tax asset for 2018 was presented as an offset to the deferred tax liabilities in the balance sheet. The deferred tax liabilities were much higher than the deferred tax asset in 2018.





Other noncurrent assets increased to ₱15.35 million as of December 31, 2018 from ₱0.15 million as of December 31, 2017. The increase was due to the additional long-term security deposits made to suppliers and other long-term prepayments.

## **CURRENT LIABILITIES**

The Group's current liabilities increased by ₱3.62 billion from ₱1.90 billion as of December 31, 2017 to ₱5.53 billion as of December 31, 2018.

Current portion of loans payable increased to ₱3.85 billion as of December 31, 2018 from ₱1.65 billion as of December 31, 2017 due to the additional drawdown of ₱2.20 billion made on November 26, 2018 to fund the ongoing construction of The Emerald Bay project.

Accounts payable and other current liabilities increased to ₱397.25 million as of December 31, 2018 from ₱125.53 million as of December 31, 2017 due to ongoing construction of The Emerald Bay as reflected in higher outstanding payable to contractors, increased in accrued expenses such as accrued interest and taxes, management fees payable and advances from customers.

## **NONCURRENT LIABILITIES**

The Group's noncurrent liabilities increased by ₱1.07 billion from ₱0.79 million as of December 31, 2017 to ₱1.07 billion as of December 31, 2018. The significant increase in noncurrent liabilities compared to the prior year 2017 is attributable to the increase in the noncurrent portion of loans payable by ₱964.08 million, retention payable by ₱85.78 million, and deferred tax liabilities by ₱15.64 million.

Noncurrent portion of loans payable increased from ₱0.79 million as of December 31, 2017 to ₱964.86 million, net of debt issuance costs as of December 31, 2018 after the availment of a ₱975.0 million term loan by DHPC on September 3, 2018 to refinance the acquisition of the Donatela Hotel.

Retention payable amounted to ₱85.78 million as of December 31, 2018. This consists of long-term outstanding payables to suppliers and contractors related to the construction of The Emerald Bay project.

Deferred tax liabilities increased to ₱15.64 million as of December 31, 2018 as a result of the deferred tax effect of the debt issuance costs related to the short-term and long-term loans availed in 2018 and the deferred tax on unrealized foreign exchange gain, net of any deferred tax assets recognized.

## **EQUITY**

The Group's equity decreased by ₱197.38 million from ₱423.55 million as of December 31, 2017 to ₱226.17 million as of December 31, 2018. The decrease in equity is attributable to the effect of the reverse acquisition resulting in the recognition of negative equity reserve of ₱4.05 billion offsetting the increase in capital stock. In addition, the Group also incurred net losses or deficit in 2018 resulting from the Group's pre-operating and non-operating expenses. Share issuance costs were also incurred which reduced the amount of additional paid-in capital to nil in 2018.

Capital stock increased to ₱4.55 billion as of December 31, 2018 from ₱243.24 million as of December 31, 2017 as a result of the shares swap transaction between PH Resorts and Udenna which effected on December 26, 2018. A total of 4.14 billion shares of PH Resorts was issued at ₱1.00 par value per share for a total share swap consideration of ₱4.14 billion. In addition, on December 21, 2018, 406.38 million shares were subscribed with a par value of ₱1.00 per share.

Subscription receivables of ₱406.38 million as of December 31, 2018 was uncollected and is presented as a contra-equity account in the balance sheet. Thus, the effect in equity of the subscription of shares on December 31, 2018 was nil.

Additional paid-in capital decreased to nil as of December 31, 2018 from ₱58.07 million as of December 31, 2017 due to the adjustment of share issuance costs of ₱58.07 million from the account.

Equity reserve of ₱4.05 billion resulted from the shares swap transaction executed on December 26, 2018. The transaction was accounted for similar to a reverse acquisition as discussed in Note 2 of the consolidated financial statements. The equity reserve represents the net difference between the cost of PH Resorts to acquire PH Travel Group and the legal capital of the latter at the date of reverse acquisition. Accordingly, the consolidated financial statements of PH Resorts have been prepared as a continuation of the financial statements of the PH Travel and subsidiaries. Thus, for 2017, an equity reserve amounted to ₱52.98 million was recognized to account the difference in the 2017 balances after the effect of the reverse acquisition.

The retained earnings of ₱69.26 million as of December 31, 2017 decreased and resulted to a deficit of ₱110.72 million as of December 31, 2018. The deficit is attributable to the net comprehensive loss reported of ₱224.30 million, share issuance costs amounted to ₱11.08 million and net of the effect of reverse acquisition of ₱55.40 million.

## Financial Risk

Please refer to Notes 19 and 20 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments and the financial risk management objectives and policies of the group.

## Key Performance Indicators

		December	
		2018	2017
<b>I. PROFITABILITY</b>			
<b>Basic Loss per Share</b>	=	(Net income/loss – Preferred dividends)	(224,301,582) (76,447,383)
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	311,137,418 243,241,504
			(0.7209) (0.3143)
<b>Return on Total Assets</b>	=	Net income (loss)	(224,301,582) (76,447,383)
It measures efficiency of the Group in using its assets to generate net income.		Total Assets	6,818,649,195 2,328,364,856
			(0.0329) (0.0328)

		December	
		2018	2017
<b>Return on Equity</b>	=	Annual Net Income/Loss	(224,301,582) (76,447,383)
		Stockholder's Equity	226,168,001 423,552,617
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			(0.9917) (0.1805)

## II. FINANCIAL LEVERAGE

<b>Debt Ratio</b>	=	Total Debt	4,991,573,058 1,649,911,773
		Total Assets	6,818,649,195 2,328,364,856
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			0.7320 0.7086

<b>Debt to Equity Ratio</b>	=	Total Debt	4,991,573,058 1,649,911,773
		Shareholder's Equity	226,168,001 423,552,617
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business			22.0702 3.8954

## III. MARKET VALUATION

<b>Price to Book Ratio</b>	=	Market value/share	5.4500 6.1500
		Book value/share	0.0472 1.7413
Relates the Group's stock market value to its book value per share			115.4661 3.5318

## IV. LIQUIDITY

<b>Current Ratio</b>	=	Current assets	950,182,087 525,193,318
		Current liabilities	5,526,195,962* 1,904,025,150
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.			0.1719* 0.2758

\*Current liabilities include the bridge loan facility which will be refinanced via permanent financing

## Liquidity and Capital Structure

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

### Liquidity

Below is the table of consolidated cash flows of the Group for the year ended December 31, 2018 and 2017.

	For the Year Ended December 31		Movement from prior period	
	2018	2017	Change in Peso	Change in %
Net cash provided by (used in) operating activities	P 322,455,432	(P 285,177,996)	P 607,633,428	-213%
Net cash used in investing activities	(4,085,120,069)	(1,785,570,519)	(2,299,549,550)	129%
Net cash provided by financing activities	4,180,348,912	2,252,948,308	1,927,400,604	86%
Net increase in cash and cash equivalents	417,684,275	182,199,793	235,484,482	129%
Effect of foreign exchange on cash and cash equivalents	485,215	(16,613,055)	17,098,270	-103%
Cash and cash equivalents of PH Resorts before reverse acquisition	103,090,157	-	103,090,157	100%
Cash and cash equivalents at beginning of period	165,586,738	-	165,586,738	100%
<b>Cash and cash equivalents at end of period</b>	<b>P 686,846,385</b>	<b>P 165,586,738</b>	<b>521,259,647</b>	<b>315%</b>

Cash and cash equivalents increased by P521.26 million or by 315% from P165.59 million as of December 31, 2017 to P686.85 million as of December 31, 2018. The significant increase is attributable to the net cash provided in operating activities and the net cash provided by financing activities which partially offset the net cash used in investing activities. As a result of the reverse acquisition, PH Resorts' cash and cash equivalents of PH resorts before reverse acquisition, December 26, 2018, was recognized as a cash inflow amounted to P103.09 million in the consolidated cash flows of the Group for the year ended December 31, 2018.

The net cash provided by operating activities amounted to P322.46 million for the year ended December 31, 2018 resulted from the collection of advances to related parties by P306.15 million from P351.40 million as of December 31, 2017; and the increase in outstanding trade and other payables by P209.26 million for the year ended December 31, 2018.

The net cash used in investing activities amounted to P4.09 billion for the year ended December 31, 2018 and P1.79 billion for the year ended December 31, 2017. These investing activities include the acquisition of property and equipment; increase in noncurrent assets such as advances to suppliers, input value-added tax, and other noncurrent assets; transfer of cash to escrow fund as part of PAGCOR requirements; and the cash derecognized as a result of the deconsolidation of a subsidiary. These were partially reduced by the interest income earned and the decrease in the deposit for future property acquisition.

The net cash provided by financing activities amounted to P4.18 billion for the year ended December 31, 2018 and P2.25 billion for the year ended December 31, 2017. These financing activities mainly represent the advances received from related parties; increase in retention payable; proceeds from loan borrowings, net of payments made; and the proceeds from the issuance of capital stock. These were partly lessened by the share issuance costs and debt issuance costs for the year 2018.

### Capital Sources

Below is the table showing the Group's capital sources as of December 31, 2018 and 2017.

	For the Year Ended December 31		Movement from prior period	
	2018	2017	Change in Peso	Change in %
Long-term debt, net	P 964,864,063	P 787,089	964,076,974	122486%
Equity	226,168,001	423,552,617	(197,384,616)	-47%
Total long-term debt and equity	P 1,191,032,064	P 424,339,706	766,692,358	181%

Total long-term debt and equity increased by P766.69 million from P424.34 million for the year 2017 to P1.19 billion for the year 2018. The increase was attributable to the long-term loan borrowings obtained by the Group in 2018 and partially reduced by the net loss incurred by the Group for the year ended December 31, 2018.

Refer to Note 17 of the Notes to the Consolidated Financial Statements for the detailed discussion.

**Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, 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**

None

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

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

**Seasonal Aspects that has 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 has budgeted P34,177.0 million as the total cost associated with developing the first phase of The Emerald Bay and P13,670.8 million as the total cost associated with developing the Clark Resort.

These projects are currently funded by the Company's existing equity of P1,906.4 million and





approximately ₱33,493.5 million is expected to be funded by debt. The Company already has ₱3,888.7 million in committed loan facilities, comprising ₱3,100.0 million and ₱788.7 million under its facilities with China Bank and is in the advanced stages of negotiating additional financing lines from various creditors, part of the proceeds of which will be used to in part refinance the Company's existing committed loan facilities.

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

None

#### **Changes in and disagreements with accountants on accounting and financial disclosure**

There were no significant changes in and disagreements with accountants on accounting and financial disclosures.

#### **Restatement of Accounts**

None

#### **Market Information**

There are 243,241,504 common shares of the Company that are listed on the Philippine Stock Exchange. There are 4,550,025,000 common shares that are issued and outstanding shares but are currently not listed in any exchange.

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

<b>Quarter</b>	<b>High</b>	<b>Low</b>
1 <sup>st</sup> quarter 2019	7.93	4.55
4 <sup>th</sup> quarter 2018	5.80	4.18
3 <sup>rd</sup> quarter 2018	7.35	4.90
2 <sup>nd</sup> quarter 2018	7.05	4.78
1 <sup>st</sup> quarter 2018	6.80	5.00
4 <sup>th</sup> quarter 2017	10.80	5.65
3 <sup>rd</sup> quarter 2017	9.80	5.90
2 <sup>nd</sup> quarter 2017	6.70	3.50
1 <sup>st</sup> quarter 2017	3.95	3.58

The price of the shares as of 1 April 2019, or the latest practicable trading date, is ₱4.79 per share. The market capitalization of PHR as of 31 December 2018, based on the closing price on 28 December 2018 of ₱5.45 per share is ₱26,123,302,446.80. As of 31 December 2017, PHR's market capitalization stood at ₱1,493,502,835 based on the closing price of ₱6.14 per share and a total issued and outstanding capital stock of 243,241,504 common shares.

#### **Holders**

As of 31 March 2019, the Company has over 100 beneficial shareholders. The top 20 shareholders are the following:

<b>Shareholder</b>	<b>Number of Common Shares Subscribed</b>	<b>% of Ownership</b>
--------------------	---	-----------------------

Udenna Corporation	4,313,927,702	90.00%
Novel Edge Investments Limited	225,283,530	4.70%
Conrado Rafael C. Alcantara	95,865,330	1.99%
Marco Angelo C. Alcantara	85,227,831	1.78%
PCD Nominee Corp. (Filipino)	60,093,822	1.39%
PCD Nominee Corp. (Non-Filipino)	12,739,601	0.27%
Yu Kok See	106,272	0.04%
Marcial T. Asturias	7,200	0.00%
William W. Yap	5,300	0.00%
Rogelio N. Pascua	3,024	0.00%
Miguel de Castro Marana / Bituin de Castro Marana	3,000	0.00%
Lilian G. Morelos	2,160	0.00%
Eric O. Recto	1,000	0.00%
Vicente L. Pang	432	0.00%
Shareholders Association of the Philippines	100	0.00%
Dondi R. Limengco	111	0.00%
Nathaniel Au ITF Marcus Li	75	0.00%
Ernesto S. Isla	2	0.00%
Dexter E. Quintana	2	0.00%
Dennis A. Uy	1	0.00%

## Dividends

No dividend was declared for the year ended December 31, 2018.

## Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On 26 December 2018, the Company issued a total of 4,550,025,000 shares, 4,143,648,309 of which were issued to Udenna Corporation and the balance of 406,376,691 to other subscribers.

## External Audit Fees and Services

Constantino Guadalquiver and Co. ("CGCo"), independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the year ended December 31, 2017, included in this report.

With the change of ownership and management, Audit Committee appointed and the Board approved SyCip, Gorres, Velayo and Co. ("SGV & Co."), independent certified public accountants, as the new external auditor. SGV & Co. audited the Company's consolidated financial statements without qualification as of and for the year ended December 31, 2018, included in this report.

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

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

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

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

The following table sets out the aggregate fees billed for each of the last two (2) years for professional services rendered by the Company's external auditors.

For the Year Ended December 31		
	2018	2017
<i>(In million pesos)</i>		
External audit service fees	₱ 2.50	₱ 0.48
External review service fees	4.55	—
Other non-audit service fees	0.15	0.03
Out-of-pocket expenses	0.32	—
<b>Total</b>	<b>₱ 7.52</b>	<b>₱ 0.51</b>

The external audit service fees amounted to ₱2.50 million in 2018 and ₱0.48 million in 2017 for the professional services rendered for the audit of the PH Resorts and its subsidiaries for their annual consolidated and standalone financial statements. The external review service fees amounted to ₱4.55 million in 2018 and nil in 2017 for the review of the interim and proforma financial statements. Other non-audit service fees amounted to ₱0.15 million in 2018 and ₱0.03 million in 2017 for the agreed-upon procedures engagements related to PAGCOR's DE ratio certification compliance. Out-of-pocket expenses were incurred amounted to ₱0.32 million in 2018 and nil in 2017 related to the other costs incurred incidental to the services engagements.

The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

#### **Tax Fees**

There had been no consulting or tax engagements with SGV.

#### **All Other Fees**

Other than the services discussed above, the Company has not engaged SGV for any other services.

## **CORPORATE GOVERNANCE**

### **a. The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance**

On December 7, 2011, the Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 8 directing all publicly-listed companies to participate as respondents in the Corporate Governance (CG) Survey using the CG Scorecard as the survey instrument. Accomplishment of the CG Scorecard entailed doing a self assessment of the Company's current corporate governance practices. The Company submitted the accomplished CG Scorecard to the Corporation Finance Department of the SEC. Out of this exercise, action programs were recommended to match best practices.

### **b. Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance**

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

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

As part of its system for monitoring and assessing compliance with the Manual and the Philippine SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. Ms. Chonabeth I. Nazario is the Company's Compliance Officer. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the Philippine SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or the Company or its Subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Philippine Corporation Code shall be observed.

In compliance with the principles of good corporate governance, the Board has constituted the Executive Committee, Audit and Risk Committee, Nominations Committee, and Compensation and Remuneration Committee, to which it delegated specific responsibilities.

### **Committees of the Board**

The Board created each of the following committees and appointed Board members thereto. Except for the independent directors who have been nominated by the Board but who shall hold office upon the effectivity of the registration of the Offer Shares, each member of the respective committees named below has been holding office as of the date of this report and will serve until his successor shall have been elected and qualified.

#### ***Executive Committee***

The Executive Committee supports the Board to accomplish its work in the most efficient way and to strengthen the management and administration of the corporation through the performance of its duties and responsibilities. It facilitates decision making in between Board meetings or in the case of a crisis or other urgent circumstances.

The Executive Committee is composed of at least three members to be determined and appointed by the Board of Directors.

#### ***Audit and Risk Committee***

The Audit and Risk Committee enhances the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It also has such duties and responsibilities as set out in the relevant laws and regulations.

The Audit and Risk Committee is composed of at least three directors, one of whom must be an independent director and one of whom must have audit experience. The Chairman of the Audit and Risk Committee is an independent director.

#### ***Nomination Committee***

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and ensuring that the Board is comprised of the right balance of skills, knowledge and experience. Its responsibilities include pre-screening and shortlisting all candidates nominated to become a member of the Board.

The Nomination Committee is composed of at least three directors, one of whom must be an independent director.

#### ***Compensation and Remuneration Committee***

The function of the compensation and remuneration committee is to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of directors and corporate officers, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.

The Compensation and Remuneration Committee is composed of at least three directors, one of whom must be an independent director.

**c. Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual**

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

**d. Any plan to improve corporate governance of the company**

Areas for improvement noted during the accomplishment of the CG Scorecard to match best practices will be addressed with positive action. The Company's Manual on Corporate Governance will be reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

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**NAME OF CORPORATION: PH RESORTS GROUP HOLDINGS, INC.****Summary of Resolutions**

<b>Date</b>	<b>Contents</b>
25 June 2018	<p>Issuance of 4,143,648,309 common shares out of the proposed increase in the authorized capital stock to Udenna Corporation, in exchange for the assignment by Udenna Corporation of 454,346,000 shares of PH Travel and Leisure Holdings Corp.</p> <p>Purchase of 44,654 shares of PH Travel and Leisure Holdings Corp. from Udenna Corporation.</p> <p>Designation of Raymundo Martin Escalona as the authorized officer to sign, execute, deliver any and all documents in connection with the Deed of Assignment.</p> <p>Amendment of Article 1 of the Articles of Incorporation to reflect the change in corporate name to PH Resorts Group Holdings, Inc.</p> <p>Amendment of Article 2 of the Articles of Incorporation to reflect the change in the primary purpose of the Corporation to: "The primary purpose of the Corporation is to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest."</p> <p>Amendment of Article 3 of the Articles of Incorporation to reflect the change in address to GGDC Administrative Services Building, Clark Global City, Clark Freeport zone, Pampanga, Philippines 2023.</p> <p>Amendment of Article 6 of the Articles of Incorporation to reflect the change in the number of directors to nine (9).</p> <p>Amendment of Article 7 of the Articles of Incorporation to reflect the increase in authorized capital stock to Php8,000,000,000.00 divided into 8,000,000,000.00 shares with a par value of Php1.00 per share. Authority given to the Corporate Secretary to file the requisite documents and secure the necessary approvals to effectuate the amendments in the Corporation's articles.</p>
24 October 2018	Authority to convey to China Banking Corporation – Trust and Asset Management Group, as security trustee and acting on behalf and for

	<p>the benefit of China Banking Corporation, by way of a first ranking pledge, and as partial security for the prompt and full payment of the Loan Facility and all other existing and future obligations of any of Lapulapu Leisure, Inc. and Lapulapu Land Corp. or the Corporation with the Lender the following assets:</p> <ol style="list-style-type: none"> <li>All the shares of the capital stock of Lapulapu Land Corp. (LLC) and Lapulapu Leisure, Inc. (LLI) that are owned by the Corporation and all the shares of stock in LLC and LLI that are legally and beneficially owned by the Corporation.</li> <li>Any and all additional shares of the capital stock LLC and/or LLI that may be acquired by the Corporation in the future and all the shares of stock in LLC and/or LLI that will be legally and/or beneficially owned by the Corporation in the future.</li> </ol> <p>Designation of Dennis A. Uy and Raymundo Martin M. Escalona as the Corporation's authorized representatives in connection with the abovementioned pledge.</p>
29 November 2018	<p>Designation of Authorized Signatories for all Corporate Bank Accounts</p> <p>Designation of Dennis A. Uy and Cherylyn C. Uy (Class A signatories), Raymundo Martin M. Escalona and Ma. Concepcion F. De Claro (Class B signatories), Lara C. Lorenzana and Michael P. Tejada (Class C signatories) as authorized officers to enter into arrangements and to perform any and all acts necessary for the maintenance of the Corporation's existing bank accounts.</p> <p>Designation of Lara C. Lorenzana and Michael P. Tejada as the Corporation's authorized representatives to eFile and ePay the income tax returns and all other tax returns of the Corporation using the EFPS of the BIR.</p>
24 January 2019	<p>Designation of Janel Lagahit, Ianna Ren Pandian, Raymart Jutba to secure certified true copies of the Corporation's Certificate Authorizing Registration (CAR) with the BUREAU OF INTERNAL REVENUE ('BIR') in connection with the sale of shares by Udenna Corporation of PH Travel and Leisure Holdings Corp. to Philippine H2O Ventures Corp., and to receive the certified true copies from the BIR.</p>
11 February 2019	<p>Resignation of Ms. Cherylyn C. Uy as the Corporation's Treasurer and subsequent designation of Ms. Lara C. Lorenzana as her replacement.</p>
12 February 2019	<p>Designation of Michael P. Tejada as the Corporation's authorized signatory for all its applications, requests and other documents to be submitted to the Bureau of Internal Revenue (BIR).</p> <p>Designation of Kristalene Joy S. Cruz and Marvin L. Agsalda, to file, process, and claim for and in behalf of the Corporation any and all of its documents with the BIR.</p>

14 March 2019	<p>Authority to apply for the retirement of its business registration effective 14 March 2019 with Quezon City, and for the business registration of the Corporation in the Clark Global City, Clark Freeport Zone, Pampanga;</p> <p>Designation of Raymundo Martin M. Escalona, to sign, execute and deliver, for and on behalf of the Corporation, the application forms, and all other documents as may be required or necessary to secure the foregoing application:</p>
---------------	--

Certified Correct:

  
 \_\_\_\_\_  
 Leandro E. Abarquez  
 Corporate Secretary

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Ma. Angela Ignacio, Filipino, of legal age, and with address at Unit 6 Green Manor 101 11<sup>th</sup> Street New Manila, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PH Resorts Group Holdings, Inc. (hereinafter, "PHR"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines with principal office address at GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations).

Company/Organization	Position/Relationship	Period of Service
Polestrom Consulting, Inc.	Managing Director	2017 – Present
Avissez Asia, Inc.	Managing Director	2016 – Present
RAICON Development Corporation	Executive Vice President	2016 – Present
ESNA Financing & Investment Corp	Director	1996 – Present
ESNA Realty Corp.	Director	1998 – Present

3. I possess all the qualifications and none of the disqualifications to serve as independent director of PHR, as provided for in Section 38 of the Securities Regulation Code, its implementing rules and regulations and other SEC issuances.
4. I am not related to any other Director, Executive Officer or substantial shareholder of PHR.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. [(For those in government service/affiliated with a government agency of GOCC) I have the required permission or consent from the (head of the agency/department) to be an independent director in PHR, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.]
7. I shall faithfully and diligent comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, Code of Corporate Governance and other SEC issuances.

**TAGALOG WITNESS** WHEREOF, I have hereunto set my hand this APR 15 2019 at \_\_\_\_\_ City, Philippines.

SUBSCRIBED AND SWORN to before me this 15 day of APRIL at TAGUIG CITY,  
affiant exhibiting to me the following:

**Validity**  
04 Sept 2018 –  
04 Sept 2028

*[Signature]*  
ATTY. LETICIA M. AMON  
NOTARY PUBLIC FOR TAGUIG CITY  
APPT NO. 2 UNTIL DEC. 31, 2019  
ROLL OF ATTY. NO. 22188  
MELE COMPLIANCE NO. VI-000163972-4-2017  
IBP O.R No. 574702 LIT. T. R. 1/14/2003  
PTRING 0842805 - P.N. 13. 1. 2. PAME JOYE  
(1 PARTNER) IS. UFFER BREV. 190. 190. 190. 190.

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Eric O. Recto, Filipino, of legal age, and with business address at PBCom Tower, 6795 V.A. Rufino St., Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PH Resorts Group Holdings, Inc. (hereinafter, "PHR"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines with principal office address at GGDC Administrative Services Bldg., Clark Global City, Clark, Pampanga.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations).

Company/Organization	Position/Relationship	Period of Service
ISM Communications Corporation	Chairman and President	December 2013 to April 8, 2019
	President	April 2005 to November 2013
	Director	April 2005 to Present
Philippine Bank of Communications	Chairman / Director	January 2013 to Present
	Vice-Chairman / Director	July 2011 to January 2013
Atok-Big Wedge Co., Inc.	Vice Chairman / President	December 2009 to Present
Bedfordbury Development Corporation	Chairman / President	June 2014 to Present
Q-Tech Alliance Holdings, Inc.	President / Director	February 2009 to Present
Waterfront Cebu City Casino Hotel Inc.	Independent Director	March 2018 to Present
Davao Insular Hotel Company Inc.	Independent Director	March 2018 to Present

3. I possess all the qualifications and none of the disqualifications to serve as independent director of PHR, as provided for in Section 38 of the Securities Regulation Code, its implementing rules and regulations and other SEC issuances.



4. I am not related to any other Director, Executive Officer or substantial shareholder of PHR.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligent comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of PHR of any changes in the abovementioned information within five days of its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand this 29 APR 2019 day of April 2019 at PASAY CITY City, Philippines.



**ERIC O. RECTO**

Affiant

29 APR 2019


SUBSCRIBED AND SWORN to before me this 29 day of April 2019 at PASAY CITY City, affiant exhibiting to me the following:

Name

ID No.

Validity

Doc. No. 384 ;  
Page No. 24 ;  
Book No. III ;  
Series of 2019.

  
**ATTY. HENRY D. ADAZA**  
NOTARY PUBLIC  
COMMISSION 27-23  
PASADENIA ST., PASAY CITY  
IBP NO. 007427 - 01/03/19 PASIG  
PTR NO. 5826057 - 01/03/19 P.C.  
MCLE COMPLIANCE NO. VI-G002830 - 4/14/2022  
⑉ RCCL NO. 29679

REPUBLIC OF THE PHILIPPINES )  
\_\_\_\_\_ CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, William W. Yap, Filipino, of legal age, and with address at P. Remedio St., Banilad, Mandaue City, Cebu, Philippines after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PH Resorts Group Holdings, Inc. (hereinafter, "PHR"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines with principal office address at GGDC Administrative Services Bldg. Clark Global City, Clark, Pampanga.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations).

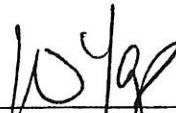
Company/Organization	Position/Relationship	Period of Service
YYKredit, Inc	CEO	2000 - present
Udlot Realty	President	2012 - present
YY and Company	Partner	2014 - present
Palawan Resources Development Corp.	Treasurer	2014 - present
Nissan Cebu Distributors, Inc	Treasurer	2000 - present
Nissan Cagayan De Oro Distributors, Inc.	Director	2010 - present

3. I possess all the qualifications and none of the disqualifications to serve as independent director of PHR, as provided for in Section 38 of the Securities Regulation Code, its implementing rules and regulations and other SEC issuances.
4. I am not related to any other Director, Executive Officer or substantial shareholder of PHR.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of PHR of any changes in the abovementioned information within five days of its occurrence.

WY/28

APR 29 2019

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_ day of \_\_\_\_\_ at  
~~Taguig City~~ Philippines.

  
\_\_\_\_\_  
William W. Yap  
Affiant

APR 29 2019

~~Taguig City~~


SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ City,  
affiant exhibiting to me the following:

Name  
William W. Yap

ID No.  
DL - G06-91-017254

Validity  
2019-11-23

Doc. No. 247;  
Page No. 55;  
Book No. 44;  
Series of 2019.

  
**ATTY. LETICIA M. AMON**  
NOTARY PUBLIC FOR TAGUIG CITY  
APPT. NO. 2 UNTIL DEC. 31, 2019  
ROLL OF ATTY. NO. 22188  
MCE COMPLIANCE NO. VI-0004659/12-5-2017  
IBP No. 574709- LIFETIME MEMBER/1-9-2008  
PTR No. 4842975- JAN 03, 2019- PASIG CITY  
M-Paraiso St., Upper Bicutan, Taguig City

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Leandro E. Abarquez, Filipino, of legal age, and with business address at 26<sup>th</sup> Floor, Fort Legend Tower, 3<sup>rd</sup> Ave. cor. 31<sup>st</sup> St., Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am the Corporate Secretary of PH Resorts Group Holdings, Inc. (hereinafter, "PHR"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines with principal office address at GGDC Administrative Services Bldg., Clark Global City, Clark, Pampanga.
2. To the best of my knowledge, I hereby certify that none of the directors or officers of PHR are connected with any government agencies or its instrumentalities.


IN WITNESS WHEREOF, I have hereunto set my hand this 16<sup>th</sup> day of April 2019 at Taguig City, Philippines.

  
LEANDRO E. ABARQUEZ  
Affiant

SUBSCRIBED AND SWORN to before me this 16<sup>th</sup> day of April 2019 at Taguig City, affiant exhibiting to me the following:

Name	ID No.	Validity
Leandro E. Abarquez	PP # P3201863A	Until 28 May 2019

Doc. No. 311 ;  
Page No. 04 ;  
Book No. 05 ;  
Series of 2019.

  
ATTY. LETICIA M. ANON  
NOTARY PUBLIC FOR TAGUIG CITY  
APPT. FILED WITH SEC. 31, 2019  
EXPIRATION DATE: 27-04-2020  
MCLE COMPL. 12-05-2017  
ICP ONLINE REG. NO. 12-05-2003  
PT. 12-05-2003  
11-PARAMORON, CANTON, BICOL, TAGUIG CITY

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Leandro E. Abarquez, Filipino, of legal age, and with business address at 26<sup>th</sup> Floor, Fort Legend Tower, 3<sup>rd</sup> Ave. cor. 31<sup>st</sup> St., Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am the Corporate Secretary of PH Resorts Group Holdings, Inc. (hereinafter, "PHR"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines with principal office address at GGDC Administrative Services Bldg., Clark Global City, Clark, Pampanga.
2. To the best of my knowledge, I hereby certify that none of the directors or officers of PHR are connected with any government agencies or its instrumentalities.


IN WITNESS WHEREOF, I have hereunto set my hand this 16<sup>th</sup> day of April 2019 at Taguig City, Philippines.

  
LEANDRO E. ABARQUEZ  
Affiant

SUBSCRIBED AND SWORN to before me this 16<sup>th</sup> day of April 2019 at Taguig City, affiant exhibiting to me the following:

Name	ID No.	Validity
Leandro E. Abarquez	PP # P3201863A	Until 28 May 2019

Doc. No. 311;  
Page No. 04;  
Book No. 05;  
Series of 2019.

  
ATTY. LETICIA M. AMON  
NOTARY PUBLIC FOR TAGUIG CITY  
APPOINTED BY SEC. 31, 2019  
EXPIRATION DATE: 09/24/2020  
MCLE CREDIT: 09/12-5-2017  
JEP: 01-9-2003  
P.O. BOX 42, PASIG CITY  
11 PARADISE ST., OFFICE BOUTAN, TAGUIG CITY

MINUTES OF THE REGULAR MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
PHILIPPINE H2O VENTURES CORP.

Held at Seda Hotel, Vertis North, Quezon City  
On 25 June 2018

PRESENT

Dennis A. Uy  
Cherylyn C. Uy  
Raymundo Martin M. Escalona  
Lara C. Lorenzana  
Jose Angel Sueiro  
Leandro E. Abarquez

PROCEEDINGS

I. OPENING PRAYER AND CALL TO ORDER

After the opening prayer led by the Chairman, Mr. Dennis A. Uy, he called the meeting to order and presided over the same. The Corporate Secretary, Atty. Leandro E. Abarquez, recorded the minutes.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notice of the meeting of the Board was sent to all the directors of the Corporation, that at least a majority of the directors were present, and that there was therefore a quorum to transact business in the meeting.

III. READING AND APPROVAL OF THE  
MINUTES OF THE PREVIOUS MEETINGS

After reading the minutes of the regular meeting of the Board of Directors held on 1 June 2018, upon motion made and seconded, the directors approved the said minutes as presented to them.

IV. ITEMS FOR APPROVAL

Upon motion made and seconded, the Board passed and approved the following resolutions:



4.1 Authority to issue common shares out of the proposed increase in capital stock

**"RESOLVED**, that the Corporation be, as it is hereby authorized, to issue 4,143,648,309 common shares out of the proposed increase in authorized capital stock to Udenna Corporation, in exchange for the assignment by Udenna Corporation of 455,346,000 shares of PH Travel and Leisure Holdings Corp.

**RESOLVED, FURTHER**, that the Corporation be, as it is hereby authorized, to issue 406,351,691 common shares, or such number of shares to ensure continued compliance of the Corporation of its minimum public float, out of the shares of the proposed increase in authorized capital stock to unrelated and unaffiliated third parties to be identified by the President of the Company.

**"RESOLVED, FURTHER**, that **Raymundo Martin Escalona**, President of the Company, shall be, as he is hereby authorized, to execute and sign, for and on behalf of the Company, documents as may be necessary including but not limited to the Deed of Assignment, certifications, authorization letters, BIR Forms, etc., to implement the transfer of shares of stock of the Company in exchange for the shares of stock of Udenna Corporation in PH Travel and Leisure Holdings Corp.

**"RESOLVED, FINALLY**, that the foregoing resolution shall continue and remain in full force and effect until repealed and/or amended by subsequent resolutions of the Board of Directors."

4.2 Authority to purchase shares of PH Travel and Leisure Holdings Corp.

**"RESOLVED**, that the Corporation is hereby authorized and empowered to purchase 44,654,000 shares of PH Travel and Leisure Holdings Corp. from Udenna Corporation and execute the appropriate Deed of Assignment for the purchase of such shares.

**"RESOLVED, FURTHER**, that the President of the Corporation, **Mr. Raymundo Martin Escalona**, be as he is hereby, authorized and empowered, with full power of delegation, for and on behalf of the Corporation to execute, sign and deliver the Deed of Assignment and to take such action and to execute and deliver any and all such agreements, transaction documents, instruments, certificates, notices and/or communications in connection with the Deed of Assignment as may be considered necessary or desirable to accomplish the purposes of these resolutions and to perform fully and effectively the transactions contemplated thereby."

4.3 Designation of Authorized Representative to sign the Listing Application of the Swap Shares and Authority to electronically lodge the swap shares with the Philippine Depository and Trust Corporation ("PDTC")

"WHEREAS, the Board of Directors, in their meeting held on 25 June 2018, authorized the Corporation to issue 4,143,648,309 common shares out of the proposed increase in its authorized capital stock (the "Swap Shares") to Udenna Corporation, in exchange for the assignment of Udenna Corporation of 455,346,000 common shares of PH Travel and Leisure Holdings Corp. (the "Share Swap Transaction");

"NOW THEREFORE, BE IT RESOLVED, AS IT HEREBY RESOLVED, that, in the implementation of the Share Swap Transaction, the Corporation is hereby authorized to apply with the Philippine Stock Exchange ("PSE") for listing of the Swap Shares, subject to the registration requirements of the Securities and Exchange Commission and the listing requirements of the PSE;

"RESOLVED, FURTHER, that, in connection with the application for listing of the Swap Shares, the Corporation is hereby authorized to file and submit the Application for Listing including all necessary exhibits and annexes thereto, the Listing Agreement, and any other such documents required by the PSE;

"RESOLVED, FURTHER, that MR. RAYMUNDO MARTIN M. ESCALONA, President of the Corporation, be authorized, as he is hereby authorized, to sign, execute and file the Application for Listing, Listing Agreement, and any and all required agreements, certificates and other documents with the PSE and other government agencies, as well as do all things necessary or appropriate to effect the foregoing resolutions;

"RESOLVED, FURTHERMORE, that the Corporation be authorized to electronically lodge the Swap Shares with the PHILIPPINE DEPOSITORY AND TRUST CORPORATION ("PDTC");

"RESOLVED, FINALLY, that the Corporation approves and ratifies, as it hereby approves and ratifies, any and all acts done by the Management of the Corporation or any of the authorized signatories in connection with the registration and listing of the Swap Shares."

4.4 Amendment of the Corporation's Articles of Incorporation

**“RESOLVED**, that Article First of the Articles of Incorporation of the Corporation be, as it is hereby amended, to read as follows:

FIRST: That the name of the Corporation shall be:  
PH Resorts Group Holdings, Inc. (As amended on 25 June 2018)

**“RESOLVED, FURTHER**, that Article Second of the Articles of Incorporation be as it is hereby amended to read as follows:

SECOND: The purpose for which the Corporation is formed are:

PRIMARY

“The primary purpose of the Corporation is to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest.”(As amended on 25 June 2018)

**“RESOLVED, FURTHER**, that Article Third of the Articles of Incorporation be as it is hereby amended to read as follows:

THIRD: The principal office of the Corporation shall be established or located in GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines 2023(As amended on 25 June 2018)

**“RESOLVED, FURTHER**, that Article Sixth of the Articles of Incorporation be as it is hereby amended to read as follows:

SIXTH: The number of directors of the Corporation shall be Nine (9) (As Amended on 25 June 2018).

**“RESOLVED, FINALLY**, that Article Seventh of the Articles of Incorporation of the Company be as it is hereby amended to read as follows:

SEVENTH: That the authorized capital stock of the corporation is Eight Billion (Php8,000,000,000.00) pesos, divided

into Eight Billion (8,000,000,000.00) shares with the par value of One (Php1.00) peso per share. (As amended on 25 June 2018)."

V. ADJOURNMENT

There being no further matters to discuss, the meeting was, upon motion made and seconded, adjourned.

Certified Correct:

LEANDRO E. ABARQUEZ  
Corporate Secretary

Attested by:

DENNIS A. UY  
Chairman

Minutes Read and Approved:

Cherylyn C. Uy

Raymundo Martin M. Escalona

Lara C. Lorenzana

Jose Angel Sueiro

**PH RESORTS GROUP HOLDINGS INC.**

**ANNUAL SHAREHOLDERS' MEETING**

May 23, 2019 at 11:00 A.M.

Quest Hotel and Conference Center, Clark

Filinvest Mimosa + leisure estate,

Mimosa Dr, Clark Freeport, zone, 2023 Pampanga

**PROXY**

I/WE, the undersigned shareholder of PH Resorts Group Holdings, Inc., hereby appoint, name, and constitute:

or in his absence,

the Chairman of the Board, or in the latter's absence, the Secretary of the Meeting, as my attorney-in-fact and proxy, to represent me at the annual stockholders' meeting of the Company on Monday, 23 May 2019 at 11:00 a.m. and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in a person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.

In particular, I/We hereby direct my/our said proxy to vote all my/our shares on the agenda items set forth below as I/We have expressly indicated by marking the same with an "X".

Items	Action		
	For	Against	Abstain
1. Approval of Minutes of Meeting of Stockholders held on 25 June 2018			
2. Approval of the Audited Financial Statements as of 31 December 2018			
3. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period 25 June 2018 to 30 April			
4. Approval of the Amendments of the Articles of Incorporation of the Corporation for the following matters:			
• To change the principal office of the Corporation is located from GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines 2023 to Udena Tower, 4th Ave. cor. Rizal Drive, Bonifacio Global City, Taguig City			
• To increase the authorized capital stock of the Corporation from Php 8,000,000,000 to up to Php15,000,000,000 divided into 15,000,000,000 common shares or as determined by the Board of Directors.			
5. Approval of the Amendment of the By-Laws of the Corporation to change date of the annual shareholders meeting from the 3rd Wednesday of June to the 3rd Wednesday of May.			
6. Approval of the merger of the Company with its subsidiary, PH Travel and Leisure Holdings Corp.			
7. Approval of the acquisition of 100% of the issued and outstanding common shares of Lapulapu Land Corp. by the Company's subsidiary, Lapulapu Leisure, Inc. at the consideration determined by the Board of Directors			
8. Approval of the grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription and the listing of such shares with the Philippine Stock Exchange.			

9. Approval of issuance of shares pursuant to an equity offering, private placement, or similar transaction to be determined by the Board and the listing of such shares.			
10. Approval of the Company's Employee Stock Incentive Plan.			
11. Election of the Board of Directors for 2019.			
12. Appointment of External Auditors			

- Printed Name of Stockholder -

- Authorized Signatory -

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 17 MAY 2019. THIS PROXY WILL BE VALIDATED BY A COMMITTEE OF INSPECTORS ON 20 MAY 2019 AT 10:00 O'CLOCK IN THE MORNING AT THE PRINCIPAL OFFICE OF THE COMPANY. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. THIS PROXY DOES NOT NEED TO BE NOTARIZED. (Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories.)