PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PH Resorts Group Holdings Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2019** and **December 31, 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN M. ESCALONA
Chief Executive Officer and President

LARA C. LORENZANA
Chief Financial Officer

Signed this 15th day of June, 2020

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

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

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

Doc No.________;
Page No.______;
Book No.______;
Series of 2020.

____
Notary Public

COVER SHEET

SEC Registration Number

C S 2 0 0 9 0 1 2 6 9

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
28	3rd Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

20th Flr. Udenna Tower, Rizal Drive cor. 4th Ave. Bonifacio Global City, Taguig City 1634

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
20th Floor, Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City
Taguig City

Opinion

We have audited the consolidated financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

Assessment of the Going Concern Basis
The Group is engaged in the gaming and tourism industry related business and has an ongoing construction project expected to be completed in the first quarter of 2022. For the years ended December 31, 2019 and 2018, the Group has reported net loss of ₱569.7 million and ₱224.3 million, respectively, resulting to a deficit of ₱680.4 million and ₱110.7 million, as of December 31, 2019 and 2018, respectively. On the same date, the Group's current liabilities exceeded its current assets by ₱6,875.8 million and ₱4,576.0 million as at December 31, 2019 and 2018, respectively. The availability of sufficient funding to enable the Group to meet its currently maturing obligations is important for the going concern assumption and, as such, is a significant matter to our audit.

The Group's disclosures related to this matter are included in Notes 1, 7 and 11 to the consolidated financial statements.

Audit Response
We obtained management's assessment of the Group's ability to continue as a going concern. We reviewed the Group's cash flow projection focusing on planned financing and investing activities by considering correspondences with the lenders and agreements with third parties. We obtained an understanding of the Group's refinancing plan, the progress of such refinancing plan and evaluated the refinancing options being considered by the Group. We obtained and reviewed the terms of existing debt facilities and assessed compliance with covenants. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Valuation of Land at Revalued Amount
Effective January 1, 2019, the Group accounts for its land classified as property and equipment using the revaluation model. The land accounts for 48% of the total consolidated assets as at December 31, 2019. The determination of the fair values of the land involves significant management judgment and estimates. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions such as sales listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of the land as a key audit matter.

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2019 is expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

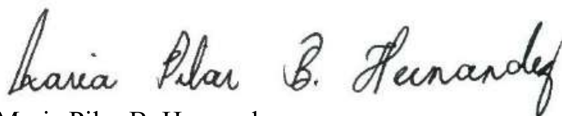
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is
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. 8125244, January 7, 2020, Makati City

June 15, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱224,973,403**	₱686,846,385
Trade and other receivables (Notes 5, 6 and 7)	**13,804,161**	13,986,884
Advances to related parties (Note 7)	**2,208,973**	45,068,343
Inventories - at cost	**4,241,726**	1,761,369
Restricted fund (Note 11)	**–**	139,955,985
Prepayments and other current assets (Notes 7 and 8)	**46,655,628**	62,563,121
Total Current Assets	**291,883,891**	950,182,087
Noncurrent Assets		
Property and equipment		
Construction-in-progress and others - at cost (Notes 9, 10 and 11)	**5,334,258,192**	3,932,239,892
Land - at revalued amount (Notes 9 and 11)	**7,552,344,305**	–
Right-of-use-assets (Note 12)	**63,442,773**	–
Deposits for future property acquisition (Note 10)	**26,812,449**	111,430,494
Cash in escrow (Notes 5 and 22)	**1,267,037,464**	1,315,918,771
Input value-added tax (VAT) - net (Note 8)	**541,484,490**	280,192,836
Advances to suppliers (Note 9)	**538,697,268**	213,337,217
Other noncurrent assets	**30,797,054**	15,347,898
Total Noncurrent Assets	**15,354,873,995**	5,868,467,108
TOTAL ASSETS	**₱15,646,757,886**	₱6,818,649,195
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 11)	**₱5,972,301,060**	₱3,849,608,994
Trade and other payables (Notes 7 and 13)	**674,880,385**	397,254,293
Advances from related parties (Note 7)	**502,272,477**	1,279,332,675
Lease liabilities (Note 12)	**18,190,634**	–
Total Current Liabilities	**7,167,644,556**	5,526,195,962
Noncurrent Liabilities		
Loans payable - net of current portion (Note 11)	**936,720,722**	964,864,063
Retention payable (Note 9)	**175,897,630**	85,776,468
Lease liabilities - net of current portion (Note 12)	**53,969,044**	–
Advances from related parties (Note 7)	**2,198,780,834**	–
Deferred tax liabilities - net (Notes 9 and 18)	**775,853,974**	15,644,701
Total Noncurrent Liabilities	**4,141,222,204**	1,066,285,232
Total Liabilities	**11,308,866,760**	6,592,481,194
Equity		
Capital stock (Note 15)	**4,793,266,504**	4,793,266,504
Subscriptions receivable (Note 15)	**–**	(406,376,691)
Deposit for future stock subscription (Note 14)	**2,579,000,000**	–
Equity reserve (Notes 2 and 15)	**(4,126,935,056)**	(4,050,000,000)
Revaluation surplus (Notes 9 and 18)	**1,772,972,494**	–
Deficit (Note 15)	**(680,412,816)**	(110,721,812)
Total Equity	**4,337,891,126**	226,168,001
TOTAL LIABILITIES AND EQUITY	**₱15,646,757,886**	₱6,818,649,195

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 YEARS ENDED DECEMBER 31, 2019 AND 2018
AND FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017*

	2019	2018	2017*
NET OPERATING REVENUES			
Food and beverage	**₱32,447,286**	₱43,889,021	₱–
Rooms	**26,749,949**	35,148,627	–
Others	**2,521,282**	3,720,804	–
	61,718,517	82,758,452	–
DIRECT COSTS AND EXPENSES			
Inventories consumed (Note 16)	**13,831,198**	19,786,070	–
Salaries and wages	**12,100,897**	11,272,482	–
Other direct costs and expenses (Note 16)	**3,403,350**	4,963,537	–
	29,335,445	36,022,089	–
GROSS INCOME	**32,383,072**	46,736,363	–
OPERATING EXPENSES (Note 17)	**447,478,205**	175,162,104	55,398,775
OPERATING LOSS	**(415,095,133)**	(128,425,741)	(55,398,775)
NON-OPERATING INCOME (EXPENSES)			
Interest expense (Notes 7 and 11)	**(190,736,563)**	(81,354,913)	(15,654,302)
Interest income (Note 5)	**25,084,128**	20,643,486	12,053,748
Foreign exchange gain (loss) - net	**13,849,122**	(16,185,103)	(16,613,055)
Gain on disposal of a subsidiary (Note 21)	**–**	617,037	–
Other income (expenses) - net	**1,533,821**	(344,375)	(49,391)
	(150,269,492)	(76,623,868)	(20,263,000)
LOSS BEFORE INCOME TAX	**(565,364,625)**	(205,049,609)	(75,661,775)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	**3,969,807**	3,104,148	1,288,732
Deferred	**356,572**	16,147,825	(503,124)
	4,326,379	19,251,973	785,608
NET LOSS	**(569,691,004)**	(224,301,582)	(76,447,383)
OTHER COMPREHENSIVE INCOME			
Revaluation surplus (Note 9)	**2,532,817,849**	–	–
Provision for deferred income tax (Note 18)	**(759,845,355)**	–	–
	1,772,972,494	–	–
TOTAL COMPREHENSIVE INCOME (LOSS) (Note 26)	**₱1,203,281,490**	(₱224,301,582)	(₱76,447,383)
Basic and Diluted Loss Per Share (Note 23)	**(₱0.1189)**	(₱0.7209)	(₱0.3143)

**As discussed in Note 2, PH Travel, legal subsidiary and accounting acquirer of PH Resorts, was incorporated on January 3, 2017. The consolidated financial statements of PH Resorts have been prepared as a continuation of the consolidated financial statements of PH Travel.*

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 YEARS ENDED DECEMBER 31, 2019 AND 2018
AND FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017*

	Capital Stock (Notes 1 and 15)	**Subscriptions Receivable** (Note 15)	**Deposit for Future Stock Subscription** (Note 14)	**Additional paid-in Capital** (Note 15)	**Equity Reserve** (Notes 2 and 15)	**Revaluation Surplus** (Notes 9 and 18)	**Retained Earnings (Deficit)** (Notes 2 and 15)	**Total**
Balance as of December 31, 2018	**₱4,793,266,504**	**(₱406,376,691)**	**₱–**	**₱–**	**(₱4,050,000,000)**	**₱–**	**(₱110,721,812)**	**₱226,168,001**
Deposits received	–	–	**2,579,000,000**	–	–	–	–	**2,579,000,000**
Collection of subscriptions receivable	–	**406,376,691**	–	–	–	–	–	**406,376,691**
Total comprehensive income (loss)	–	–	–	–	–	**1,772,972,494**	**(569,691,004)**	**1,203,281,490**
Effect of acquisition of a subsidiary (Note 15)	–	–	–	–	**(76,935,056)**	–	–	**(76,935,056)**
Balance at December 31, 2019	**₱4,793,266,504**	**₱–**	**₱2,579,000,000**	**₱–**	**(₱4,126,935,056)**	**₱1,772,972,494**	**(₱680,412,816)**	**₱4,337,891,126**
Balance as of December 31, 2017	₱243,241,504	₱–	₱–	₱58,073,612	₱52,977,957	₱–	₱69,259,544	₱423,552,617
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 15)	406,376,691	(406,376,691)	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	(224,301,582)	(224,301,582)
Effect of reverse acquisition (Notes 2 and 15)	–	–	–	–	(4,102,977,957)	–	55,401,615	(4,047,576,342)
Balance at December 31, 2018	₱4,793,266,504	(₱406,376,691)	₱–	₱–	(₱4,050,000,000)	₱–	(₱110,721,812)	₱226,168,001
Balance at beginning of period	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Issuance of capital stock	500,000,000	–	–	–	–	–	–	500,000,000
Total comprehensive loss	–	–	–	–	–	–	(76,447,383)	(76,447,383)
Effect of reverse acquisition (Notes 2 and 15)	(256,758,496)	–	–	58,073,612	52,977,957	–	145,706,927	–
Balance at December 31, 2017	₱243,241,504	₱–	₱–	₱58,073,612	₱52,977,957	₱–	₱69,259,544	₱423,552,617

**As discussed in Note 2, PH Travel, legal subsidiary and accounting acquirer of PH Resorts, was incorporated on January 3, 2017. The consolidated financial statements of PH Resorts have been prepared as a continuation of the consolidated financial statements of PH Travel.*

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 YEARS ENDED DECEMBER 31, 2019 AND 2018
AND FOR THE PERIOD FROM JANUARY 3, 2017 TO DECEMBER 31, 2017*

	2019	2018	2017*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱565,364,625)**	(₱205,049,609)	(₱75,661,775)
Adjustments for:			
Interest expense (Notes 7 and 11)	**190,736,563**	81,354,913	15,654,302
Interest income (Note 5)	**(25,084,128)**	(20,643,486)	(12,053,748)
Depreciation (Notes 9 and 17)	**18,856,634**	3,848,296	507,512
Unrealized foreign exchange (gain) loss - net	**(15,876,063)**	11,608,188	16,613,055
Gain on disposal of fixed asset	**(46,351)**	–	–
Gain on disposal of a subsidiary (Note 21)	**–**	(617,037)	–
Loss before working capital changes	**(396,777,970)**	(129,498,735)	(54,940,654)
Decrease (increase) in:			
Trade and other receivables (Note 25)	**66,626,147**	(2,907,940)	–
Advances to related parties	**42,859,370**	306,146,174	(351,404,302)
Inventories	**(2,480,357)**	(1,761,369)	–
Prepayments and other current assets (Note 25)	**30,756,513**	(55,527,973)	(3,077,481)
Increase in trade and other payables (Note 25)	**128,314,976**	209,255,050	125,533,173
Net cash generated from (used in) operations	**(130,701,321)**	325,705,207	(283,889,264)
Income taxes paid	**(3,969,807)**	(3,249,775)	(1,288,732)
Net cash provided by (used in) operating activities	**(134,671,128)**	322,455,432	(285,177,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment (Notes 9 and 25)	**(2,319,520,325)**	(2,349,811,921)	(463,741,058)
Subsidiary (Note 1)	**(1,636,558,526)**	–	–
Land (Notes 9, 10 and 25)	**(132,850,260)**	–	–
Decrease (increase) in:			
Advances to suppliers	**(325,360,051)**	(129,094,862)	(84,242,355)
Input VAT	**(261,304,181)**	(258,578,183)	(21,914,225)
Deposits for future property acquisition	**–**	(673,930,178)	(470,687,867)
Other noncurrent assets	**(15,741,984)**	(15,198,112)	–
Transfer of cash to:			
Restricted fund (Note 11)	**139,955,985**	(139,955,985)	–
Escrow fund (Note 5)	**9,290,551**	(538,565,779)	(751,913,965)
Interest received	**24,877,048**	27,266,909	6,928,951
Proceeds from sale of fixed asset	**106,211**	–	–
Cash and cash equivalents of deconsolidated subsidiary (Note 21)	**–**	(7,251,958)	–
Net cash used in investing activities	**(4,517,105,532)**	(4,085,120,069)	(1,785,570,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties	**1,290,178,554**	1,147,222,065	129,367,293
Proceeds from:			
Deposit for future stock subscription (Note 14)	**2,579,000,000**	–	–
Subscription receivables	**406,376,691**	–	–
Bank loans, net of debt issue costs (Note 11)	**–**	3,118,946,883	1,650,255,600
Mortgage loan (Note 11)	**–**	2,489,752	–

(Forward)

	2019	2018	2017*
Payments of:			
Interest	**(₱155,150,985)**	(₱104,247,274)	(₱26,330,758)
Lease liabilities	**(57,950)**	–	–
Debt issuance costs	**(22,060,054)**	–	–
Mortgage loan (Note 11)	**(1,589,380)**	(683,981)	(343,827)
Increase in retention payable	**90,121,162**	85,776,468	–
Share issuance costs (Note 15)	**–**	(69,155,001)	–
Proceeds from issuance of capital stock (Note 15)	**–**	–	500,000,000
Net cash provided by financing activities	**4,186,818,038**	4,180,348,912	2,252,948,308
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(464,958,622)**	417,684,275	182,199,793
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**3,085,640**	485,215	(16,613,055)
CASH AND CASH EQUIVALENTS OF PH RESORTS BEFORE REVERSE ACQUISITION (Note 1)	**–**	103,090,157	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note 5)	**686,846,385**	165,586,738	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 5)	**₱224,973,403**	₱686,846,385	₱165,586,738

**As discussed in Note 2, PH Travel, legal subsidiary and accounting acquirer of PH Resorts, was incorporated on January 3, 2017. The consolidated financial statements of PH Resorts have been prepared as a continuation of the consolidated financial statements of PH Travel.*

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

1. General Information

Corporate Information
PH Resorts Group Holdings, Inc. (formerly Philippine H2O Ventures Corp. (H20), “PH Resorts”, or “Parent Company”) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Parent Company is at 20th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City.

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 of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 and for the period from January 3, 2017 to December 31, 2017 were authorized for issue by the BOD on June 15, 2020.

Change in Ownership of PH Resorts

On December 19, 2017, H2O 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 H2O representing 62.006% of the issued and outstanding capital of H2O 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. H2O 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 H2O 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 H20's stockholders approved the CWWC sale. On June 1, 2018, H2O sold all of its shares and interests in CWWC to TPC. Accordingly, H2O 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. Subsequently, H2O became a holding company for the gaming and 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, H2O became a subsidiary of Udenna. All the assets and liabilities of the subsidiaries of H2O as of May 31, 2018 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 Philippine Stock Exchange (PSE), effectively owning additional 7.994% ownership in H2O. After this transaction, total Udenna's ownership of H2O stood at 70%.

On June 25, 2018, Philippine H2O Ventures Corp. was renamed to PH Resorts Group Holdings, Inc. (PH Resorts).

On May 22, 2019, the BOD and the stockholders approved the following:

- Amendment of Articles of Incorporation to increase the authorized capital stock of the Corporation from Php 8 billion divided into 8 billion common shares at Php 1.00 par value per share to Php 15 billion divided into 15 billion common shares at Php 1.00 par value per share.

- Merger and consolidation of assets PH Resorts and PH Travel and Leisure Holdings Corp.

- Approval of Company's Employee Stock Incentive Plan for qualified employees, directors, officers and other qualified persons.

As of June 15, 2020, the Group’s application with the SEC for the approval of the above is still in process.

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). Udenna applied the share swap consideration in payment of its subscription to the additional shares in the capital stock of PH Resorts 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 PH Resorts’ AOI. The issuance of 4,143,648,309 shares of PH Resorts was made on December 26, 2018 and on the same date, the assignment of shares and equity share swap transaction became effective. Consequently, as of December 26, 2018, PH Travel became a legal subsidiary of PH Resorts.

PH Resorts Group Holdings, Inc. and its subsidiaries are collectively referred to as “the Group”.

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

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

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

As of December 31, 2019 and 2018, PH Travel holds ownership interests in the following entities incorporated in the Philippines:

Subsidiary Name	Nature of Business	Date of Incorporation	% of Ownership 2019	2018
CD Treasures Holdings Corp. (CTHC)	Holding company	March 8, 2018	**100**	100
LapuLapu Land Corp. (LLC)[(b)*]	Real estate	February 14, 2017	**100**	–
LapuLapu Leisure, Inc. (LLI)	Hotels, casino and gaming	January 25, 2017	**100**	100
Clark Grand Leisure Corp. (CGLC)	Hotels, casino and gaming	March 7, 2018	**100**	100
Donatela Hotel Panglao Corp. (DHPC)	Hotel and recreation	November 7, 2017	**100**	100
Donatela Resorts and Development Corp. (DRDC)	Hotel and recreation	February 27, 2018	**100**	100
Davao PH Resorts Corp. (DPRC)	Hotel and recreation	April 8, 2018	**100**	100
Aetos Air Philippines, Inc. (AAPI) [(a)]	Transportation	February 24, 2017	**–**	–

**Indirect ownership through LLI.*

a) On January 12, 2018, PH Travel sold its 100% interest ownership in Aetos Air Philippines, Inc. (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 6, 7 and 21).

b) On October 14, 2019, LLI and Udenna Land Inc. (formerly, UDEVCO), a related party, executed the Deed of Absolute Sale on the common shares of stock of LLC for a total consideration of ₱1.6 billion. This resulted in LLC being a wholly-owned subsidiary of LLI. The acquisition of LLC was accounted for as an acquisition of an asset as LLC does not qualify as a business (see Notes 4, 7 and 15).

Provisional Licenses

On May 3, 2017, Philippine Amusement and Gaming Corporation (PAGCOR) issued a Provisional License (License) authorizing LLI 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 LLI's License is for a period of 15 years or until May 3, 2032, which may be renewed subject to the terms of conditions of the License.

On August 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 22.

Status of Operations

The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the first quarter of 2022. The Group is also engaged in the operation of a resort which started commercial operations in 2018. For the years ended December 31, 2019 and 2018, the Group reported a net loss of ₱569.7 million and ₱224.3 million, respectively, resulting to a deficit of ₱680.4 million and ₱110.7 million, as of December 31, 2019 and 2018, respectively. On the same date, the Group's current liabilities exceeded its current assets by ₱6,875.8 million and ₱4,576.0 million as at December 31, 2019 and 2018, respectively. The Group has ongoing plans for suitable refinancing options including the conversion of its bridge loan to a long-term facility. The Group is in the process of syndicating a term loan facility. Upon securing this term loan facility, the Group expects to use the proceeds of such loan to refinance the bridge loan facility and fund its ongoing construction project.

The status of operations of the subsidiaries is as follows:

LLI and LLC. Construction of The Emerald Bay, an integrated tourism resort located in Mactan Island, Lapu-Lapu, Cebu, commenced in December 2017. The Emerald Bay will be constructed in two phases with the first phase expected to be completed in the first quarter of 2022.

CGLC. CGLC currently leases the site on which the Clark Resort will be located from Global Gateway Development Corporation (GGDC). The project is currently in the design phase.

DHPC. DHPC is the owner of the Donatela Resort & Sanctuary ("Donatela Resort"), a boutique-style, upscale hotel in Tawala, Panglao Island, Bohol. DHPC acquired the hotel in 2017 and commenced its operations in January 2018. The Donatela Resort has upscale villas with pools, a fine-dining restaurant and a wine cellar. DHPC is currently in the design and development phase with plans for expansion to improve its operations.

The other entities within the Group have no material operations as of December 31, 2019.

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, except for land which is carried at revalued amount as at December 31, 2019. 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 of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 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 of December 26, 2018, the equity share swap transaction between PH Resorts and PH Travel became effective. The acquisition transaction was accounted for similar to a reverse acquisition following the guidance provided by PFRS. In a reverse acquisition, the legal parent, PH Resorts, is identified as the acquiree for accounting purposes because PH Resorts did not meet the definition of a business and based on the substance of the transaction, the legal subsidiary, PH Travel, is adjudged to be the entity that gained control over the legal parent and was thus deemed to be the acquirer for accounting purposes. To classify as a business, it should consist of an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities. Accordingly, the consolidated financial statements of PH Resorts have been prepared as a continuation of the consolidated financial statements of the PH Travel Group. The PH Travel Group has accounted for the acquisition of PH Resorts on December 26, 2018, which was the date when PH Travel acquired control of PH Resorts (see Notes 1 and 4).

The consolidated statements of financial position as of December 31, 2018 presented in the consolidated financial statements as of December 31, 2019 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.

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

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

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

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

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

Reverse acquisition applies only to the consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of December 31, 2019 and 2018.

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

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

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

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

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

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

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

Noncontrolling interests, if any, represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. There are no noncontrolling interests as of December 31, 2019 and 2018.

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

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

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

3. Changes in Accounting Policies and Financial Reporting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the change in accounting policy for land from cost to revaluation model effective December 31, 2019 and the adoption of new accounting pronouncements which became effective on January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- *Revaluation of Land Classified as Property and Equipment.*

  The Group reassessed its accounting for property and equipment with respect to the measurement of land after initial recognition. The Group had previously measured all property and equipment using the cost model whereby, after initial recognition, the assets were carried at cost less accumulated depreciation and accumulated impairment losses.

  In 2019, the Group elected to change the method of accounting for land from cost to revaluation model as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. As allowed by Philippine Accounting Standards (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group applied the revaluation model prospectively.

  After initial recognition, land is measured at fair value at the date of the revaluation (see Note 9).

- 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 Philippine Accounting Standards (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 adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Therefore, comparative information has not been restated and still reported under PAS 17 and IFRIC 4.

  The effect of adoption of PFRS 16 as of January 1, 2019 is, as follows:

	Increase
Assets -	
Right-of-use assets	₱1,196,244,999
Liabilities:	
Lease liabilities - current portion	₱13,190,493
Lease liabilities - noncurrent portion	1,183,054,506
	₱1,196,244,999

  Based on the above, as of January 1, 2019:

  - Right-of-use assets were recognized amounting to ₱1,196,244,999 representing the amount of set up on transition date.
  - Additional lease liabilities of ₱1,196,244,999 were recognized.
  - Deferred income tax was not recognized since the related expenses were capitalized as part of construction in progress (see Notes 7 and 9).

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

As discussed in Notes 1 and 7, LLI acquired 100% ownership in LLC on October 14, 2019 Upon acquisition, right-of-use assets and lease liabilities related to transactions with LLC were eliminated at consolidated financial statements (see Note 12).

- *Leases previously accounted for as operating leases*

  The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

  The Group adopted IFRIC 23 using the modified retrospective method of adoption with the date of initial application of January 1, 2019.

  Upon adoption of the Interpretation, the Group assumes that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. The Group applied significant judgement in identifying uncertainties over income tax treatments and assessed whether the Interpretation had an impact on its consolidated financial statements.

  Based on the Group's assessment, the Group determined that the interpretation did not have an impact on the Group's consolidated financial statements.

- 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 adoption does not have any effect on its consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  Adoption does not have any significant impact on the Group's consolidated financial statements.

- Amendments to PAS 19: *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  Adoption does not have any significant impact on the Group's consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  Adoption does not have any significant impact on the Group's consolidated financial statements.

- Annual Improvements 2015-2017 Cycle

  o Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    Adoption does not have any significant impact on the Group's consolidated financial statements.

  o Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

    Adoption does not have any significant impact on the Group's consolidated financial statements.

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 the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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*

Business Combinations

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Acquisitions that do not constitute businesses are recognized as asset acquisitions. In such cases, the acquirer shall identify and recognize the individual identifiable assets acquired and liabilities assumed. In cases where the acquisition of an asset involves entities under common control, the Group accounts for the acquisition as a transfer between subsidiaries and any difference between the acquisition cost and the value of the net assets acquired is recognized as an equity transaction.

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting period. As of December 31, 2019, land is measured at fair value.

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

- In the principal market for the asset or liability
  or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

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

Financial Instruments

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

Initial Recognition and Subsequent Measurement Starting January 1, 2018

Financial Assets

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

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

Contractual cash flows characteristics

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

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

Business model

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

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

Classification and Measurement

- *Financial assets at amortized cost*

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

  The Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, restricted fund, cash in escrow, security deposits and advances to related parties (see Notes 5, 6, 7, 8, and 11).

- *Financial assets at FVOCI*

  A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in 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 or 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, *Business Combinations*. Amounts recognized in other comprehensive income (OCI) are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

  Dividends are recognized in profit or loss only when:

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

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

- *Financial assets at FVTPL*

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

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

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

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

Impairment of Financial Assets

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

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities - Classification and Measurement

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

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;

- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

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

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

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

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

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.

<u>Derecognition of Financial Assets and Liabilities</u>

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

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

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

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;

- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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

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

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

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 statement of comprehensive income.

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

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

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

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

Initial Recognition and Subsequent Measurement Prior to January 1, 2018

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.

- *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.

  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.

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 sstatements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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.

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.

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.

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.

<u>Cash and Cash Equivalents</u>
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.

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

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

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

Other Current Assets
Advances to 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. Prior to January 1, 2019, land is carried at cost, less any accumulated impairment.

Effective January 1, 2019, land is measured at fair value recognized at the date of revaluation. Changes in fair value of land, net of related deferred income tax, are recorded in OCI and credited to the "Revaluation Surplus" account in equity.

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

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

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

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

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

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

Right-of-use assets

Starting January 1, 2019

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

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

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

Effective January 1, 2019, in accordance with PIC Q&A No. 2019-13, PFRS 16, *Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*, leasehold improvements are amortized based on the lower of the estimated useful life of 3-5 years or the lease term which considers the enforceability of renewal options and limits on the use of the leasehold improvement using PFRS 16.

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. However, an impairment loss on a revalued asset is recognized in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

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

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

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

Equity

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

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

Retained earnings (Deficit). Deficit represents accumulated losses, net of earnings. The balance is also 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 and acquisition of a subsidiary.

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

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

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

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

- *Food and beverage.* Revenue is recognized at point 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 Group assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under PFRS 16, applicable as of January 1, 2019

Right-of-use assets
Prior to adoption of PFRS 16, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded in the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The costs of right-of-use assets include the amount of lease liability recognized, and lease payments made at or before the commencement date. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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

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

Under PAS 17, applicable prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting will 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. In cases where the Group acts as a lessee, operating lease payments are recognized as expense in the Group statement of comprehensive income on a straight-line basis over the lease term. 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.

<u>Retention Payable</u>
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.

<u>Income Taxes</u>

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

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

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

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

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

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

Foreign Currency Transactions and Translations

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

Related Party Transactions and Relationships

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

Earnings Per Share (EPS)

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

Segment Reporting

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

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

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

Events after the 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.

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.

Assessment of Going Concern
The Group is engaged in the gaming and tourism industry related businesses and has an ongoing construction project expected to be completed in the first quarter of 2022. The Group is also involved in the hotel industry which started commercial operations in 2018. As it is primarily in the construction stage of development, the Group incurred a net loss of ₱569.7 million in 2019 and ₱224.3 million in 2018, resulting in a deficit of ₱680.4 million and ₱110.7 million as of December 31, 2019 and 2018, respectively. As such, the Group's current liabilities exceeded its current assets by ₱6,875.8 million and ₱4,576.0 million as of December 31, 2019 and 2018, respectively.

The Group has ongoing plans for suitable financing and capital raising options and expansion projects (see Notes 1 and 19). As of June 15, 2020, the Group has an ongoing negotiation with the lenders for the conversion of bridge loan to a long-term project loan as well as availment of additional long-term loan. Management believes that considering the progress of the steps undertaken to date, these financing and capital raising plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due to address the Group's liquidity requirements and to support its operations and the completion of its projects. Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

Accounting for the reverse acquisition of PH Travel and Leisure Holdings Corp.
As discussed in Note 1, as of 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.

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

Determining the lease term of contracts with renewal and termination options – Group as lessee under PFRS 16 (starting January 1, 2019)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

As of December 31, 2019, the Group's right-of-use assets and lease liabilities amounted to ₱63.4 million and ₱72.2 million, respectively. For the year ended December 31, 2019, the Group recognized amortization of right-of use assets and interest expense on lease liabilities amounting to ₱6.4 million and ₱2.3 million, respectively (see Note 12).

Group as a Lessee under PAS 17 (prior to January 1, 2019)
The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not

transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating lease.

Capitalization of lease payments
The Group determines whether the amount of 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 in 2018 and ₱63.1 million in 2017 (see Notes 7 and 9). Lease payments starting October 2019 were not capitalized since LLC was acquired by L3 in October 2019. Thus, eliminated during consolidation (see Notes 1 and 7).

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

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

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

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

Capitalized borrowing costs equivalent to the effective interests incurred on the loans amounted to ₱326.6 million in 2019, ₱80.8 million in 2018 and ₱10.7 million in 2017 (see Notes 9 and 11). Borrowing costs on loans availed for purposes other than financing the construction of ₱190.7 million in 2019, ₱81.4 million in 2018 and ₱15.7 million in 2017 were expensed outright.

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% of the agreed price on the contract to sell entered by DHPC as of December 31, 2019 and 2018 and 95% and 40% on the contract to sell of DPRC as of December 31, 2019 and 2018, respectively. The Deed of Absolute

Sale was executed for certain contracts entered by DPRC and DHPC. The total contract price related to parcels of land wherein the risk and rewards of ownership have been transferred to the Group was recognized as land under "Property and equipment" in the consolidated statements of financial position. Management believes that as of December 31, 2019 and 2018, the risks and rewards of ownership of the properties not covered by Deed of Absolute Sale were retained by the seller, accordingly, installment payments totaling ₱26.8 million and ₱111.4 million as of December 31, 2019 and 2018, respectively, were presented as "Deposits for future property acquisition" in the consolidated statements of financial position (see Notes 9 and 10).

Impairment of nonfinancial assets
The Group assesses impairment on nonfinancial assets (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, 2019 and 2018. The carrying values of nonfinancial assets are as follows:

	2019	2018
Input VAT (Note 8)*	**₱543,915,117**	₱283,594,704
Advances to suppliers (Notes 8 and 9)*	**551,063,287**	217,740,427
Creditable withholding taxes	**16,617,901**	145,628
Property and equipment		
At cost (Note 9)	**5,334,258,192**	3,932,239,892
At revalued amount (Note 9)	**7,552,344,305**	–
Right-of-use assets (Note 12)	**63,442,773**	–
Deposits for future property acquisition (Note 10)	**26,812,449**	111,430,494
Other noncurrent assets	**30,797,054**	15,347,898

** includes current and noncurrent assets.*

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

Valuation of land at revalued amount
In 2019, the Group carries its land at fair value, with changes in fair value being recognized in OCI. The Group engaged independent valuation specialists to assess the fair value of the land. The value of the land was estimated using the "Sales Comparison Approach". This is a comparative approach to value that considers the properties offered for sale and the related market data and establishes a value

estimate by processes involving comparisons. Significant increase (decrease) in estimated price per square meter would result in a significantly higher (lower) fair value. The key assumptions used to determine the fair value of the properties are provided in Note 9. Land at fair value amounted to ₱7,552.3 million as of December 31, 2019 (see Note 9).

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

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

Provision for expected credit losses on financial assets 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 unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

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

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

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

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

b. *Macro-economic Forecasts and Forward-looking Information*. Macro-economic 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 of December 31, 2019 and 2018.

Estimating allowance for doubtful accounts prior to January 1, 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.

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 carried at cost as of December 31, 2019 and 2018 amounted to ₱5,334.3 million and ₱3,932.2 million, respectively.

Estimating the incremental borrowing rate – Lessee (Effective January 1, 2019)
The Group cannot readily determine the interest rate implicit in the lease and uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recoverability of Deferred Taxes
The Group reviews the carrying amounts of its deferred income tax assets at the end of each reporting date and unrecognized deferred income tax assets are reassessed to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered. Accordingly, the Group did not recognize deferred tax assets from the carryover benefits of NOLCO, unrealized foreign exchange losses and net lease liabilities amounting to ₱274.8 million and ₱102.6 million as of December 31, 2019 and 2018, respectively (see Note 18).

5. Cash and Cash Equivalents

As of December 31, 2019, and 2018, the Group's cash on hand and in banks amounted to ₱225.0 million and ₱686.8 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash and cash equivalents amounted to ₱0.1 million in 2019, ₱0.7 million in 2018 and ₱3.1 million in 2017.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱1,267 million and ₱1,315.0 million as of December 31, 2019 and 2018, respectively. Cash in escrow is presented under the "Noncurrent Assets" section of the consolidated statements of financial position. The Group's escrow account represents the aggregate balance of short-term placements maintained in local banks primarily to meet the requirements of the License Agreement with PAGCOR in relation to LLI and CGLC's investment commitments (see Notes 11 and 22).

Interest income earned on cash in escrow amounted to ₱25 million in 2019, ₱19.9 million in 2018 and ₱8.9 million in 2017. Accrued interest receivable as of December 31, 2019 and 2018 amounted to ₱1.3 million and ₱1.1 million, respectively, and is presented under the "Trade and other receivables" account in the consolidated statements of financial position (see Note 6).

6. Trade and Other Receivables

	2019	2018
Trade	**₱1,965,664**	₱2,700,432
Receivable from sale of a subsidiary (Notes 1, 7 and 21)	**10,000,000**	10,000,000
Accrued interest receivable (Note 5)	**1,282,454**	1,078,944
Others	**556,043**	207,508
	₱13,804,161	₱13,986,884

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

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

No provision for estimated credit losses was provided for the years ended December 31, 2019 and 2018.

7. Related Party Transactions

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

Approval requirements and limits on the amount and extent of related party transactions

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

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

Outstanding balances at year-end are unsecured and non-interest bearing and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. The impairment assessment on advances to related parties, is based on the 12-month ECL. However, being due and demandable, the intercompany receivables, will attract a negligible ECL, since ECLs are only measured over the period in which the 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 needed to be set to 100%. For the years ended December 31, 2019, 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.
	Emerald Development Holdings Ltd.
	Enderun Hospitality Management and Consultancy Services (Enderun)
	Global Gateway Development Corp. (GGDC)
	L3 Concrete Specialists Inc.
	Lapulapu Cultural Heritage Foundation, Inc.
	LapuLapu Land Corp. (LLC)*
	Phoenix Petroleum Philippines, Inc.
	Udenna Land Inc. (ULI, formerly UDEVCO)
	Udenna Infrastructure Corp.
	Udenna Management & Resources Corp.
	Udenna Tower Corporation (UTOW)
	Udenna Water & Integrated Services, Inc.
	Value Leases Inc.

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

The consolidated statements of financial position include the following amounts with respect to the balances with related parties as of December 31, 2019 and 2018:

	Amount/ Volume of Transactions			Outstanding Receivable (Payable)		
	2019	2018	2017	**2019**	2018	Terms & Conditions
Udenna, *Ultimate Parent Company*						
Cash advances to a related party for working capital	₱–	₱105,000,000	₱–	**₱–**	₱41,332,707	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from a related party for working capital and project completion	–	1,043,736,603	129,367,293	**(793,927)**	(942,195,175)	Unsecured; Noninterest-bearing; due and demandable

	Amount/ Volume of Transactions			Outstanding Receivable (Payable)		
	2019	2018	2017	**2019**	2018	Terms & Conditions
Deposit for future stock subscription (see Note 14) (a)(v)	**₱2,579,000,000**	₱–	₱–	**(₱2,579,000,000)**	₱–	Non-refundable
Affiliates under Common Control						
Cash advances to related parties	**204,667**	178,429,279	1,533,184,517	**2,208,973**	3,735,636	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from related parties for working capital	**57,126,585**	265,107,825	–	**(51,478,550)**	(25,037,500)	Unsecured; Noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b)	**2,221,750,869**	–	–	**(2,198,780,834)**	–	Unsecured; Interest-bearing; due in 2021
Cash advances from related parties for working capital (b)	**137,900,000**	281,100,000	–	**(315,000,000)**	(177,100,000)	Unsecured; Interest-bearing; due and demandable
Interest payable on advances (b) (iv)	**97,333,988**	16,783,122	–	**(112,120,624)**	(14,786,636)	Unsecured; due within 1 to 2 years
Capitalized lease payments (see Notes 8 and 9) (c) (ii)	–	128,383,560	63,116,280	–	40,398,414	Unsecured; Noninterest-bearing; due and demandable
Management and consultancy services (see Notes 13 and 17) (d) (iii)	**4,012,428**	10,282,630	–	**(7,220,127)**	(3,472,533)	Unsecured; Noninterest-bearing; due and demandable
Due from a related party for sale of a subsidiary (see Notes 1, 6 and 21) (i)	–	10,000,000	–	**10,000,000**	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder						
Cash advances to a stockholder	–	–	189,785	–	–	Unsecured; Noninterest-bearing; not impaired; due and demandable
Cash advances from a stockholder for working capital	–	135,000,000	–	**(135,000,000)**	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees						
Advances to employees (see Note 6) (i)	**3,166,131**	1,950,260	1,100,000	**243,803**	66,470	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of December 31, 2019 and 2018.
ii. Outstanding balance is included in Prepayments and other current assets as of December 31, 2018.
iii. Outstanding balance is included in Trade and other payables as of December 31, 2019 and 2018.
iv. Outstanding interest is included in Trade and other payables as of December 31, 2019 and 2018.
v. Outstanding balance is presented under the Equity section in the consolidated statements of financial position as of December 31, 2019.

(a) Deposit for future stock subscription

As of December 31, 2019, the Group received a deposit for future stock subscription from the Ultimate Parent Company (see Note 14).

From the proceeds of the deposit, the Group paid ₱1.6 billion to an entity under common control for the acquisition of LLC. On October 14, 2019, the Deed of Absolute Sale on the common shares of stock of LLC was executed. LLC owns the land where The Emerald Bay is located.

(b) 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 finance the operating requirements of the Group. The accrued interest on advances is at 6.5% to 7% interest per annum.

On October 17, 2019, PH Resorts obtained an advance of ₱2.2 billion (equivalent to US$43.4 million) from Emerald Development Holdings Ltd., an offshore entity wholly-owned by Udenna. The proceeds of the advance were used to fund the ongoing construction of The Emerald Bay. The agreement states that all taxes, fees and out-of-pocket expenses incurred in obtaining this loan will be for the account of the Group (see Note 17).

Interest charges incurred on these cash advances amounted to ₱97.3 million in 2019, ₱16.8 million in 2018 and nil in 2017. Of these interest charges, capitalized borrowing costs were ₱86.8 million in 2019 and nil in 2018 and 2017. 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).

Interest payable of ₱112.1 million and ₱14.8 million as of December 31, 2019 and 2018, respectively, are included under "Trade and other payables" account in the consolidated statements of financial position (see Note 13).

(c) Lease

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

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

Lease payments capitalized as part of CIP amounted to ₱128.4 million in 2018 and ₱63.1 million in 2017 (see Note 9). As of 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). In 2019, LLI acquired LLC which resulted in the reduction of the lease recognized in the consolidated financial statements.

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

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

The estimated annual minimum rentals under these lease agreements as of December 31, 2019 are shown below:

Period	Amount
Within one year	₱23,346,390
More than 1 year to 2 years	16,475,380
More than 2 years to 3 years	17,255,159
More than 3 years to 4 years	18,117,917
More than 5 years	9,279,910
	₱84,474,756

The costs and accumulated depreciation recognized as right-of-use assets as of December 31, 2019 amounted to ₱69.8 million and ₱6.4 million, respectively. Depreciation expense for the year ended December 31, 2019 amounted ₱6.4 million. As of December 31, 2019, lease liabilities amounted to ₱72.2 million were presented under current and noncurrent liabilities section of the consolidated statements of financial position. Interest expense on lease liabilities amounted to ₱2.3 million for the year ended December 31, 2019 (see Note 12).

(d) Management fees

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

(e) Guarantees

LLI and LLC's bank loans with 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 shall be the joint and several liability of PH Travel and DHPC (see Note 11).

(f) Compensation and Other Benefits of Key Management Personnel

The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱53.2 million in 2019, ₱35.5 million in 2018 and ₱7.1 million in 2017. The increase is primarily reflective of full year compensation of key management personnel compared to previous years.

8. Prepayments and Other Current Assets

	2019	2018
Creditable withholding taxes	**₱16,617,901**	₱145,628
Advances to suppliers	**12,366,019**	4,403,210
Prepaid insurance	**11,383,562**	1,604,853
Input VAT	**2,430,627**	3,401,868
Prepaid rent (Note 7)	**1,409,374**	41,643,503
Short-term security deposits	**351,158**	9,529,758
Others	**2,096,987**	1,834,301
	₱46,655,628	₱62,563,121

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

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.

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

9. Property and Equipment

At Cost

	2019							
	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 22)	**Total**
Cost								
Beginning balances	**₱1,027,200,819**	**₱8,055,377**	**₱68,532,916**	**₱28,980,925**	**₱4,940,498**	**₱5,712,523**	**₱2,792,954,203**	**₱3,936,377,261**
Additions		**52,121**	**243,429**	**719,203**	**381,587**	**61,993**	**2,439,925,427**	**2,441,383,760**
Reclassification to land at revalued amount	**(1,027,200,819)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,027,200,819**
Disposals	**–**	**–**	**–**	**(101,140)**	**–**	**(135,294)**	**–**	**(236,434)**
Ending balances	**–**	**8,107,498**	**68,776,345**	**29,598,988**	**5,322,085**	**5,639,222**	**5,232,879,630**	**5,350,323,768**
Accumulated Depreciation								
Beginning balances	**–**	**191,795**	**1,091,857**	**1,680,632**	**828,536**	**344,549**	**–**	**4,137,369**
Depreciation (Note 17)	**–**	**579,012**	**3,289,954**	**6,917,345**	**966,732**	**364,264**	**–**	**12,117,307**
Disposals	**–**	**–**	**–**	**(53,808)**	**–**	**(135,292)**	**–**	**(189,100)**
Ending balances	**–**	**770,807**	**4,381,811**	**8,544,169**	**1,795,268**	**573,521**	**–**	**16,065,576**
Net Book Value	**₱–**	**₱7,336,691**	**₱64,394,534**	**₱21,054,819**	**₱3,526,817**	**₱5,065,701**	**₱5,232,879,630**	**₱5,334,258,192**

	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 22)	Total
Cost								
Beginning balances	₱–	₱–	₱–	₱686,905	₱3,767,750	₱165,875	₱469,796,984	₱474,417,514
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 21)	–	–	–	–	(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	3,936,377,261
Accumulated Depreciation								
Beginning balances	–	–	–	22,527	471,162	13,823	–	507,512
Depreciation (Note 17)	–	191,795	1,091,857	1,658,105	575,813	330,726	–	3,848,296
Effect of deconsolidation of a subsidiary (Note 21)	–	–	–	–	(218,439)	–	–	(218,439)
Ending balances	–	191,795	1,091,857	1,680,632	828,536	344,549	–	4,137,369
Net Book Value	₱1,027,200,819	₱7,863,582	₱67,441,059	₱27,300,293	₱4,111,962	₱5,367,974	₱2,792,954,203	₱3,932,239,892

The CIP account reflects expenditures related to the US$300.0 million (approximately ₱17.6 billion) investment commitment of LLI required by the License Agreement with PAGCOR. Total Project cost includes land acquisition; costs related to securing development rights; construction and development costs; and all other direct expenses. The CIP account also includes capitalized borrowing costs of ₱326.6 million, ₱80.8 million and ₱10.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, equivalent to the effective interest 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).

Advances to suppliers of ₱538.7 million and ₱213.3 million as of December 31, 2019 and 2018, respectively, relate to initial deposits made for the ongoing construction of the Project. Retention payable to suppliers and contractors related to the construction project expected to be completed in 2022 amounted to ₱175.9 million and ₱85.8 million as at December 31, 2019 and 2018, respectively.

Land at Revalued Amounts

Land carried at cost at the beginning of the year	₱1,027,200,819
Addition during the year (see Notes 10 and 15)	3,992,325,637
Revaluation increment during the year recognized in other comprehensive income	2,532,817,849
Balance at end of year	₱7,552,344,305

The Group owns several parcels of land in Cebu, Davao and Bohol which were revalued to its market values as of December 31, 2019 based on the valuation performed by independent appraisers. Revaluation increment on land as of December 31, 2019 are as follows:

Balance at beginning of the year, net of tax	₱–
Revaluation surplus during the year	2,532,817,849
Deferred tax liability (see Note 18)	(759,845,355)
Balance at end of year, net of tax	₱1,772,972,494

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

Valuation technique	Significant unobservable input	Range
Sales comparison approach	Selling price of identical piece of land	₱15,000 to ₱70,000 per square meter
	External factor adjustments	-20% to 20%
	Internal factor adjustments	-60% to 40%
	Average fair value after internal and external factor adjustments	₱4,520 to ₱48,000 per square meter

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

DHPC's land, land improvements and infrastructures and building are used as a real estate mortgage with UCPB (see Note 11). The carrying value of the pledged properties was ₱1.4 billion and ₱1.1 billion as of December 31, 2019 and 2018, respectively.

Pursuant to the bank loans, LLI and LLC entered into a real estate mortgage and chattel mortgage indenture over its property and equipment to collateralize its bank loans. The carrying value of properties used as collateral was ₱11.2 billion as of December 31, 2019 and ₱2.8 billion as of December 31, 2018 (see Note 11).

10. Deposits for Future Property Acquisition

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

The Deeds of Absolute Sale for the 67,853 square meters were executed in August 2018 for a total consideration of ₱1,039 million which was subsequently reclassified as property and equipment. A deposit for future property acquisition of ₱26.8 million pertains to the 25% partial settlement of the remaining area of 6,725 square meters. As of December 31, 2019 and 2018, DHPC has already paid ₱1,066.0 million which represents 89% 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. On August 20, 2019, the Deed of Absolute Sale for the 3,134 square meters was executed for the total purchase price of ₱211.5 million, exclusive of 12% VAT and other charges and were subsequently reclassified as property and equipment (see Note 9). As of December 31, 2018, DPRC has already paid ₱84.6 million, which represented 40% of the total purchase price.

As of December 31, 2019, payable of ₱11.8 million represents 5% of the total purchase price plus VAT.

11. Loans Payable

	2019	2018
Short-term loans:		
Peso denominated loans	**₱5,200,000,000**	₱3,100,000,000
US dollar denominated loans*	**759,525,000**	788,700,000
Long-term loan	**975,000,000**	975,000,000
Auto loans	**1,538,165**	3,127,545
	6,936,063,165	4,866,827,545
Debt issuance costs	**(27,041,383)**	(52,354,488)
Loans payable	**₱6,909,021,782**	₱4,814,473,057

**Dollar denominated loan amounting to $15.0 million was translated to Philippine Peso using foreign exchange closing rate of $1:₱50.635 in 2019 and $1:₱52.580 in 2018.*

Short-term Loans

On June 7, 2017, LLI obtained a ₱900.0 million bank loan from CBC to fund the construction of the first phase of The Emerald Bay and a US$15.0 million loan to fund the escrow requirement of the Provisional License (see Note 22). The Peso loan had an annual interest of 4.75% to 6.25% while the US$ loan had an annual interest of 3.5% to 6.25%.

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

On November 21, 2019, the Peso and Dollar loan facilities of LLI were extended for an additional period of six months until May 19, 2020, with interest rates of 8.00% and 5.00%, respectively. On May 14, 2020, CBC approved the extension of payment of principal and interest of the loans to June 18, 2020 under Republic Act No. 11469 or the Bayanihan to Heal as One Act. A further extension of this loan is currently in process.

In 2017, LLC obtained a ₱2.1 billion Peso loan facility from CBC to finance the acquisition of the 12.4-hectare lot at Punta Engano, Mactan, Cebu. On November 21, 2019, the loan was extended for an additional period of six months until May 19, 2020 with an interest rate of 8% . On May 14, 2020, CBC approved the extension of payment of principal and interest of the loans to June 18, 2020 under Republic Act No. 11469 or the Bayanihan to Heal as One Act. A further extension of this loan is currently in process.

The details of the short-term loans (in PHP equivalent), which will be due for payment on June 18, 2020 are as follows:

	2019	2018
Principal	**₱5,959,525,000**	₱3,888,700,000
Less unamortized debt issue costs	**17,115,369**	40,684,932
	₱5,942,409,631	₱3,848,015,068

As of June 15, 2020, the Group was informed that the same has been extended pending formal presentation to the lender's Executive Committee on the conversion of the bridge loan facility into a long-term Project Finance Facility.

The Group (through LLI and LLC) and CBC, are in the process of syndicating 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 fund the ongoing construction and fit-out of the first phase of The Emerald Bay (see Note 1).

Amortized debt issue costs of ₱35.0 million in 2019 and ₱2.9 million in 2018 pertaining to the ₱3.1 billion loan were capitalized to CIP as of December 31, 2019 and 2018, respectively. Amortized debt issue costs pertaining to the US$15.0 million loan and ₱2.1 billion loan amounted to ₱8.9 million and ₱1.7 million, respectively were expensed and presented as part of "Interest Expense" in the consolidated statements of comprehensive income.

As of December 31, 2018, ₱140.0 million of the proceeds under the short-term loans held in the construction costs account in CBC was presented as "Restricted Fund" in the consolidated statements of financial position. These were fully released in payment of relevant construction costs during the first quarter of 2019.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of LLC and LLI to, among other things, create or incur certain indebtedness or liens in respect of its property or assets, consolidate or merge with other entities, redeem shares or repay subordinated indebtedness if such redemption or repayment would result in a debt to equity ratio of greater than 2.33 to 1.0 (on a combined basis). In addition, LLI and LLC are required to maintain on a combined basis a debt to equity ratio of not more than 2.33 to 1.0, maintain its property and insurance, and ensure exclusive use of The Emerald Bay site. As of December 31, 2019 and 2018, LLC and LLI were in compliance with the required ratio.

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

The carrying value of properties used as collateral amounted to ₱11.2 billion and ₱2.8 billion as of December 31, 2019 and 2018 (see Note 9).

Interest charges incurred on these loans amounted to ₱430.6 million in 2019, ₱119.5 million in 2018 and ₱26.3 million in 2017. Of these interest charges, capitalized borrowing costs amounted to ₱326.6 million, ₱80.8 million and ₱10.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, and were equivalent to the effective interest rate charged for the ₱5.2 billion loan. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the consolidated statements of financial position (see Note 9).

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

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

	2019	2018
Principal	**₱975,000,000**	₱975,000,000
Less unamortized debt issue costs	**9,926,014**	11,669,556
	965,073,986	963,330,444
Less current portion of long-term loan	**28,595,439**	–
Noncurrent portion of long-term loan	**₱936,478,547**	₱963,330,444

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

The loan bears an annual interest rate based on the one-year PH Bloomberg Valuation Rate (PH BVAL) at the time of availment or resetting, as the case may be, plus a spread of 3.0% per annum. In no case, however, shall the interest be lower than 6.0% per annum. Interest shall be subject to resetting on the anniversary date of the availment and every year thereafter. Interest expense incurred on this loan amounted to ₱73.8 million in 2019, ₱25.7 million in 2018 and nil in 2017. Amortized debt issue costs of ₱1.7 million in 2019 and ₱0.6 million in 2018 were expensed and presented as part of "Interest Expense" in the consolidated statements of comprehensive income.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 9). The carrying value of the pledged properties amounted to ₱1.4 billion and ₱1.1 billion as of December 31, 2019 and 2018, respectively.

DHPC must comply with certain financial covenants for the term of the loan, including maintaining a debt service coverage ratio of at least 1.25x and a debt to equity ratio of not exceeding 2.33x. As of December 31, 2019 and 2018, testing for these financial ratios have not commenced. The bank has deferred the testing period to December 31, 2020 and December 31, 2021 for the debt to equity and debt service coverage ratios, respectively.

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

Auto loans
In 2018 and 2017, the Group entered into various mortgage loan agreements with local banks to finance the acquisition of transportation equipment amounting to ₱3.7 million and ₱1.9 million, respectively. The loans bear effective interest rates of 7.75%, 11.86% and 8.50% per annum for the years ended December 31, 2019, 2018 and 2017, respectively, and will mature in 3 years.

The details of the loans are as follows:

	2019	2018
Auto loans	**₱1,538,165**	₱3,127,545
Less current portion	**1,295,990**	1,593,926
Noncurrent portion	**₱242,175**	₱1,533,619

Interest expense incurred on these loans amounted to ₱0.1 million in 2019, ₱0.2 million in 2018 and ₱0.1 million in 2017.

12. Right-of-Use Assets and Lease Liabilities

On January 1, 2019, the leases of the Group are accounted under PFRS 16 using the modified retrospective approach. The lease liabilities are initially measured at the present value of the lease payments, discounted using the incremental borrowing rate of 10.039%. During the year, the Group entered into additional leases which are leases of office space (see Note 7). These were initially measured at present value using the incremental borrowing rates of 10.04% for 5 years and 9.49% for 3 years.

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

Cost	
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 3)	1,196,244,999
As at January 1, 2019, as restated	1,196,244,999
Additions (see Note 7)	69,889,274
Effect of acquisition of LLC (see Note 1)	(1,196,244,999)
Balance at December 31, 2019	69,889,274
Accumulated Depreciation	
As at January 1, 2019, as previously reported	–
Effect of adoption of PFRS 16 (see Note 3)	–
As at January 1, 2019, as restated	–
Depreciation (see Note 17)	6,446,501
Capitalization to CIP	50,785,657
Effect of acquisition of LLC (see Note 1)	(50,785,657)
Balance at December 31, 2019	6,446,501
Net Book Value	₱63,442,773

The rollforward analysis of lease liabilities follows:

As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 3)	1,196,244,999
As at January 1, 2019, as restated	1,196,244,999
Additions	69,889,274
Interest expense (see Note 7)	2,328,354
Interest capitalized to CIP – Borrowing costs	119,495,067
Payments to LLC	(132,685,560)
Payments	(57,950)
Effect of acquisition of LLC	(1,183,054,506)
Balance at December 31, 2019	72,159,678
Current portion of lease liabilities	18,190,634
Lease liabilities - net of current portion	₱53,969,044

Gross lease liabilities and present value of minimum lease payments under the Group's lease agreements as of December 31, 2019 are as follows:

	Amount
Within one year	₱23,346,390
More than one year but not more than five years	61,128,366
Total gross lease liabilities	84,474,756
Less unamortized interest expense	12,315,078
Present value of future minimum lease payments	72,159,678
Less current portion	18,190,634
Noncurrent portion	₱53,969,044

13. **Trade and Other Payables**

	2019	2018
Payable to contractors (Note 9)	**₱459,109,150**	₱309,651,085
Interest payable (Notes 7, 11 and 12)	**161,749,387**	54,241,605
Statutory payables	**26,484,919**	10,317,848
Trade payables	**12,236,041**	9,680,371
Management fees payable (Note 7)	**7,220,127**	3,472,533
Contract liabilities	**545,435**	1,384,988
Others	**7,535,326**	8,505,863
	₱674,880,385	₱397,254,293

Below are the terms and conditions of the liabilities:

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

14. Deposit for Future Stock Subscription

On March 26, 2019, PH Resorts received cash amounting to ₱2,579.0 million from Udenna, representing its deposit for future stock subscription. As of December 31, 2019, the deposit for future stock subscription is classified under the equity section of the consolidated statement of financial position since it met the fixed for fixed requirement for equity classification under PFRS.

PH Resorts and Udenna Corporation executed a Memorandum of Agreement (MOA) dated December 27, 2019 (see Note 7) and agreed to execute a subscription agreement in the amount of ₱2,579.0 million, within 270 days from the signing of the MOA or as soon as PH Resorts has a third person or entity that subscribes to purchase PH Resorts' shares that allows it to maintain its required public float of 10% after the subscription of Udenna, whichever comes earlier. The subscription made by Udenna is non-refundable.

15. Equity

Capital Stock

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

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized	**8,000,000,000**	**₱8,000,000,000**	8,000,000,000	₱8,000,000,000
Subscribed	**4,793,266,504**	**₱4,793,266,504**	4,793,266,504	₱4,793,266,504
Subscription receivables	**–**	**(406,376,691)**	–	(406,376,691)
Collection of subscription receivable	**–**	**406,376,691**	–	–
Issued and outstanding	**4,793,266,504**	**₱4,793,266,504**	4,793,266,504	₱4,386,889,813

As of December 31, 2019 and 2018, the PH Resorts had 28 and 29 equity holders.

Track Record of Registration of Securities

Authorized capital stock

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

Issued and outstanding

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

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% of its equity interest in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share in exchange for (a) 4,143,648,309 shares with a par value of ₱1.00 per share to be issued by PH Resorts to Udenna out of PH Resorts' increase in authorized capital stock, and (b) cash of ₱406.38 million.

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

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

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

Equity Reserve

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

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

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

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

	Net Assets Acquired
Assets:	
Cash and cash equivalents	₱262,247
Trade and other receivables	66,239,914
Investment properties	3,774,857,332
Creditable withholding tax	14,849,020
Total *(Carried Forward)*	3,856,208,513

	Net Assets Acquired
Total *(Brought Forward)*	₱3,856,208,513
Liabilities:	
Loans payable	(2,100,000,000)
Trade and other payables	(41,803,334)
Advances from related parties	(154,512,117)
Deferred tax liability	(7,346)
	(2,296,322,797)
Total identifiable net assets	1,559,885,716
Purchase consideration transferred	(1,636,820,772)
Equity Reserve	(₱76,935,056)

16. Inventories Consumed, Other Direct Costs and Expenses

	2019	2018
Commissions	**₱1,847,461**	₱3,141,803
Departmental expenses	**708,823**	1,073,167
Recreation and entertainment	**259,584**	382,488
Miscellaneous	**587,482**	366,079
	₱3,403,350	₱4,963,537

No other direct costs and expenses incurred for the year ended December 31, 2017. All these costs resulted from DHPC's operations which started in January 2018 (see Note 1).

Inventories consumed consist of food and beverages used in hotel operations.

17. Operating Expenses

	2019	2018	2017
Professional fees (Note 7)	**₱154,434,049**	₱9,761,974	₱10,474,747
Salaries and wages (Note 7)	**131,618,523**	63,714,054	10,142,510
Taxes and licenses (Note 7)	**67,458,851**	34,609,756	22,880,289
Depreciation and amortization (Notes 9 and 12)	**18,856,634**	3,848,296	507,512
Transportation and travel	**16,812,899**	9,017,535	5,128,166
Utilities and communications	**6,964,444**	8,782,327	–
Dues and subscription	**8,807,089**	–	–
Outside services	**6,758,606**	7,403,162	–
Storage fees	**5,068,790**	2,711,197	440,000
Sales marketing and advertising	**4,034,324**	5,389,905	–
Management fees (Note 7)	**4,012,428**	10,282,630	–
Repairs and maintenance	**2,876,237**	7,070,415	–
Representation and entertainment	**1,897,287**	3,641,007	2,908,302
Insurance	**1,293,827**	1,333,782	–
Office supplies	**969,699**	1,433,826	–
Common utilities and service fees	**957,341**	–	–
Organization fees	**–**	4,706,286	–
Miscellaneous	**14,657,177**	1,455,952	2,917,249
	₱447,478,205	₱175,162,104	₱55,398,775

Professional fees were incurred from various engagements with lawyers, auditors and other consultants for the backdoor listing, follow-on offering and financing arrangements of the Group.

18. Income Taxes

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

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

	2019	2018	2017
Benefit from income tax computed at statutory income tax rate of 30%	**(₱169,609,387)**	(₱61,514,883)	(₱22,698,533)
Tax effects of:			
Movement in unrecognized deferred tax asset	**172,177,416**	76,831,757	25,811,533
Nondeductible expenses	**5,324,324**	7,209,108	–
Interest income subjected to final tax	**(3,565,974)**	(3,088,898)	(2,327,392)
Nontaxable income	–	(185,111)	–
	₱4,326,379	₱19,251,973	₱785,608

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

	2019	2018
Deferred tax asset -		
Contract liabilities	**₱–**	₱415,497
	–	415,497
Deferred tax liabilities:		
Revaluation surplus (see Note 9)	**759,845,355**	–
Debt issuance costs	**8,111,750**	15,706,458
Unrealized foreign exchange gain	**7,896,869**	353,740
	775,853,974	16,060,198
Net deferred tax liabilities	**(₱775,853,974)**	(₱15,644,701)

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

The Group did not recognize deferred tax assets amounting to ₱274.8 million and ₱102.6 million as of December 31, 2019 and 2018, respectively, on the following temporary difference. Upon the opening of The Emerald Bay, management will reconsider this position.

	2019	2018
Unrecognized deferred tax assets:		
NOLCO	**₱269,069,088**	₱98,424,402
Unrealized foreign exchange loss	**3,136,546**	4,218,888
Net lease liabilities	**2,615,072**	–
	₱274,820,706	₱102,643,290

As of December 31, 2019, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount
2017	December 31, 2020	₱81,090,546
2018	December 31, 2021	246,990,793
2019	December 31, 2022	568,815,620
		₱896,896,959

19. **Financial Risks Management Objectives and Policies**

The Group's principal financial instruments are cash and cash equivalents which finance the Group's operations. The other financial assets and liabilities arising from its operations are trade and other receivables, security deposits, advances from and to related parties, restricted fund, cash in escrow, trade and other liabilities, loans payable, lease liabilities 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 dealing only with recognized and creditworthy financial institutions and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

	2019	2018
Cash and cash equivalents*	**₱224,508,253**	₱686,386,451
Trade and other receivables	**13,804,161**	13,986,884
Advances to related parties	**2,208,973**	45,068,343
Security deposit**	**7,527,739**	16,329,758
Cash in escrow	**1,267,037,464**	1,315,918,771
Restricted fund	**–**	139,955,985
Total credit risk exposure	**₱1,515,086,590**	₱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.*

The financial assets of the Group are neither past due nor impaired and have high probability of collection as of December 31, 2019 and 2018.

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:

	2019					
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased or credit-impaired**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱1,491,545,717**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,491,545,717**
Medium grade	**23,540,873**	**–**	**–**	**–**	**–**	**23,540,873**
Standard grade	**–**	**–**	**–**	**–**	**–**	**–**
Default	**–**	**–**	**–**	**–**	**–**	**–**
Gross carrying amount	**1,515,086,590**	**–**	**–**	**–**	**–**	**1,515,086,590**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amount	**₱1,515,086,590**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,515,086,590**

	2018						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased or credit-impaired	Lifetime ECL Simplified Approach	Total	2017
High grade	₱2,142,261,207	₱–	₱–	₱–	₱–	₱2,142,261,207	₱922,615,500
Medium grade	75,384,985	–	–	–	–	75,384,985	351,404,302
Standard grade	–	–	–	–	–	–	–
Default	–	–	–	–	–	–	–
Gross carrying amount	2,217,646,192	–	–	–	–	2,217,646,192	1,274,019,802
Loss allowance	–	–	–	–	–	–	–
Carrying amount	₱2,217,646,192	₱–	₱–	₱–	₱–	₱2,217,646,192	₱1,274,019,802

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

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

	2019			
	Neither Past Due nor Impaired	**Past Due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents*	**₱224,508,253**	**₱–**	**₱–**	**₱224,508,253**
Trade and other receivables	**13,804,161**	**–**	**–**	**13,804,161**
Advances to related parties	**2,208,973**	**–**	**–**	**2,208,973**
Security deposits**	**7,527,739**	**–**	**–**	**7,527,739**
Cash in escrow	**1,267,037,464**	**–**	**–**	**1,267,037,464**
	₱1,515,086,590	**₱–**	**₱–**	**₱1,515,086,590**

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

	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.*

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

The Group maintains a financial strategy to raise adequate capital, obtain long-term financing and when applicable, generate enough cash from its business operations to satisfy debt service requirements. As of December 31, 2019, management is undertaking the necessary steps to complete its follow on offering, apply for an increase in authorized capital stock and convert its bridge financing to a long-term facility.

The table below summarizes the maturity profile of the Group's financial liabilities (principal and interest) as of December 31, 2019 and 2018, 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.

	2019			
	Due and Demandable	**Less Than One Year**	**More than One Year**	**Total**
Cash and cash equivalents*	**₱224,508,253**	**₱–**	**₱–**	**₱224,508,253**
Trade and other receivables	**10,000,000**	**3,804,161**	**–**	**13,804,161**
Advances to related parties	**2,208,973**	**–**	**–**	**2,208,973**
Security deposits**	**–**	**727,026**	**6,800,713**	**7,527,739**
Cash in escrow	**–**	**–**	**1,267,037,464**	**1,267,037,464**
	236,717,226	**4,531,187**	**1,273,838,177**	**1,515,086,590**
Loans payable****	**–**	**6,201,184,167**	**1,204,549,962**	**7,405,734,129**
Trade and other liabilities***	**–**	**648,395,466**	**–**	**648,395,466**
Retention payable	**–**	**–**	**175,897,630**	**175,897,630**
Lease liabilities	**–**	**18,190,634**	**53,969,044**	**72,159,678**
Advances from related parties	**502,272,477**	**–**	**2,198,780,834**	**2,701,053,311**
	502,272,477	**6,867,770,267**	**3,633,197,470**	**11,003,240,214**
Liquidity gap	**(₱265,555,251)**	**(₱6,863,239,080)**	**(₱2,359,359,293)**	**(₱9,488,153,624)**

**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.*

	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***	–	386,936,445	–	386,936,445
Retention payable	–	–	85,776,468	85,776,468
Advances from related parties	1,279,332,675	–	–	1,279,332,675
	1,279,332,675	4,630,788,355	1,733,883,778	7,644,004,808
Liquidity gap	(₱537,877,881)	(₱4,477,315,728)	(₱411,165,007)	(₱5,426,358,616)

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

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

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

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

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

	2019		2018	
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$2,243,921**	**₱113,620,940**	$447,575	₱23,533,494
Receivables	**25,328**	**1,282,483**	20,520	1,078,944
Cash in escrow	**25,022,957**	**1,267,037,464**	25,026,983	1,315,918,771
	27,292,206	**1,381,940,887**	25,495,078	1,340,531,209
Liabilities				
Loans payable	**15,000,000**	**759,525,000**	15,000,000	788,700,000
Advances from related parties	**43,424,130**	**2,198,780,834**	–	–
	58,424,130	**2,958,305,834**	15,000,000	788,700,000
Total		**(₱1,576,364,947)**		₱551,831,209

As of December 31, 2019 and 2018, the closing exchange rate was ₱50.64 and ₱52.58 for each US$, respectively.

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

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
December 31, 2019	**Increase by 3.70%**	**₱58,325,503**
	Decrease by 3.70%	**(58,325,503)**
December 31, 2018	Increase by 5.31%	₱29,302,238
	Decrease by 5.31%	(29,302,238)

Capital Management

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

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

	2019	2018
Total liabilities	**₱11,308,866,760**	₱6,592,481,194
Total equity	**4,337,891,126**	226,168,001
	2.61:1	29.15:1

The Group's goal in capital management is to maintain a debt – equity structure of not higher than 2.33x. As of December 31, 2019, The Group's ratio was in line with their goal at 1.59x. This will be addressed with its planned suitable financing and capital raising options and expansion projects. The debt-equity capital management goal is also in line with LLI, LLC and CGLC's Provisional License Agreement with PAGCOR (see Note 22).

20. 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.

Advances from related parties - noncurrent. The fair value of the advances from related parties amounting to ₱2,198.8 million is determined by discounting the expected cash flows using a discount rate of 17.7% as of December 31, 2019. Fair value measurement is categorized under Level 3 with significant observable inputs.

Long-term loan payable. The fair value of long-term loan payable amounting to ₱965.1 million and ₱963.3 million was determined by discounting the expected cash flows using the discount rate 6.80% and 9.07% as of December 31, 2019 and 2018, respectively. Fair value measurement is categorized under Level 3.

Land at fair value. The fair value of land amounting to ₱7,552.3 million is determined by external, independent property appraisers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being appraised (see Note 9). The appraised value as of December 31, 2019 was determined using the sales comparison approach wherein the market prices for comparable property listings are adjusted to account for the marketability, nature, bargaining allowance, location and size of the specific properties (Level 3). Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

21. Deconsolidation of a Subsidiary

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

Assets	
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
Total Assets	9,454,376
Liabilities	
Accounts payable and other current liabilities	71,413
Net assets of deconsolidated subsidiary	₱9,382,963

b. Gain on sale of investment in a subsidiary

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

As of December 31, 2019 and 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 Notes 6 and 7).

22. Commitments and Contingencies

License Agreement with PAGCOR

a) As discussed in Note 1, on May 3, 2017, PAGCOR issued a Provisional License (License) authorizing LLI to develop an integrated resort and casino in LapuLapu City, Mactan Island, Cebu Province and to establish and operate casinos and engage in gaming activities. The term of LLI's License shall be for a period of 15 years or until May 3, 2032. The License may be renewed subject to certain terms and conditions.

i. Debt-Equity Ratio Requirement

The License provides, among others, that LLI's License may be revoked or suspended upon failure of LLI to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. Testing date as stated in the License is to be performed every June and December. As of December 31, 2017, LLI's debt-equity ratio was 78% - 22%. However, on March 5, 2018, LLI was given until April 30, 2018 to comply with the 70% debt - 30% equity ratio requirement by PAGCOR.

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

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

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

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

For purposes of measuring its debt-equity ratio in relation to PAGCOR's requirement, management considered its interest bearing liabilities as debt. As of December 31, 2018, the combined debt-equity ratio of LLI and LLC was 69% - 31%.

On March 5, 2019, the PH Resorts President sent a letter to PAGCOR to clarify the definition of debt. On June 17, 2019, the Group received a reply from PAGCOR dated May 27, 2019, stating that the debt-equity ratio computation should include total liabilities as opposed to only interest-bearing liabilities as initially interpreted. When the debt-equity ratios as of June 30, 2019 and December 31, 2018 were computed using total liabilities, the debt-equity ratio of LLI was higher than the required 70% - 30% debt-equity ratio of PAGCOR. However, LLI was given time by PAGCOR to comply. LLC was in compliance with the debt-equity ratio requirement as of June 30, 2019 and December 31, 2018.

As of December 31, 2019, and based on PAGCOR's definition of debt, both LLI and LLC are in compliance with the debt-equity ratio requirement with ratios of 52% - 48% and 48% - 52%, respectively.

ii. *Investment Commitments*

As required by the License, LLI is required to complete its US$300.0 million (approximately ₱17.6 billion) investment commitment in phases. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project. As of December 31, 2019 and 2018, capitalized costs related to the Project amounted to ₱5.2 billion and ₱2.8 billion, respectively (see Note 9).

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

iii. *Requirement to Establish a Foundation*

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

On August 16, 2017, LapuLapu Cultural Heritage Foundation, Inc. was incorporated. However, no funds have been set aside by LLI as no gaming revenue has been recognized for the years ended December 31, 2019 and 2018 and for the period from August 16, 2017 to December 31, 2017.

b) As discussed in Note 1, on August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone. Under the Clark Provisional License, CGLC shall, among others, comply with the following:

i. *Investment Commitments*

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

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

ii. *Debt-Equity Ratio Requirement*

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

On March 5, 2019, the PH Resort President sent a letter to PAGCOR to clarify the definition of debt. On June 17, 2019, the Group received a reply from PAGCOR dated May 27, 2019, stating that the debt-equity ratio computation should include the total liabilities as opposed to only interest-bearing liabilities as initially interpreted. When the debt-equity ratio as of June 30, 2019 and December 31, 2018 were computed using total liabilities, CGLC's debt-equity ratio was higher than the required 70% - 30% debt-equity ratio of PAGCOR as initially interpreted. CGLC was given time by PAGCOR to comply.

As of December 31, 2019, CGLC's debt-equity ratio is 50% - 50% which is in compliance with the ratio requirement.

iii. *Requirement to Establish a Foundation*

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no funds have been set aside by CGLC as no gaming revenue has been recognized for the year ended December 31, 2019 and for the period from March 7 to December 31, 2018.

23. 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:

	2019	2018	2017
Net loss attributable to the equity holders of the Parent Company	**(₱569,691,004)**	(₱224,301,582)	(₱76,447,383)
Divided by weighted average number of common shares of Parent Company	**4,793,266,504**	311,137,418	243,241,504
	(₱0.1189)	(₱0.7209)	(₱0.3143)

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

24. Segment Information

Segment information is prepared on the following bases:

Business Segments
The business segments pertain mainly to hotel and restaurant activities. Assets and processes related to other business activities such as gaming are still not operational as of reporting period.

For management purposes, the Group is organized into two business activities - Hotel and restaurant and others. This segmentation is the basis upon which the Group reports its primary segment information.

Business Segment Data
Hotel and restaurant segment comprise revenues from hotel and restaurant activities and other incidental services related thereto.

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments:

	2019			
	Hotels and Restaurant	**Others**	**Eliminations**	**Total**
Revenue	**₱61,718,517**	**₱132,685,571**	**(₱132,685,571)**	**₱61,718,517**
Results				
Direct costs and expenses	**(29,335,445)**	**–**	**–**	**(29,335,445)**
Operating expenses	**(34,073,826)**	**(385,308,560)**	**(9,239,185)**	**(428,621,571)**
Foreign exchange gain – net	**–**	**13,848,511**	**611**	**13,849,122**
Depreciation	**(7,431,912)**	**(11,424,722)**	**–**	**(18,856,634)**
Interest expense	**(76,081,700)**	**(361,409,224)**	**246,754,361**	**(190,736,563)**
Interest income	**50,426**	**25,035,231**	**(1,529)**	**25,084,128**
Income tax expense	**(10,084)**	**(3,960,028)**	**305**	**(3,969,807)**
Benefit from deferred tax	**523,062**	**(682,527,048)**	**681,647,414**	**(356,572)**
Gain on disposal of a subsidiary	**–**	**–**	**–**	**–**
Other non-operating expense – net	**2,033,075**	**2,273,042,114**	**(2,273,541,368)**	**1,533,821**
Net loss	**(₱82,607,887)**	**₱999,981,845**	**(₱1,487,064,962)**	**(₱569,691,004)**
Assets and liabilities				
Operating assets	**₱1,445,388,862**	**₱34,838,454,573**	**(₱20,637,085,549)**	**₱15,646,757,886**
Deferred tax asset	**–**	**–**	**–**	**–**
Total assets	**₱1,445,388,862**	**₱34,838,454,573**	**(₱20,637,085,549)**	**₱15,646,757,886**
Operating liabilities	**₱199,140,905**	**₱10,417,027,501**	**(₱7,064,337,080)**	**₱3,551,831,326**
Loans payable	**965,900,145**	**5,943,121,637**	**–**	**6,909,021,782**
Loans liabilities	**–**	**1,255,214,184**	**(1,183,054,506)**	**72,159,678**
Deferred tax liabilities	**80,760,359**	**695,093,615**	**–**	**775,853,974**
Total liabilities	**₱1,245,801,409**	**₱18,310,456,937**	**(₱8,247,391,586)**	**₱11,308,866,760**

	2018			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱82,758,452	₱–	₱–	₱82,758,452
Results				
Direct costs and expenses	(36,022,089)	–	–	(36,022,089)
Operating expenses	(37,019,037)	(134,294,771)	–	(171,313,808)
Foreign exchange loss - net	(367,475)	(15,817,628)	–	(16,185,103)
Depreciation	(2,543,972)	(1,304,324)	–	(3,848,296)
Interest expense	(25,768,117)	(55,586,796)	–	(81,354,913)
Interest income	68,201	20,575,285	–	20,643,486
Income tax expense	(3,599,825)	(15,652,148)	–	(19,251,973)
Gain on disposal of a subsidiary	–	–	617,037	617,037
Other non-operating expense - net	(214,094)	(130,281)	–	(344,375)
Net loss	(₱22,707,956)	(₱202,210,663)	₱617,037	(₱224,301,582)
Assets and liabilities				
Operating assets	₱1,209,752,605	₱14,232,825,504	(₱8,623,928,914)	₱6,818,649,195
Deferred tax asset	–	–	–	–
Total assets	₱1,209,752,605	₱14,232,825,504	(₱8,623,928,914)	₱6,818,649,195
Operating liabilities	₱140,688,831	₱3,570,603,519	(₱1,948,928,914)	₱1,762,363,436
Loans payable	964,860,196	3,849,612,861	–	4,814,473,057
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

	2017			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱–	₱–	₱–	₱–
Results				
Direct costs and expenses	–	–	–	–
Operating expenses	–	(71,553,709)	–	(71,553,709)
Foreign exchange loss - net	–	–	–	–
Depreciation	–	(507,512)	–	(507,512)
Interest expense	–	(15,654,302)	–	(15,654,302)
Interest income	–	12,053,748	–	12,053,748
Income tax expense	–	(785,608)	–	(785,608)
Gain on disposal of a subsidiary	–	–	–	–
Other non-operating expense - net	–	–	–	–
Net loss	₱–	(₱76,447,383)	₱–	(₱76,447,383)
Assets and liabilities				
Operating assets	₱–	₱2,327,861,732	₱–	₱2,327,861,732
Deferred tax asset	–	503,124	–	503,124
Total assets	₱–	₱2,328,364,856	₱–	₱2,328,364,856
Operating liabilities	₱–	₱254,900,466	₱–	₱254,900,466
Loans payable	–	1,649,911,773	–	1,649,911,773
Deferred tax liabilities	–	–	–	–
Total liabilities	₱–	₱1,904,812,239	₱–	₱1,904,812,239

25. Notes to Consolidated Statements of Cash Flows

The following are the noncash investing activities of the Group:

	2019	2018
Noncash investing activities:		
Reclassification from deposits for property acquisition to land (Notes 9 and 10):		
Land at revalued amount	**₱84,618,045**	₱–
Deposits for future property acquisition	**(84,618,045)**	–
Capitalization of interest on advances to CIP (Note 7)	**(86,832,940)**	–
Capitalization of debt issuance costs to CIP (Note 11)	**(35,030,495)**	–
Acquisition of Subsidiary (Note 15):		
Property and equipment	**3,774,857,332**	–
Trade and other receivables	**66,239,914**	
Prepayment and other current assets	**14,849,020**	–
Loans payable	**(2,100,000,000)**	–
Trade and other payables	**(41,803,334)**	–
Advances from related parties	**(154,512,117)**	–
Deferred tax liability	**(7,346)**	–
Reclassification from deposits for property acquisition to property and equipment (Note 11):		
Property and equipment	**–**	1,033,187,551
Deposits for future property acquisition	**–**	(1,033,187,551)

	2019	2018
Sale of subsidiary still receivable as of December 31, 2018 (Notes 1, 7 and 21):		
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, 2019	Cash Flows	Noncash Changes	2019	2018
Loans payable	₱4,811,345,512	(₱22,060,054)	₱2,118,198,159	₱6,907,483,617	₱4,811,345,512
Lease liabilities	–	(57,950)	72,217,628	72,159,678	–
Mortgage loans	3,127,545	(1,589,380)	–	1,538,165	3,127,545
Interest payable	54,241,605	(155,150,985)	262,658,767	161,749,387	54,241,605
Advances from related parties	1,279,332,675	1,290,178,554	131,542,082	2,701,053,011	1,279,332,675
Retention payables	85,776,468	90,121,162	–	175,897,630	85,776,468
Capital Stock	4,386,889,813	406,376,691	–	4,793,266,504	4,386,889,813
Equity reserve	(4,050,000,000)	–	(76,935,056)	(4,126,935,056)	(4,050,000,000)
Deposit for future stock subscription	–	2,579,000,000	–	2,579,000,000	–
Total liabilities and equity from financing activities	₱6,570,713,618	₱4,186,818,038	₱2,507,681,580	₱13,265,213,236	₱6,570,713,618

In 2019, noncash changes include effect additional loans payable, accrual of interests, amortization of debt issuance, foreign exchange translations, recognition of lease liabilities and the equity reserve recognized from the acquisition of LLC. In 2018, noncash changes include effect of accrual of interests, amortization of debt issue costs, liabilities assumed from the acquired subsidiary and the issuance of 4,143,648,309 shares with a par value of ₱1.00 per share by the Parent Company to Udenna as part of the share swap transaction (see Notes 1, 2 and 15).

26. Net Loss/Total Comprehensive Loss

The Group's net loss and total comprehensive loss for the year ended December 31, 2018 and for the period from January 3, 2017 to December 31, 2017 are the same since the Group does not have other comprehensive income or loss.

27. Subsequent Events

In the first quarter of 2020, the Philippine government implemented measures in a move to contain the COVID-19 outbreak.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, the Office of the President of the Philippines issued a directive imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout Luzon until April 12, 2020, unless earlier lifted or extended. The Office of the President of the Philippines issued a memorandum extending the ECQ until April 30, 2020 and was further extended ECQ until May 15, 2020. On May 14, 2020, the government relaxed the

implementation of ECQ and has placed certain areas under the Modified ECQ until May 31, 2020 and General ECQ (GCQ). On May 28, 2020 the government further eased the implementation of community quarantine and placed most of areas in the Philippines under the GCQ until June 15, 2020.

These measures have significantly impacted the Group's business prospects due to (i) temporary stoppage of project site construction, (ii) restrictions on international and domestic travel which resulted in forced cancellations of hotel bookings and postponement of events, driving down demand for hospitality, gaming, travel and tourism for both business and pleasure; and (iii) temporary employment adjustments such as flexible work arrangements. The impact of COVID 19 on the Group's business and operations continue to evolve.

The outbreak of COVID-19 has adversely impacted Philippine economic activity in the subsequent period which has directly impacted the operations of the Group. The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

SGV
Building a better working world

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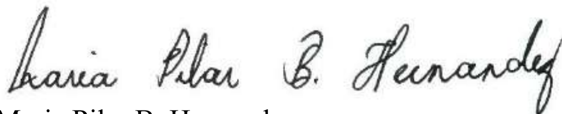
BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
20th Floor, Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of PH Resorts Group Holdings, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 15, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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. 8125244, January 7, 2020, Makati City

June 15, 2020

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
Schedule A. Financial Assets
(In Philippine peso)

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Cash and cash equivalents:				
China Banking Corporation	N/A	180,211,051	180,211,051	31,281
Chinatrust Philippines Commercial Bank Corp	N/A	23,484,700	23,484,700	-
United Coconut Planters Bank	N/A	711,787	711,787	35,919
Rizal Commercial Banking Corporation	N/A	1,232,781	1,232,781	41,176
BDO Unibank Inc.	N/A	17,980,431	17,980,431	239,186
Bank of the Philippine Islands	N/A	878,476	878,476	6,277
Asia United Bank	N/A	9,027	9,027	9,282
		224,508,253	224,508,253	363,121
Accounts receivable, net:				
Various customers	N/A	1,965,664	1,965,664	-
Interest receivable				
China Banking Corporation	N/A	1,183,603	1,183,603	-
Philippine National Bank	N/A	98,851	98,851	-
		1,282,454	1,282,454	-
Advances to officers and employees				
Various employees	N/A	243,803	243,803	-
Other receivables				
Various	N/A	312,240	312,240	-
Security deposits				
Various entities	N/A	7,527,739	7,527,739	-
Cash in escrow				
China Banking Corporation	N/A	759,525,048	759,525,048	15,952,606
Philippine National Bank	N/A	507,512,416	507,512,416	8,768,401
		1,267,037,464	1,267,037,464	24,721,007
Amount due from affiliates				
Various affiliates	N/A	2,208,973	2,208,973	-
Amount due from a related party for sale of a subsidiary				
Udenna Management & Resources Corp.	N/A	10,000,000	10,000,000	-
		1,513,902,987	**1,513,902,987**	**49,805,135**

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
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	45,068,343	204,667	(43,064,037)	-	-	2,208,973		2,208,973
Amount due from a related party for sale of a subsidiary								
Udenna Management & Resources Corp.	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Advances to officers and employees*	66,470	3,166,131	(2,988,798)	-	-	243,803	-	243,803
	55,134,813	**3,370,798**	**(46,052,835)**	**-**	**-**	**12,452,776**	**-**	**12,452,776**

**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, 2019
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
(In Philippine peso)

Receivable of PH Resorts Group Holdings, Inc. from subsidiaries

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
PH Travel and Leisure Holdings Corp.	50,541,647	942,000,000	(2,459,390)	-	990,082,257	-	990,082,257
Donatela Hotel Panglao Corp.	-	52,129,956	-	-	52,129,956	-	52,129,956
Davao PH Resort Corp.	-	36,969,298	-	-	36,969,298	-	36,969,298
Clark Grand Leisure Corp.	-	2,034,993	-	-	2,034,993	-	2,034,993
CD Treasures Holdings Corp.	-	122,388	-	-	122,388	-	122,388
Donatela Resorts and Development Corp.	-	123,126	-	-	123,126	-	123,126
	50,541,647	**1,033,379,761**	**(2,459,390)**	**-**	**1,081,462,018**	**-**	**1,081,462,018**

Receivable of PH Travel and Leisure Holdings Corp. from subsidiaries

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Clark Grand Leisure Corp.	514,593,249	-	(267,521,120)	-	247,072,129	-	247,072,129
Donatela Hotel Panglao Corp.	115,244,516	-	-	-	115,244,516	-	115,244,516
Davao PH Resort Corp.	41,280,169	8,903	-	-	41,289,072	-	41,289,072
	671,117,934	**8,903**	**(267,521,120)**	**-**	**403,605,717**	**-**	**403,605,717**

Receivable of Lapulapu Leisure Inc. from various related parties

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
PH Travel and Leisure Holdings Corp.	602,602,351	42,251,947	(9,402,450)	-	635,451,848	-	635,451,848
PH Resorts Group Holdings, Inc.	50,439,662	129,226,539	-	-	179,666,201	-	179,666,201
Clark Grand Leisure Corp.	-	22,563	-	-	22,563	-	22,563
Donatela Resorts and Development Corp.	350	1,600	-	-	1,950	-	1,950
Davao PH Resort Corp.	339	2,441	-	-	2,780	-	2,780
Donatela Hotel Panglao Corp.	-	-	-	-	-	-	-
	653,042,702	**171,505,090**	**(9,402,450)**	**-**	**815,145,342**	**-**	**815,145,342**

Receivable of Donatela Hotel Panglao Corp. from LapuLapu Leisure Inc.

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Lapulapu Leisure Inc.	875,119		(132,477)	-	742,642	-	742,642
	875,119	**-**	**(132,477)**	**-**	**742,642**	**-**	**742,642**

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

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
PH Travel and Leisure Holdings Corp.	28,505,542	-	(15,556)	-	28,489,986	-	28,489,986
	28,505,542	**-**	**(15,556)**	**-**	**28,489,986**	**-**	**28,489,986**

Receivable of CD Treasures Holdings Corp. from related parties

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
PH Travel and Leisure Holdings Corp.	23,490,646	1,231,330	-	-	24,721,976	-	24,721,976
Lapulapu Leisure Inc.	995,000	-	(2,300)	-	992,700	-	992,700
	24,485,646	**1,231,330**	**(2,300)**	**-**	**25,714,676**	**-**	**25,714,676**

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

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

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
Schedule D. Intangible Assets - Other Assets
(In Philippine peso)

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Computer Software	₱ -	₱ 10,708,096	₱ (292,826)	₱ -	₱ -	₱ 10,415,270
	₱ -	**₱ 10,708,096**	**₱ (292,826)**	**₱ -**	**₱ -**	**₱ 10,415,270**

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
Schedule E. Long-Term Debt
(In Philippine peso)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet (a)	Amount shown under Caption "Long-Term Debt" in related Balance Sheet (a)
8.00% Short-term loan due 2020	₱ 5,200,000,000	5,185,060,231	-
6.7545% Longterm loan due 2028	975,000,000	28,595,439	936,478,547
5.00% Short-term loan due 2020	759,525,000	757,349,400	-
7.7532% Mortgage loan with monthly installments	3,100,000	760,125	66,034
8.50% Mortgage loan with monthly installments	1,665,600	205,159	-
8.50% Mortgage loan with monthly installments	960,000	330,706	176,141
	₱ 6,940,250,600	**₱ 5,972,301,060**	**₱ 936,720,722**

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

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
(In Philippine peso)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Emerald Development Holdings Limited	₱ -	₱ 2,198,780,834
	₱ -	₱ -

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
Schedule G. Guarantees of Securities of Other Issuers
(In Philippine peso)

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

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
As of December 31, 2019
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	-	4,313,927,704	11,303	479,327,497

PH RESORTS GROUP HOLDINGS, INC. (Formerly Philippine H2O Ventures Corp.) AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2019
(In Philippine peso)

Unappropriated retained earnings available for dividend declaration, beginning	193,532,094
Net income during the year closed to retained earnings	(163,876,585)
Unappropriated retained earnings available for dividend declaration, end	29,655,509

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
Key Performance Indicators
For the Years Ended December 31, 2019 and 2018

		December 31, 2019	December 31, 2018
PROFITABILITY RATIOS			
Basic loss per share	Net income over weighted average number of common shares outstanding	(0.1189)	(0.7209)
Return on Total Assets	Net income before interest, net of tax over total assets	(0.0364)	(0.0329)
Return on Equity	Annual net income/loss over shareholder's equity	(0.1313)	(0.9917)
FINANCIAL LEVERAGE RATIOS			
Debt ratio	Total liabilities over total assets	0.7228	0.9668
Debt-to-equity ratio	Total liabilities over total equity	2.6070	29.1486
Asset-to-equity ratio	Total assets over total equity	3.6070	30.1486
MARKET VALUATION RATIO			
Price to book ratio	Market value/share over book value/share	5.7459	3.5318
LIQUIDITY RATIO			
Current ratio	Current assets over current liabilities	0.0407	0.1719
INTEREST RATE COVERAGE RATIO			
Interest coverage ratio	EBIT over interest expense	(1.9641)	(1.5204)

PH RESORTS GROUP HOLDINGS, INC. AND SUBSIDIARIES
Map of Relationships of the Companies within the Group
As of December 31, 2019