C O V E R   S H E E T

SEC Registration Number

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C O M P A N Y   N A M E

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-Q		N/A

C O M P A N Y   I N F O R M A T I O N

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 avenue, Bonifacio Global City, Taguig City 1634

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

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

PH RESORTS GROUP HOLDINGS, INC.

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2020**

2. SEC Identification No. **CS200901269**

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

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

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

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

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

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

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

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

Title of Each Class	No. of Shares of Common Stock Outstanding &/or Amount of Debt Outstanding
Common Stock, ₱ 1 par value	**4,793,266,504 shares**

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

If yes, state the name of such stock exchange and the classes of securities listed therein:
There are 243,241,504 common shares in the Company that are listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

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

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(with Comparative Audited Figures as of December 31, 2019)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱119,362,725**	₱224,973,403
Trade and other receivables (Notes 5 and 6)	**12,143,177**	13,804,161
Advances to related parties (Note 6)	**7,492,551**	2,208,973
Inventories - at cost	**2,192,716**	4,241,726
Prepayments and other current assets (Note 7)	**45,989,971**	46,655,628
Total Current Assets	**187,181,140**	291,883,891
Noncurrent Assets		
Property and equipment (Notes 8, 10 and 19)		
Property and equipment at cost (Notes 8, 10 and 19)	**6,432,987,830**	5,334,258,192
Land at revalued amount (Note 8)	**7,552,344,305**	7,552,344,305
Right-of-use assets (Notes 6 and 11)	**52,939,349**	63,442,773
Deposits for future property acquisition (Note 9)	**26,812,449**	26,812,449
Cash in escrow (Notes 5 and 19)	**728,144,056**	1,267,037,464
Input value-added tax	**604,100,817**	541,484,490
Advances to suppliers (Note 8)	**576,092,389**	538,697,268
Other noncurrent assets	**31,071,503**	30,797,054
Total Noncurrent Assets	**16,004,492,698**	15,354,873,995
TOTAL ASSETS	**₱16,191,673,838**	₱15,646,757,886
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 10)	**₱6,015,853,856**	₱5,972,301,060
Trade and other payables (Notes 6 and 12)	**1,295,727,293**	674,880,385
Advances from related parties (Note 6)	**583,977,482**	502,272,477
Lease liability (Note 11)	**31,035,708**	18,190,634
Total Current Liabilities	**7,926,594,339**	7,167,644,556
Noncurrent Liabilities		
Loans payable - net of current portion (Note 10)	**876,770,525**	936,720,722
Retention payable (Note 12)	**186,826,256**	175,897,630
Lease liability - net of current portion (Note 12)	**44,523,622**	53,969,044
Advances from related parties (Note 6)	**2,105,853,195**	2,198,780,834
Deferred tax liabilities - net (Notes 8 and 16)	**795,568,630**	775,853,974
Total Noncurrent Liabilities	**4,009,542,228**	4,141,222,204
Total Liabilities	**11,936,136,567**	11,308,866,760
Equity		
Capital stock (Note 14)	**4,793,266,504**	4,793,266,504
Deposit for future stock subscription (Note 13)	**2,833,000,000**	2,579,000,000
Equity Reserve (Notes 2 and 14)	**(4,126,935,056)**	(4,126,935,056)
Revaluation surplus (Notes 8 and 16)	**1,772,972,494**	1,772,972,494
Deficit	**(1,016,766,671)**	(680,412,816)
Total Equity	**4,255,537,271**	4,337,891,126
TOTAL LIABILITIES AND EQUITY	**₱16,191,673,838**	₱15,646,757,886

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
NET OPERATING REVENUES				
Food and beverage	**₱132,947**	**₱8,018,835**	**₱4,986,321**	₱25,883,167
Rooms	**34,795**	**5,775,412**	**4,378,108**	21,373,299
Others	**–**	**466,853**	**269,412**	2,232,875
	167,742	**14,261,100**	**9,633,841**	49,489,341
DIRECT COSTS AND EXPENSES				
Salaries and wages	**1,343,161**	**3,078,895**	**5,572,773**	9,420,498
Inventories consumed	**50,115**	**3,131,198**	**1,915,892**	8,660,490
Other costs and expenses	**740,593**	**1,070,913**	**2,522,884**	4,578,119
	2,133,869	**7,281,006**	**10,011,549**	22,659,107
GROSS INCOME (LOSS)	**(1,966,127)**	**6,980,094**	**(377,708)**	26,830,234
OPERATING EXPENSES (Note 15)	**19,006,317**	**82,983,400**	**180,635,798**	198,265,494
OPERATING LOSS	**(20,972,444)**	**(76,003,306)**	**(181,013,506)**	(171,435,260)
NON-OPERATING INCOME (EXPENSES)				
Interest expense (Notes 6 and 10)	**(81,770,904)**	**(35,742,233)**	**(243,092,656)**	(116,981,765)
Interest income (Note 5)	**1,465,582**	**4,952,981**	**8,015,960**	20,116,217
Foreign exchange gain (loss) – net	**63,079,582**	**6,609,436**	**100,603,048**	(6,539,093)
Other income (expenses) – net	**(96,778)**	**286,300**	**716,891**	960,906
	(17,322,518)	**(23,893,516)**	**(133,756,757)**	(102,443,735)

(Forward)

	QUARTERS ENDED		NINE MONTHS ENDED	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
LOSS BEFORE INCOME TAX	**(38,294,962)**	**(99,896,822)**	**(314,770,263)**	(273,878,995)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)				
Current	**884,225**	**778,963**	**1,873,140**	2,996,034
Deferred	**20,106,074**	**(3,861,308)**	**19,710,452**	(10,914,422)
	20,990,299	**(3,082,345)**	**21,583,592**	(7,918,388)
NET LOSS/ TOTAL COMPREHENSIVE LOSS	**(₱59,285,261)**	**(₱96,814,477)**	**(₱336,353,855)**	(₱265,960,607)
Basic and Diluted Loss Per Share (Note 20)	**(₱0.0124)**	**(₱0.0202)**	**(₱0.0702)**	(₱0.0555)

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	Capital Stock (Note 14)	**Subscription Receivables** (Note 14)	**Deposit for future stock subscription** (Note 13)	**Equity Reserve** (Notes 2 and 14)	**Revaluation Surplus** (Notes 8 and 16)	**Deficit**	**Total**
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**
Deposits received	–	–	**254,000,000**	–	–	–	**254,000,000**
Total comprehensive loss	–	–	–	–	–	**(336,353,855)**	**(336,353,855)**
Balance at September 30, 2020	**₱4,793,266,504**	**₱–**	**₱2,833,000,000**	**(₱4,126,935,056)**	**₱1,772,972,494**	**(₱1,016,766,671)**	**₱ 4,255,537,271**
Balance at December 31, 2018	₱4,793,266,504	(₱406,376,691)	₱–	(₱4,050,000,000)	₱–	(₱110,721,812)	₱226,168,001
Collection of subscription receivables	–	406,376,691	–	–	–	–	406,376,691
Total comprehensive loss	–	–	–	–	–	(265,960,607)	(265,960,607)
Balance at September 30, 2019	₱4,793,266,504	₱–	₱–	(₱4,050,000,000)	₱–	(₱376,682,419)	₱366,584,085

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

PH RESORTS GROUP HOLDINGS, INC.
(Formerly Philippine H2O Ventures, Corp.) AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱314,770,263)**	(₱273,878,995)
Adjustments for:		
Interest expense (Notes 6 and 10)	**243,092,656**	116,981,765
Interest income (Note 5)	**(8,015,960)**	(20,116,217)
Depreciation (Notes 8 and 15)	**20,702,556**	9,077,331
Unrealized foreign exchange loss (gain) - net	**(99,393,817)**	5,489,184
Gain on disposal of property and equipment	–	(48,351)
Loss before working capital changes	**(158,384,828)**	(162,495,283)
Decrease (increase) in:		
Trade and other receivables	**528,840**	904,903
Advances to related parties	**(5,283,578)**	41,818,671
Inventories	**2,049,010**	(1,514,197)
Prepayments and other current assets	**665,657**	(37,993,525)
Increase (decrease) in trade and other payables	**173,832,928**	622,140,858
Net cash generated from (used in) operations	**13,408,029**	462,861,427
Income taxes paid (includes final taxes)	**(1,873,140)**	(2,996,034)
Net cash provided by (used in) operating activities	**11,534,889**	459,865,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances for future stock acquisition (Note 7)	–	(1,637,000,000)
Construction and acquisition of property and equipment (Note 8)	**(758,392,104)**	(1,489,201,996)
Transfer of cash from escrow fund	**506,760,918**	401,744,549
Decrease (increase) in:		
Deposit for future property acquisition	–	84,618,045
Advances to suppliers	**(37,395,121)**	(261,871,925)
Input value-added tax (VAT)	**(62,616,327)**	(184,175,537)
Other noncurrent assets	**(1,049,741)**	(8,412,584)
Transfer of cash from restricted fund (Note 11)		139,955,985
Interest received	**9,081,354**	20,888,576
Proceeds from disposal of property and equipment	–	95,685
Transfer of cash from restricted fund	–	–
Net cash used in investing activities	**(343,611,021)**	(2,933,359,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for future stock subscription	**254,000,000**	2,579,000,000
Advances from related parties	**81,705,005**	(770,143,333)
Collection of subscription receivables	–	406,376,691
Payments of:		
Interest	**(97,975,577)**	(360,373,229)
Mortgage loan (Note 10)	**(952,627)**	(1,179,819)
Lease liabilities (Note 11)	**(41,024)**	(99,564,570)
Increase (decrease) in retention payable	**10,928,626**	72,506,220
Payment of debt issuance cost	**(14,521,388)**	–
Net cash provided by financing activities	**233,143,015**	1,826,621,960
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(98,933,117)**	(₱646,871,849)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(6,677,561)**	(631,826)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note5)	**224,973,403**	686,846,385
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note5)	**₱119,362,725**	₱39,342,710

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

NOTES TO THE UNAUDITED INTERIM CONDENSED 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.

The unaudited interim condensed consolidated financial statements as of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and September 30, 2019 were authorized for issue by the Board of Directors (BOD) on November 12, 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 as of May 31, 2018 of the subsidiaries of H2O 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 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 ₱8 billion divided into 8 billion common shares at ₱1.00 par value per share to ₱15 billion divided into 15 billion common shares at ₱1.00 par value per share.
- Merger and consolidation of assets PH Resorts and PH Travel and Leisure Holdings Corp.
- Approval of Company's Employee Stock Incentive Plan for qualified employees, directors, officers and other qualified persons.

As of November 12, 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 ₱4.1 billion (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 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 September 30, 2020 and December 31, 2019, PH Travel holds ownership interests in the following entities incorporated in the Philippines:

			% of Ownership	
Subsidiary Name	*Nature of Business*	*Date of Incorporation*	***2020***	*2019*
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 3, 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 inAetos 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 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.

<u>Provisional Licenses</u>
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 27, 2020, the PAGCOR Board of Directors extended the term of the License to be co-terminus with PAGCOR's current franchise or until July 11, 2033.

On August 6, 2018, PAGCOR issued a Provisional License to CGLC for the development of an integrated tourism resort and to establish and operate a casino within Clark Freeport Zone.

Further details of the terms and commitments under the Provisional Licenses are included in Note 19.

<u>Status of Operations</u>
The Group is engaged in the gaming and tourism industry-related businesses and has an ongoing construction project expected to be completed in the second quarter of 2022. The Group is also engaged in the operation of a resort which started commercial operations in 2018. For the nine months ended

September 30, 2020 and 2019, the Group reported a net loss of ₱336.4 million and ₱266.0 million, respectively, resulting in a deficit of ₱1.0 billion and ₱680.4 million, as of September 30, 2020 and December 31, 2019, respectively primarily due to the ramp-up of construction activity for Emerald Bay. On the same date, the Group's current liabilities exceeded its current assets by ₱7.7 billion and ₱ 6.9 billion as at September 30, 2020 and December 31, 2019, respectively. The Group has ongoing plans for suitable capital raising and refinancing options including the conversion of its bridge loan to a long-term facility.

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

The status of operations of the subsidiaries is as follows:

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

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 temporarily closed due to the Covid-19 pandemic and community quarantine guidelines. Prior to the Covid-19 pandemic, DHPC was in the design and development phase for its plans for expansion to improve its business prospects and operations.

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.

The other entities within the Group have no material operations as of September 30, 2020.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The interim condensed 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. These interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements of the Group as of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and September 30, 2019 have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2019.

Basis of Consolidation

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

The interim consolidated statements of financial position presented in the interim condensed consolidated financial statements 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 PH Travel and PH Resorts, is recognized as part of equity reserve in the interim consolidated statements of financial position.

In accounting for this transaction in 2018, the interim consolidated financial statements will reflect the following:

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

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

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

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

Reverse acquisition applies only to the unaudited interim consolidated financial statements of PH Resorts. The Parent Company financial statements will continue to represent PH Resorts as a stand-alone entity as of September 30, 2020 and December 31, 2019.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its wholly owned subsidiaries as at September 30, 2020. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period of the Parent Company, using consistent accounting policies.

3. Changes in Accounting Policies and Financial Reporting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on our future business combinations.

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

  The amendments refine the definition of material in PAS 1 and align the definition used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

4. Significant Accounting Judgments, Estimates and Assumptions

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2019.

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 second 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, for the nine-months period ended September 30, 2020 and 2019, the Group reported a net loss of ₱336.4 million and ₱266.0 million, respectively, resulting in a deficit of ₱1.0 billion and ₱680.4 million, as of September 30, 2020 and December 31, 2019, respectively. On the same date, the Group's current liabilities exceeded its current assets by ₱7.7 billion and ₱6.9 billion as at September 30, 2020 and December 31, 2019, respectively.

The Group has ongoing plans for suitable financing and capital raising options including an equity offer in the last quarter of 2020 (see Notes 1, 2 and 17). The Group has an ongoing negotiation with its lender for the conversion of a bridge loan to a long-term project loan as well as availment of an 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 and address the Group's liquidity requirements to support its operations and the completion of its projects. Accordingly, the accompanying interim condensed consolidated financial statements have been prepared on a going concern basis of accounting.

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

5. Cash and Cash Equivalents

As of September 30, 2020 and December 31, 2019, the Group's cash on hand and in banks were ₱119.4 million and ₱225.0 million, respectively. In March 2020, the Group transferred its cash in escrow amount of ₱506.8 million to its cash account to fund the construction. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash and cash equivalents amounted to ₱0.04 million and ₱0.02 million for the nine months ended September 30, 2020 and 2019, respectively.

In addition, the Group has cash in escrow through LLI and CGLC amounting to ₱728.1 million as of September 30, 2020 and ₱1.3 billion as of December 31, 2019. Cash in escrow is presented under the "Noncurrent Assets" section of the unaudited interim consolidated statements of financial position. Interest income earned on cash in escrow amounted to ₱7.6 million for the nine months ended September 30, 2020 and ₱19.9 million for the nine months ended September 30, 2019. Accrued interest receivable as of September 30, 2020 and December 31, 2019 amounted to ₱0.2 million and ₱1.3 million, respectively, and is presented under the "Trade and other receivables" account in the unaudited interim consolidated statements of financial position. The Group's escrow account represents the aggregate balance of short-term placements maintained in local banks primarily to meet the requirements of the License Agreement with PAGCOR in relation to LLI and CGLC's investment commitments (see Note 19).

6. Related Party Transactions

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

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

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

Outstanding balances at period-end are unsecured and composed of interest-bearing and non-interest bearing amounts wherein 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 nine months ended September 30, 2020 and 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties.

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

Relationship	**Name**
Ultimate Parent Company	Udenna Corporation
Entities under Common Control	CGLC Cultural Heritage Foundation, Inc.
	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 Management & Resources Corp.
	Udenna Tower Corporation (UTOW)
	Udenna Water & Integrated Services, Inc.
	Value Leases Inc.

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

The unaudited interim consolidated statements of financial position include the following amounts with respect to the balances with related parties as of September 30, 2020 and December 31, 2019:

	Amount/ Volume of Transactions*		Outstanding Receivable (Payable)		
	2020	2019	**2020**	2019	Terms & Conditions
Udenna, *Ultimate Parent Company*					
Cash advances from a related party for working capital and project completion	**₱6,706,073**	₱–	**(₱7,500,000)**	(₱793,927)	Unsecured; Noninterest-bearing; due and demandable
Udenna, *Ultimate Parent Company* Cash advance to a related party	**₱5,276,561**	₱–	**₱5,276,561**	₱–	Unsecured; Noninterest-bearing; due and demandable
Deposit for future stock subscription (see Note 13) (a)(iv)	**254,000,000**	2,579,000,000	**(2,833,000,000)**	(2,579,000,000)	Unsecured; Noninterest-bearing; due and demandable
Entities under Common Control					
Cash advances to related parties	**7,017**	204,667	**2,215,990**	2,208,973	Unsecured; Noninterest-bearing; not impaired; due and demandable

	Amount/ Volume of Transactions*		Outstanding Receivable (Payable)		
	2020	2019	**2020**	2019	Terms & Conditions
Cash advances from related parties for working capital	**36,398,932**	57,126,585	**(87,877,482)**	(51,478,550)	Unsecured; Noninterest-bearing; due and demandable
Cash advances from related parties for working capital (b) (ii)	–	2,221,750,869	**(2,105,853,195)**	(2,198,780,834)	Unsecured; Interest-bearing; due in 2021
Cash advances from related parties for working capital (b) (ii)	**38,600,000**	137,900,000	**(353,600,000)**	(315,000,000)	Unsecured; Interest-bearing; due and demandable
Interest payable on advances (b) (iii)	**315,274,868**	97,333,988	**(427,395,492)**	(112,120,624)	Unsecured; due within 1 to 2 years
Management and consultancy services (see Notes 12 and 14) (d)(ii)	–	4,012,428	**(7,220,127)**	(7,220,127)	Unsecured; Noninterest-bearing; due and demandable
Due from a related party for sale of a subsidiary (see Note 1) (i)	–	–	**10,000,000**	10,000,000	Unsecured; Noninterest-bearing; due and demandable
Stockholder					
Cash advances from a stockholder for working capital	–	–	**(135,000,000)**	(135,000,000)	Unsecured; Noninterest-bearing; due and demandable
Employees					
Advances to employees (i)	**525,597**	3,166,131	**769,400**	243,803	Unsecured; Noninterest-bearing; not impaired; one-month liquidation

i. Outstanding balance is included in Trade and other receivables as of September 30, 2020 and December 31, 2019.
ii. Outstanding balance is included in Trade and other payables as of September 30, 2020 and December 31, 2019.
iii. Outstanding interest is included in Trade and other payables as of September 30, 2020 and December 31, 2019.
iv. Outstanding balance is presented under the Equity section in the unaudited interim consolidated statements of financial position as of September 30, 2020.
**Amount or volume of transactions pertains to transactions for the nine months ended September 30, 2020 and for the year December 31, 2019.*

(a) *Deposit for future stock subscription*

As of September 30, 2020 and December 31, 2019, the Group received a deposit for future stock subscription from the Ultimate Parent Company (see Note 13).

From the total proceeds of the deposits of ₱2.8 billion, the Group paid ₱1.6 billion to an entity under common control for the acquisition of LLC on an arms-length basis. On October 14, 2019, the Deed of Absolute Sale on the common shares of stock of LLC was executed. LLC owns the land where Emerald Bay is located (see Note 13).

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

Various related parties granted advances to the Group to finance the operating requirements of the Group.

On October 17, 2019, PH Resorts obtained an advance of ₱2.2 billion from Emerald Development Holdings Ltd., an offshore entity wholly-owned by Udenna. The proceeds of the advance were used to fund the ongoing construction of Emerald Bay.

Interest charges incurred on these cash advances for the nine months ended September 30, 2020 and 2019 were ₱349.9 million and ₱4.4 million, respectively. Of these interest charges, capitalized borrowing costs were ₱334.2 million and nil for the nine months ended September 30, 2020, and 2019, respectively. Capitalized borrowing costs are included as part of CIP under the "Property and equipment" account in the unaudited interim condensed consolidated statements of financial position (see Note 8).

Interest payable of ₱427.4 million as of September 30, 2020 and ₱112.0 million as of December 31, 2019, are included under "Trade and other payables" account in the unaudited interim condensed consolidated statements of financial position (see Note 12).

(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 Engaño, 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 pays 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.

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 (20^{th}) Floor of the Udenna Tower and nine (9) parking slots located at the building. The lease agreement is for a period of 5 years counted from the lease commencement date on July 15, 2019 until July 14, 2024 subject to renewal for another 5 years upon mutual agreement of the parties. PH Resorts shall pay a monthly aggregate fee of ₱1,400 per square meter per month and ₱6,000 per parking slot per month with a yearly escalation rate of five percent (5%).

The estimated annual minimum rentals under this lease agreement are shown below:

Period	**September 30, 2020**	December 31, 2019
Within one year	**₱35,568,057**	₱23,346,390
More than 1 year to 2 years	**17,044,731**	16,475,380
More than 2 years to 3 years	**17,896,967**	17,255,159
More than 3 years to 4 years	**13,919,863**	18,117,917
More than 5 years	**–**	9,297,910
	₱84,429,618	₱84,474,756

The net book values of right-of-use assets were ₱52.9 million and ₱63.4 million as of September 30, 2020 and December 31, 2019, respectively. Depreciation expense for the nine months ended September 30, 2020 and September 30, 2019 were ₱10.5 million and ₱0.03 million, respectively. Lease liabilities of ₱75.6 million and ₱72.2 million were presented under current and noncurrent liabilities section of the unaudited interim consolidated statements of financial position. Interest expense on lease liabilities amounted to ₱3.4 million and ₱0.01 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. (see Note 11).

(d) Management fees
DHPC entered into a Management Services Agreement in November 2017 for certain management and operational services with Enderun. Enderun managed the hotel operations from January 2018 until September 30, 2019. Management fees consist of basic management fee, incentive fee, marketing fee and corporate shared service fees (see Note 15).

(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 10).

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 10).

(f) Compensation and Other Benefits of Key Management Personnel
The compensation of key management personnel pertaining to salaries and short-term employee benefits amounted to ₱31.3 million and ₱38.7 million for the nine months ended September 30, 2020 and 2019. The decrease is due to the portion of executives' compensation that was deferred to manage the impact of COVID-19 on the Group's cash position.

7. **Prepayments and Other Current Assets**

	September 30, 2020	December 31, 2019
Creditable withholding taxes	**₱20,962,071**	₱16,617,901
Advances to suppliers	**14,606,564**	12,366,019
Prepaid expenses	**6,385,650**	12,792,936
Input VAT	**2,243,709**	2,430,627
Short-term security deposits	**351,158**	351,158
Others	**1,440,819**	2,096,987
	₱45,989,971	₱46,655,628

Prepaid expenses represent prepayments on insurance, rent and other expenses which amortized on a periodic basis over a period not exceeding 1 year.

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

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

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

8. Property and Equipment

At Cost

	September 30, 2020							
	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	**₱–**	**₱8,107,498**	**₱68,776,345**	**₱29,598,988**	**₱5,322,085**	**₱5,639,222**	**₱5,232,879,630**	**₱5,350,323,768**
Additions	**–**	**–**	**–**	**511,802**	**–**	**–**	**1,107,646,073**	**1,108,157,875**
Ending balances	**₱–**	**₱8,107,498**	**₱68,776,345**	**₱30,110,790**	**₱5,322,085**	**₱5,639,222**	**₱6,340,525,703**	**₱6,458,481,643**
Accumulated Depreciation								
Beginning balances	**₱–**	**₱770,807**	**₱4,381,811**	**₱8,544,169**	**₱1,795,268**	**₱573,521**	**₱–**	**₱16,065,576**
Depreciation (Note 15)	**–**	**434,963**	**2,466,768**	**5,376,593**	**830,366**	**319,547**	**–**	**9,428,237**
Ending balances	**–**	**1,205,770**	**6,848,579**	**13,920,762**	**2,625,634**	**893,068**	**–**	**25,493,813**
Net Book Value	**₱–**	**₱6,901,728**	**₱61,927,766**	**₱16,190,028**	**₱2,696,451**	**₱4,746,154**	**₱6,340,525,703**	**₱6,432,987,830**

	December 31, 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	₱3,932,239,892
Additions	–	52,121	243,429	719,203	381,587	61,993	2,439,925,427	2,441,383,760
Disposals	–	–	–	(101,140)	–	(135,294)	–	(236,434)
Reclassification from PPE to Land at revalued amount	(1,027,200,819)	–	–	–	–	–	–	(1,027,200,819
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 15)	–	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

The CIP account reflects expenditures related to the US$300.0 million investment commitment of LLI required by the License Agreement with PAGCOR. Total Project cost includes land acquisition; costs related to securing development rights; construction and development costs; and all other direct expenses. The CIP account also includes capitalized borrowing costs of ₱202.1 million and ₱275.9 million for the nine months ended September 30, 2020 and 2019, respectively, equivalent to the effective interest incurred on the loans (see Note 10).

Advances to suppliers of ₱576.1 million as of September 30, 2020 and ₱538.7 million as of December 31, 2019, relates to initial deposits made for the ongoing construction of the Project.

Land at Revalued Amounts

	September 30, 2020	December 31, 2019
Balance at beginning of period	**₱7,552,344,305**	₱–
Cost of land subjected to revaluation	–	1,027,200,819
Addition during the year (see Note 9)	–	3,992,325637
Revaluation increment during the year recognized in other comprehensive income	–	2,532,817,849
Balance at end of period	**₱7,552,344,305**	₱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 January 1, 2019, net of tax	₱–
Revaluation increment during the year	2,532,817,849
Deferred tax liability (see Note 16)	(759,845,355)
Balance at December 31, 2019, net of tax	₱1,772,972,494

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

Valuation technique	Significant unobservable input	Range
Sales comparison approach	Selling price of identical piece of land	₱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

Management has assessed that there are no significant changes to the status and condition of the Group's land as of September 30, 2020. As such, the 2019 valuation reports are considered appropriate.

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 10). The carrying value of the pledged properties was ₱1.4 billion as of September 30, 2020 and December 31, 2019.

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 were ₱12.4 billion as of September 30, 2020 and ₱11.2 billion as of December 31, 2019 (see Note 10).

9. Deposit for Future Property Acquisition

On October 18, 2017, DHPC entered into a contract to sell, to acquire various parcels of land situated in Tawala, Panglao, 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 ₱1.0 billion which were 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 September 30, 2020 and December 31, 2019, DHPC has already paid ₱1.1 billion 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 8). As of March 31, 2020, DPRC has fully paid the total purchase price.

10. Loans Payable and Lease Liabilities

	September 30, 2020	December 31, 2019
Short-term loans – Peso denominated	**₱5,200,000,000**	₱5,200,000,000
Short-term loans – Dollar denominated*	**727,425,000**	759,525,000
Unamortized debt issue costs on short-term loans	**(1,711,126)**	(17,115,369)
Long-term loan	**975,000,000**	975,000,000
Unamortized debt issue costs on long-term loans	**(8,675,034)**	(9,926,014)
Auto loans	**585,541**	1,538,165
	6,892,624,381	6,909,021,782
Less current portion of loans payable	**6,015,853,856**	5,972,301,060
Noncurrent portion of loans payable	**₱876,770,525**	₱936,720,722

**Dollar denominated loan amounting to $15.0 million was translated to Philippine Peso using foreign exchange closing rate of $1:₱48.495 as of September 30, 2020 and $1:₱50.635 as of December 31, 2019.*

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 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. On June 15, 2020, CBC approved the extension of payment of principal and interest to July 20, 2020 and further extended this to October 19, 2020. CBC subsequently approved the extension to December 18, 2020 under Republic Act No.11494 or the Bayanihan to Recover as One Act.

In 2017, LLC obtained a ₱2.1 billion Peso loan facility from CBC to finance the acquisition of the 13.5-hectare lot at Punta Engaño, Mactan, Cebu. On November 21, 2019, the loan was extended for an additional period of six months with an interest rate of 8% and an expiry date of May 19, 2020. 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. On June 15, 2020, CBC approved the extension of payment of principal and interest to July 20, 2020 and further extended this to October 19, 2020. CBC subsequently approved the extension to December 18, 2020 under Republic Act No.11494 or the Bayanihan to Recover as One Act.

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

	September 30, 2020	December 31, 2019
Principal	**₱5,927,425,000**	₱5,959,525,000
Less unamortized debt issue costs	**1,711,126**	17,115,369
	₱5,925,713,874	₱5,942,409,631

The Group (through LLI and LLC) and CBC, are in the process of converting its short-term loans to 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 Emerald Bay.

Amortized debt issue costs of ₱15.6 million and ₱26.5 million for the nine months ended September 30, 2020 and September 30, 2019 pertaining to the ₱3.1 billion loan were capitalized to CIP. Amortized debt issue costs of ₱14.4 million and ₱6.8 million pertaining to the US$15.0 million and ₱2,100.0 million loans respectively were expensed and presented as part of "Interest Expense" in the unaudited interim condensed consolidated statements of comprehensive income.

The terms of the CBC bridge loan facility contain covenants that restrict the ability of LLC and LLI to, among other things, create or incur certain indebtedness or liens in respect of its property or assets, consolidate or merge with other entities, redeem shares or repay subordinated indebtedness if such redemption or repayment would result in a debt to equity ratio of greater than 2.33 to 1.0 (on a combined basis). In addition, LLI and LLC are required to maintain on a combined basis a debt to equity ratio of not more than 2.33 to 1.0, maintain its property and insurance, and ensure exclusive use of Emerald Bay site. As of September 30, 2020 and December 31, 2019, the combined debt to equity ratio of the Companies is compliant with the required debt to equity ratio at 0.75x and 0.78x, respectively.

The loans of LLI and LLC have a corporate guaranty from Udenna and certain stockholders through a Continuing Surety Agreement with CBC (see Note 6).

The carrying value of properties used as collateral amounted to ₱12.4 billion and ₱11.2 billion as of September 30, 2020 and December 31, 2019, respectively (see Note 8).

Interest charges incurred on these loans were ₱375.2 million and ₱311.9 million for the nine months ended September 30, 2020 and September 30, 2019. Of these interest charges, capitalized borrowing costs amounted to ₱202.1 million for the nine months ended September 30, 2020 and ₱275.9 million for the nine months ended September 30, 2019, and were equivalent to the effective interest rate charged for the ₱3.1 billion loan. Capitalized borrowing costs are included as part of CIP under the "Property and equipment - at cost" account in the unaudited interim condensed consolidated statements of financial position (see Note 8).

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 Resort.

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

	September 30, 2020	December 31, 2019
Principal	**₱975,000,000**	₱975,000,000
Less unamortized debt issue costs	**8,675,034**	9,926,014
	966,324,966	965,073,986
Less current portion of long-term loan	**89,554,441**	28,595,439
Noncurrent portion of long-term loan	**₱876,770,525**	₱936,478,547

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 were ₱49.4 million and ₱59.6 million for the nine months ended September 30, 2020 and 2019, respectively.

The loan is secured by a real estate mortgage over the financed properties and the pledge of all the shares of stock issued by DHPC (see Note 8). The carrying value of the pledged properties was ₱1.4 billion as of September 30, 2020 and December 31, 2019.

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, 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 6).

<u>Auto loans</u>
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% and 11.86% for the nine months ended September 30, 2020 and September 30, 2019 and will mature in 3 years.

The details of the loans are as follows:

	September 30, 2020	December 31, 2019
Auto loans	**₱585,541**	₱1,538,165
Less current portion	**585,541**	1,295,990
Noncurrent portion	**₱0**	₱242,175

11. Right-of-Use Assets and Lease Liabilities

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 6). 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:

	September 30, 2020	December 31, 2019
Cost		
Balance at beginning of period	**₱69,889,274**	₱1,196,244,999
Additions (see Note 6)	–	69,889,274
Effect of acquisition of LLC	–	(1,196,244,999)
Balance at end of the period	**69,889,274**	69,889,274
Accumulated Depreciation		
Balance at beginning of period	**6,446,501**	–
Depreciation (see Note 15)	**10,503,424**	6,446,501
Capitalization to CIP	**–**	50,785,657
Effect of acquisition of LLC	**–**	(50,785,657)
Balance at end of the period	**16,949,925**	6,446,501
Net Book Value	**₱52,939,349**	₱63,442,773

The rollforward analysis of lease liabilities follows:

	September 30, 2020	December 31, 2019
Balance at beginning of period	**₱72,159,678**	₱1,196,244,999
Interest expense (see Note 6)	**3,444,198**	2,328,354
Payments	**(44,546)**	(57,950)
Additions	–	69,889,274
Interest capitalized to CIP – Borrowing costs	–	119,495,067
Payments to LLC	–	(132,685,560)
Effect of acquisition of LLC	–	(1,183,054,506)
Balance at end of the period	**75,559,330**	72,159,678
Current portion of lease liabilities	**31,035,708**	18,190,634
Lease liabilities - net of current portion	**₱44,523,622**	₱53,969,044

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

	September 30, 2020	December 31, 2019
Within one year	**₱35,568,057**	₱23,346,390
More than one year but not more than five years	**48,861,561**	61,128,366
Total gross lease liabilities	**84,429,619**	84,474,756
Less unamortized interest expense	**8,870,288**	12,315,078
Present value of future minimum lease payments	**75,559,330**	72,159,678
Less current portion	**31,035,708**	18,190,634
Noncurrent portion	**₱44,523,622**	₱53,969,044

12. **Trade and Other Payables**

	September 30, 2020	December 31, 2019
Payable to contractors (Note 8)	**₱677,200,417**	₱459,109,150
Interest payable (Notes 6 and 10)	**588,502,510**	161,749,387
Trade payables	**11,517,720**	12,236,041
Management fees payable (Note 6)	**7,220,127**	7,220,127
Statutory payables	**4,600,738**	26,484,919
Contract liabilities	**818,689**	545,435
Others	**5,867,092**	7,535,326
	₱1,295,727,293	₱674,880,385

Below are the terms and conditions of the liabilities:

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

Retention payable to suppliers and contractors related to Emerald Bay were ₱186.8 million as of September 30, 2020 and ₱175.9 million as of December 31, 2019. This is classified as a noncurrent liability in the unaudited interim consolidated statement of financial position.

13. Deposit for Future Stock Subscription

On March 26, 2019, PH Resorts received cash amounting to ₱2.6 billion 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 audited 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 and agreed to execute a subscription agreement in the amount of ₱2.6 billion, 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. On September 30, 2020, PH Resorts and Udenna Corporation extended the term of the MOA for the execution of subscription agreement to December 31, 2020.

In the first quarter of 2020, PH Resorts received additional funds from Udenna amounting to ₱254.0 million increasing the total of Deposit for future stock subscription to ₱2.8 billion as of March 31, 2020 and remaining at the same level as of September 30, 2020.

14. Equity

<u>Capital Stock</u>
The Parent Company's common shares (at ₱1 par value per share) consist of the following:

	September 30, 2020		December 31, 2019	
	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)
Collection of subscription receivable	–	–	–	406,376,691

Issued and outstanding	**4,793,266,504**	**₱4,793,266,504**	4,793,266,504	₱4,793,266,504

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 ₱406.4 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).

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.

As of September 30, 2020 and December 31, 2019, PH Resorts had 28 equity holders.

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 was 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:

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

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

15. **Operating Expenses**

	September 30, 2020	September 30, 2019
Salaries and wages (Note 6)	**₱78,163,207**	₱90,322,960
Professional fees	**54,348,213**	52,733,984
Depreciation and amortization (Notes 8 and 11)	**20,702,556**	9,077,331
Taxes and licenses	**10,124,040**	3,927,385
Utilities and communications	**2,236,897**	5,108,742
Transportation and travel	**1,931,943**	13,881,494
Storage fees	**1,707,800**	3,751,050
Insurance	**1,008,922**	1,062,747
Repairs and maintenance	**986,920**	1,777,404
Sales marketing and advertising	**575,792**	3,608,789
Office supplies	**329,907**	1,167,967
Representation and entertainment	**177,734**	1,284,751
Outside services	**17,472**	5,092,262
Management fees (Note 6)	**–**	3,773,054
Miscellaneous	**8,324,395**	1,695,574
	₱180,635,798	₱198,265,494

16. **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 unaudited interim consolidated statements of comprehensive income is as follows:

	For the nine months ended	
	September 30, 2020	September 30, 2019
Benefit from income tax computed at statutory income tax rate of 30%	**(₱105,492,759)**	**(₱82,163,699)**
Tax effects of:		
Movement in NOLCO for which no deferred tax asset was recognized	**127,766,221**	**84,184,153**
Nondeductible expenses	**1,739,345**	**1,988,781**
Interest income subjected to final tax	**(2,429,215)**	**(3,038,831)**
Debt issuance costs	**–**	**(8,888,792)**
	₱21,583,592	**(₱7,918,388)**

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

	September 30, 2020	December 31, 2019
Revaluation gain (see Note 8)	**₱759,845,355**	₱759,845,355
Debt issuance costs	**3,115,848**	8,111,750
Unrealized foreign exchange gain	**32,607,427**	7,896,869
	₱795,568,630	₱775,853,974

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

The Group did not recognize deferred tax assets amounting to ₱344.9 million and ₱274.8 million as of September 30, 2020 and December 31, 2019 on the following temporary differences. Upon the opening of Emerald Bay, management will reconsider this position.

	September 30, 2020	December 31, 2019
Unrecognized deferred tax assets:		
NOLCO	**₱340,657,252**	₱269,069,088
Net lease liabilities	**6,785,994**	2,615,072
Unrealized foreign exchange loss	**(2,541,161)**	3,136,546
	₱344,902,085	₱274,820,706

As of September 30, 2020 and December 31, 2019, NOLCO of the Group can be applied against future taxable income within the periods shown below:

Year Incurred	Expiry Date	Amount	Expired	Unused
2017	December 31, 2020	₱81,090,546	₱81,090,546	₱–
2018	December 31, 2021	246,990,793	–	246,990,793
2019	December 31, 2022	568,815,620	–	568,815,620
2020	September 30, 2023	319,717,760	–	319,717,760
		₱1,216,614,719	₱81,090,546	₱1,135,524,173

17. 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 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:

	September 30, 2020	December 31, 2019
Cash and cash equivalents*	**₱119,240,717**	₱224,508,253
Trade and other receivables	**12,143,177**	13,804,161
Advances to related parties	**7,492,551**	2,208,973
Security deposit**	**7,152,619**	7,527,739
Cash in escrow	**728,144,056**	1,267,037,464
Total credit risk exposure	**₱874,173,120**	₱1,515,086,590

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

The financial assets of the Group are neither past due nor impaired and have high probability of collection as of September 30, 2020 and December 31, 2019.

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

	September 30, 2020						
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased or credit-impaired**	**Lifetime ECL Simplified Approach**	**Total**	December 31, 2019
High grade	**₱847,384,773**	**₱–**	**₱–**	**₱–**	**₱–**	**₱847,384,773**	₱1,491,545,717
Medium grade	**26,788,347**	**–**	**–**	**–**	**–**	**26,788,347**	23,540,873
Standard grade	**–**	**–**	**–**	**–**	**–**	**–**	–
Default	**–**	**–**	**–**	**–**	**–**	**–**	–
Gross carrying amount	**874,173,120**	**–**	**–**	**–**	**–**	**874,173,120**	1,515,086,590
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**	–
Carrying amount	**₱874,173,120**	**₱–**	**₱–**	**₱–**	**₱–**	**₱874,173,120**	₱1,515,086,590

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:

	September 30, 2020			
	Neither Past Due nor Impaired	**Past Due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents*	₱119,240,717	₱–	₱–	₱119,240,717
Trade and other receivables	12,143,177	–	–	12,143,177
Advances to related parties	7,492,551	–	–	7,492,551
Security deposits**	7,152,619	–	–	7,152,619
Cash in escrow	728,144,056	–	–	728,144,056
	₱874,173,120	₱–	₱–	₱874,173,120

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

	December 31, 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 unaudited interim 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 September 30, 2020 and 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 September 30, 2020 and December 31, 2019, based on contractual undiscounted payments. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments and liquidity.

	September 30, 2020			
	Due and Demandable	**Less Than One Year**	**More than One Year**	**Total**
Cash and cash equivalents*	**₱119,240,717**	**₱–**	**₱–**	**₱119,240,717**
Trade and other receivables	**10,000,000**	**2,143,177**	**–**	**12,143,177**
Advances to related parties	**7,492,551**	**–**	**–**	**7,492,551**
Security deposits**	**–**	**351,158**	**6,801,461**	**7,152,619**
Cash in escrow	**–**	**–**	**728,144,056**	**728,144,056**
	136,733,268	**2,494,335**	**734,945,517**	**874,173,120**
Loans payable****	**–**	**6,593,335,764**	**1,159,404,534**	**7,752,740,298**
Trade and other liabilities***	**–**	**1,291,126,555**	**–**	**1,291,126,555**
Retention payable	**–**	**–**	**186,826,256**	**186,826,256**
Lease Liabilities	**–**	**31,035,708**	**44,523,622**	**75,559,330**
Advances from related parties	**583,977,482**	**–**	**2,105,853,195**	**2,689,830,677**
	583,977,482	**7,915,498,027**	**3,496,607,607**	**11,996,083,116**
Liquidity gap	**(₱447,244,214)**	**(₱7,913,003,692)**	**(₱2,761,662,090)**	**(₱11,121,909,996)**

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

	December 31, 2019			
	Due and Demandable	Less Than One Year	More than One Year	Total
Cash and cash equivalents*	₱224,508,252	₱–	₱–	₱224,508,252
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
	236,717,225	4,531,187	1,273,838,177	1,515,086,589
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	11,026210,249
Liquidity gap	(₱265,555,252)	(₱6,863,239,080)	(₱2,359,359,293)	(₱9,488,153,625)

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

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

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

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

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

	September 30, 2020		December 31, 2019	
	US$ Value	**Peso Equivalent**	US$ Value	Peso Equivalent
Assets				
Cash	**$1,830,544**	**₱88,772,231**	$2,243,921	₱113,620,940
Receivables	**3,100**	**150,335**	25,328	1,282,483
Cash in escrow	**15,014,830**	**728,144,181**	25,022,957	1,267,037,464
	16,848,474	**817,066,747**	27,292,206	1,381,940,887
Liabilities				
Loans payable	**15,000,000**	**727,425,000**	15,000,000	759,525,000
Advances from related parties	**43,424,130**	**2,105,853,195**	43,424,130	2,198,780,834
Total		**(₱2,016,211,448)**		(₱1,576,364,947)

As of September 30, 2020 and December 31, 2019, the closing exchange rate was ₱48.495 and ₱50.635 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 period and prior year foreign exchange rates. There is no impact on equity other than those already affecting pretax loss.

	Changes in Foreign Exchange Rates	Impact on Loss Before Income Tax
September 30, 2020	**Increase by 4.23%**	**(₱85,285,734)**
	Decrease by 4.23%	**85,285,753**
December 31, 2019	Increase by 3.70%	(₱58,281,711)
	Decrease by 3.70%	58,281,711

<u>Capital Management</u>

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

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

	September 30, 2020	December 31, 2019
Total debt	**₱6,892,624,381**	₱6,909,021,782
Total capitalization	**14,518,890,885**	14,281,288,286
	47%	48%

The Group's goal in capital management is to maintain an optimum capital structure of a debt to capitalization ratio of not higher than 70%. This will be maintained with its planned suitable financing and capital raising options.

18. Fair Value Information

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

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

Long-term loan payable. The fair value of long-term loan payable amounting to ₱967.3 million and ₱965.8 million is determined by discounting the expected cash flows using the discount rate 6.87% and 6.80% as of September 30, 2020 and December 31, 2019, respectively. Fair value measurement is categorized under Level 3 with significant observable inputs.

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 8). The appraised value as of September 30, 2020 and 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.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 measurements.

19. Commitments and Contingencies

<u>License Agreement with PAGCOR</u>

i. 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 to establish and operate casinos and engage in gaming activities. The term of LLI's License shall be for a period of 15 years or until May 3, 2032. On August 27, 2020, the PAGCOR Board of Directors extended the term of the License to be co-terminus with

PAGCOR's current franchise or until July 11, 2033. The License may be renewed subject to certain terms and conditions.

(a) 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 by PAGCOR 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 considers 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 ratio as of September 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 52% - 48%, respectively.

As of June 30, 2020, both LLI and LLC are in compliance with the debt-equity ratio requirement with ratios of 52% - 48% and 49% - 51%, respectively.

(b) Investment Commitments
As required by the License, LLI is required to complete its US$300.0 million investment commitment in phases. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project. As of September 30, 2020 and December 31, 2019, capitalized costs related to the Project amounted to ₱6.3 billion and ₱5.2 billion, respectively(see Note 8).

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

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

On August 16, 2017, LapuLapu Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by LLI as no gaming revenue has been recognized for the nine months ended September 30, 2020 and September 30, 2019.

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

(a) Investment Commitments
As required by the License Agreement, CGLC is required to invest a minimum of US$200.0 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.

(b) Debt-Equity Ratio Requirement
The License Agreement provides, among others, that CGLC's License may be revoked or suspended upon failure of CGLC to comply with the 70% Debt - 30% Equity ratio requirement of PAGCOR. There should be a certification from the Comptroller together with the certification from its independent external auditor that CGLC complies with the 70% Debt – 30% Equity ratio requirement of PAGCOR within sixty (60) calendar days after the end of each semi-annual period of each year. Furthermore, CGLC shall submit its semi-annual unaudited financial statements sixty (60) calendar days after the end of the applicable semi-annual period and 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 June 30, 2020 and December 31, 2019, CGLC's debt-equity ratio are 3%-97% and 50% - 50%, respectively, which are in compliance with the ratio requirement.

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

On November 29, 2018, CGLC Cultural Heritage Foundation, Inc. was incorporated. However, no fund has been set aside by CGLC as no gaming revenue has been recognized for the nine months ended September 30, 2020 and September 30, 2019.

20. Loss Per Share

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

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

	Nine months ended	
	September 30, 2020	September 30, 2019
Net loss attributable to the equity holders of the Parent Company	**(₱336,353,855)**	**(₱265,960,607)**
Divided by weighted average number of common shares of Parent Company	**4,793,266,504**	**4,793,266,504**
	(₱ 0.0702)	**(₱0.0555)**

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

21. 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 for the nine months ended September 30, 2020 and as of September 30, 2020:

	Nine months ended September 30, 2020			
	Hotels and Restaurant	**Others**	**Eliminations**	**Total**
Revenue	**₱9,633,841**	**₱28,177,859**	**(₱28,177,859)**	**₱9,633,841**
Results				
Direct costs and expenses	**(10,011,549)**	–	–	**(10,011,549)**
Operating expenses (net of depreciation)	**(19,768,054)**	**(140,165,188)**	–	**(159,933,242)**
Foreign exchange gain – net	–	**100,603,048**	–	**100,603,048**
Depreciation	**(5,832,877)**	**(14,869,679)**	–	**(20,702,556)**
Interest expense	**(52,129,402)**	**(190,963,254)**	–	**(243,092,656)**
Interest income	**6,115**	**8,009,845**	–	**8,015,960**
Provision for/ (benefit from)from tax	**273,568**	**(21,857,160)**	–	**(21,583,592)**
Other non-operating income (expense) – net	**581,336**	**135,555**	–	**716,891**
Net loss	**(₱77,247,022)**	**(₱230,928,974)**	**(₱28,177,859)**	**(₱336,353,855)**

	September 30, 2020			
	Hotels and Restaurant	**Others**	**Eliminations**	**Total**
Assets and liabilities				
Operating assets	**₱1,436,175,358**	**₱35,535,208,840**	**(₱20,779,710,360)**	**₱16,191,673,838**
Deferred tax asset	–	–	–	–
Total assets	**₱1,436,175,358**	**₱35,535,208,840**	**(₱20,779,710,360)**	**₱16,191,673,838**
Operating liabilities	**₱266,762,784**	**₱11,982,728,338**	**(₱8,032,583,274)**	**₱4,216,907,848**
Loans and borrowings	**966,586,574**	**5,957,073,515**	–	**6,923,660,089**
Deferred tax liabilities	**80,485,568**	**715,083,062**	–	**795,568,630**
Total liabilities	**₱1,313,834,926**	**₱ 18,654,884,915**	**(₱8,032,583,274)**	**₱11,936,136,567**

The following table presents the revenue and expense information and certain assets and liabilities information regarding business segments for the nine months ended September 30, 2019 and as of December 31, 2019:

	Nine months ended September 30, 2019			
	Hotels and Restaurant	Others	Eliminations	Total
Revenue	₱49,489,341	₱–	₱–	₱49,489,341
Results				
Direct costs and expenses	(22,659,107)	–	–	(22,659,107)
Operating expenses	(26,003,889)	(163,184,274)	–	(189,188,163)
Foreign exchange loss – net	–	(6,539,093)	–	(6,539,093)
Depreciation	(5,808,418)	(3,268,913)	–	(9,077,331)
Interest expense	(59,647,464)	(57,334,301)	–	(116,981,765)
Interest income	45,486	20,070,731	–	20,116,217
Income tax expense	(9,097)	(2,986,937)	–	(2,996,034)
Benefit from deferred tax	374,566	10,539,856	–	10,914,422
Other non-operating income (expense) - net	1,236,200	(275,294)	–	960,906
Net loss	(₱62,982,382)	(₱202,978,225)	₱–	(₱265,960,607)

	December 31, 2019			
	Hotels and Restaurant	Others	Eliminations	Total
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
Lease 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

22. COVID-19 Outbreak

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 and was further extended until August 3, 2020. On August 4, 2020 the government has placed certain areas under Modified ECQ until August 18, 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 also directly impacted the operations of the Group.

The Group reported net operating revenues of ₱9.6 million for 9M2020, an 81% decrease from ₱49.5 million for 9M2019. The decrease in revenues was primarily due to the temporary closure of the Donatela Resort caused by the COVID-19 pandemic. The Group will continue to monitor the situation.

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

The following management's discussion and analysis relate to the condensed consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of September 30, 2020 and December 31, 2019, and for the nine months ended September 30, 2020 and September 30, 2019.

2.1 Overview and Plan of Operation

Plan of Operations

The Group is expected to rely on the following sources of liquidity for the next 12 months: (1) financing lines provided by various creditors; (2) shareholder advances and/or paid-up capital; and, (3) a planned equity offering. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity.

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

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 temporarily closed due to the COVID-19 pandemic and community quarantine guidelines. Prior to the COVID-19 pandemic, DHPC was in the design and development phase for its plans for expansion to improve its business prospects and operations.

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.

Each of the Group's Integrated Resorts will be designed, planned and developed according to world-class industry standards. These are expected to expand the integrated tourism resort and casino offering in the Philippines.

The Group expects to commence the hiring process in respect of Emerald Bay's gaming and hotel operations and fill a number of managerial and administrative roles within the Company's principal office in the third quarter of 2021.

2.2 Key Performance Indicators and Relevant Ratios

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

			Nine months ended September 30	
			2020	**2019**
I. PROFITABILITY				
Basic Loss per Share It is the rough measurement of the amount of a company's profit that can be allocated to one share of its stock.	=	(Net income/loss – Preferred dividends)	(336,353,855)	(265,960,607)
		Weighted average number of common shares outstanding	4,793,266,504	4,793,266,504
			(0.0702)	(0.0555)
Return on Total Assets It measures efficiency of the Group in using its assets to generate net income.	=	Net income/(loss)	(336,353,855)	(265,960,607)
		Total Assets	16,191,673,838	10,644,366,099
			(0.0208)	(0.0250)
Return on Equity It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.	=	Net income/(loss)	(373,226,122)	(265,960,607)
		Stockholder's Equity	4,255,537,271	366,584,085
			(0.0790)	(0.7255)

			September 30, 2020	**December 31, 2019**
II. FINANCIAL LEVERAGE				
Liabilities to Asset Ratio It measures the degree to which the assets of the business are financed by the total liabilities.	=	Total Liabilities	11,936,136,567	11,308,866,760
		Total Assets	16,191,673,838	15,646,757,886
			0.7372	0.7228
Debt to Capitalization Ratio It measures the degree to which a company is financing its operations through debt versus total capitalization.	=	Total Debt	6,892,624,381	6,909,021,782
		Total Capitalization	14,518,890,885	14,281,288,286
			0.4747	0.4838

			September 30, 2020	December 31, 2019
Liabilities to Equity Ratio	=	Total Liabilities	11,936,136,567	11,308,866,760
		Shareholder's Equity	4,255,537,271	4,337,891,126
It measures the degree to which a company is financing its operations through total liabilities versus wholly owned funds.			2.8048	2.6070
Asset-to-Equity Ratio	=	Total assets	16,191,673,838	15,646,757,886
		Stockholders' equity	4,255,537,271	4,337,891,126
Relates to the proportion of total assets financed by the Group's equity.			3.8048	3.6070

III. MARKET VALUATION

			September 30, 2020	December 31, 2019
Price to Book Ratio	=	Market value/share	2.4000	5.2000
		Book value/share	0.8801	0.9050
Relates the Group's stock market value to its book value per share			2.7269	5.7459

IV. LIQUIDITY

			September 30, 2020	December 31, 2019
Current Ratio	=	Current assets	187,181,140	291,883,891
		Current liabilities	7,926,594,339*	7,167,644,556*
It measures the Group's ability to pay its current liabilities with cash generated from its current assets.			0.0236*	0.0407*

V. INTEREST RATE COVERAGE RATIO

			September 30, 2020	December 31, 2019
Interest Coverage Ratio	=	EBIT	(108,549,874)	(156,897,230)
		Interest expense	243,092,656	116,981,765
It measures the Group's ability to pay interest on its outstanding debts.			(0.4465)	(1.3412)

*Current liabilities include the bridge loan facility which will be refinanced via long-term debt financing.

2.3 Results of Operations

Operating Results for the Nine months Ended September 30, 2020 Compared to the Nine months Ended September 30, 2019

	For the Nine Months Ended September 30		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Change from Prior Year		% to Revenues	
	2020	2019	Amount	% of Change	2020	2019
NET OPERATING REVENUES						
Food and beverage	4,986,321	25,883,167	(20,896,846)	-81%	52%	52%
Rooms	4,378,108	21,373,299	(16,995,191)	-80%	45%	43%
Others	269,412	2,232,875	(1,963,463)	-88%	3%	5%
	9,633,841	49,489,341	(39,855,500)	-81%	100%	100%
DIRECT COSTS AND EXPENSES						
Inventories consumed	1,915,892	9,420,498	(7,504,606)	-80%	20%	19%
Salaries and wages	5,572,773	8,660,490	(3,087,717)	-36%	58%	17%
Other costs and expenses	2,522,884	4,578,119	(2,055,235)	-45%	26%	9%
	10,011,549	22,659,107	(12,647,558)	-56%	104%	46%
GROSS INCOME	(377,708)	26,830,234	(27,207,942)	-101%	-4%	54%
OPERATING EXPENSES	180,635,798	198,265,494	(17,629,696)	-9%	1875%	401%
OPERATING LOSS	(181,013,506)	(171,435,260)	(9,578,246)	6%	-1879%	-346%
NON-OPERATING INCOME (EXPENSES)						
Interest expense	(243,092,656)	(116,981,765)	(126,110,891)	108%	-2523%	-236%
Interest income	8,015,960	20,116,217	(12,100,257)	-60%	83%	41%
Foreign exchange loss - net	100,603,048	(6,539,093)	107,142,141	-1638%	1044%	-13%
Other income - net	716,891	960,906	(244,015)	-25%	7%	2%
	(133,756,757)	(102,443,735)	(31,313,022)	31%	-1388%	-207%
LOSS BEFORE INCOME TAX	(314,770,263)	(273,878,995)	(40,891,268)	15%	-3267%	-553%
PROVISION (BENEFIT FROM) FOR INCOME TAX	21,583,592	(7,918,388)	29,501,980	-373%	224%	-16%
NET LOSS/TOTAL COMPREHENSIVE LOSS	(336,353,855)	(265,960,607)	(70,393,248)	26%	-3491%	-537%
Basic and Diluted Loss Per Share	(0.0702)	(0.0555)	(0.0147)	26%		

NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2019
NET OPERATING REVENUE

The Group reported net operating revenues of ₱9.6 million for the first nine months of 2020 (9M2020), an 81% decrease from ₱49.5 million for the first nine months of 2019 (9M2019). The decrease in revenues was primarily due to the temporary closure of the Donatela Resort caused by the COVID-19 pandemic.

DIRECT COSTS AND EXPENSES

Direct costs and expenses pertaining to operations of Donatela registered at ₱10.0 million for 9M2020, representing a 56% decrease from ₱22.7 million for 9M2019. The decrease was directly due to lower occupancy and operating revenues during the period. Direct costs and expenses as a percentage of operating revenue rose to 104% from 46%. This increase is due to fixed expenses such as salaries and wages for critical resort staff and maintenance expenses that the company needs to cover despite having no revenues due to temporary closure.

Inventories consumed
Inventory consumption was ₱1.9 million and ₱9.4 million for 9M2020 and 9M2019, representing 20% and 19% of net operating revenues in 2020 and 2019, respectively. The decrease in inventory consumption is due to lower occupancy and reflective of lower net operating revenues for the period.

Salaries and wages
Salaries and wages were ₱5.6 million for 9M2020 a 36% decrease from the previous period, which represents the payroll of employees directly involved in providing hotel and food and beverage services. The decrease is due to reduced work hours due to the temporary closure of the resort.

Other costs and expenses
Other costs and expenses were ₱2.5 million and ₱4.6 million for 9M2020 and 9M2019, respectively, representing 26% and 9% of net operating revenues for each period. These expenses are commission expenses, recreation and entertainment expenses, and other supplies expenses.

OPERATING EXPENSES

Total operating expenses are related to the management and administration of Emerald Bay, operations of the Donatela Resort and other organizational expenses. Operating expenses were ₱180.6 million for 9M2020, down from ₱198.3 million for the same period last year. The decrease was due to rationalization of payroll expenses and cost cutting measures effected during the lockdown/quarantine period, partially offset by the full ramp-up of construction activity for Emerald Bay and other operating expenses that related to financing activities of the group.

Salaries and wages
Salaries and wages amounted to ₱78.2 million for 9M2020, a decrease of ₱12.2 million from 9M2019 reflective of rationalization of payroll expenses.

Transportation and Travel
Transportation and travel amounted to ₱1.9 million, reflecting a decrease of ₱12.0 million. The decrease was due to travel restrictions and community lockdowns imposed by the government. The higher amount incurred in 9M2019 was due to roadshow transportation and travel expenses of the Group in 2019.

<u>Professional fees</u>
Professional fees increased by ₱1.6 million to ₱54.3 million. The professional fees include audit, legal counsel and other professional fees paid in connection with various reporting and regulatory requirements and financing activities of the Group.

<u>Depreciation</u>
Depreciation increased by ₱11.7 million to ₱20.7 million due to depreciation expenses of right-of-use assets recognized in compliance with the new accounting standard for leases, PFRS 16.

NON-OPERATING EXPENSES

<u>Interest Expense</u>
Interest expense incurred on borrowings increased to ₱243.1 million from ₱117.0 million for the same period last year. This is partially due to full nine-month interest charges from $42.5 million intercompany advances from an affiliate obtained in October 2019. The ₱2.1 billion bridge loan of LapuLapu Land Corp. that was assumed by the Company when it acquired LapuLapu Land Corp in October 2019 also contributed to the increase.

<u>Interest income</u>
Interest income decreased to ₱8.0 million as compared to ₱20.1 million in 9M2019 due to lower escrow balance in the current period.

NET LOSS/TOTAL COMPREHENSIVE LOSS
The Group's net loss widened by ₱70.4 million to ₱336.4 million reflecting the full ramp-up of construction activity at Emerald Bay and financing-related expenses.

EARNINGS/ (LOSS) PER SHARE
Loss per share increased to ₱0.0702 in 2020 from ₱0.0555 for the same period in 2019 due to higher net loss reported by the Group.

Financial Position
(Comparison of September 30, 2020 and December 31, 2019)

	September 30	December 31	HORIZONTAL ANALYSIS Movement from prior period		VERTICAL ANALYSIS % of Total Assets/Liabilities&Equity	
	2020	2019	Change in Peso	Change in %	2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	₱ 119,362,725	₱ 224,973,403	(₱ 105,610,678)	-47%	0.74%	1.44%
Trade and other receivables	12,143,177	13,804,161	(1,660,984)	-12%	0.07%	0.09%
Advances to related parties	7,492,551	2,208,973	5,283,578	239%	0.05%	0.01%
Inventories	2,192,716	4,241,726	(2,049,010)	-48%	0.01%	0.03%
Prepayments and other current assets	45,989,971	46,655,628	(665,657)	-1%	0.28%	0.30%
Total Current Assets	187,181,140	291,883,891	(104,702,751)	-36%	1.15%	1.87%
Noncurrent Assets						
Property and equipment - at cost	6,432,987,830	5,334,258,192	1,098,729,638	21%	39.73%	34.09%
Land at revalued amount	7,552,344,305	7,552,344,305	0	0%	46.64%	48.27%
Right-of-use assets	52,939,349	63,442,773	(10,503,424)	-17%	0.33%	0.41%
Deposit for future property acquisition	26,812,449	26,812,449	–	0%	0.17%	0.17%
Cash in escrow	728,144,056	1,267,037,464	(538,893,408)	-43%	4.50%	8.10%
Input value-added tax	604,100,817	541,484,490	62,616,327	12%	3.73%	3.46%
Advances to suppliers	576,092,389	538,697,268	37,395,121	7%	3.56%	3.44%
Other noncurrent assets	31,071,503	30,797,054	274,449	1%	0.18%	0.19%
Total Noncurrent Assets	16,004,492,698	15,354,873,995	649,618,703	4%	98.84%	98.13%
TOTAL ASSETS	₱ 16,191,673,838	₱ 15,646,757,886	₱ 544,915,952	3%	99.99%	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	₱ 6,015,853,856	₱ 5,972,301,060	₱ 43,552,796	1%	37.15%	38.17%
Trade and other payables	1,295,727,293	674,880,385	620,846,908	92%	8.00%	4.31%
Advances from related parties	583,977,482	502,272,477	81,705,005	16%	3.61%	3.21%
Lease liabilities	31,035,708	18,190,634	12,845,074	71%	0.19%	0.12%
Total Current Liabilities	7,926,594,339	7,167,644,556	758,949,783	11%	48.95%	45.81%
Noncurrent Liabilities						
Loans payable - net of current portion	876,770,525	936,720,722	(59,950,197)	-6%	5.41%	5.99%
Advances from related parties	2,105,853,195	2,198,780,834	(92,927,639)	-4%	13.01%	14.05%
Retention payable	186,826,256	175,897,630	10,928,626	6%	1.15%	1.12%
Lease liabilities - net of current portion	44,523,622	53,969,044	(9,445,422)	-18%	0.27%	0.34%
Deferred tax liabilities- net	795,568,630	775,853,974	19,714,656	3%	4.92%	4.96%
Total Noncurrent Liabilities	4,009,542,228	4,141,222,204	(131,679,976)	-3%	24.76%	26.46%
Total Liabilities	11,936,136,567	11,308,866,760	627,269,807	6%	73.71%	72.27%
Equity						
Capital stock	4,793,266,504	4,793,266,504	–	0%	29.60%	30.63%
Subscription receivables	–	–	–	0%	0.00%	0.00%
Deposit for future stock subscription	2,833,000,000	2,579,000,000	254,000,000	10%	17.50%	16.48%
Revaluation Reserve	1,772,972,494	1,772,972,494	–	0%	10.95%	11.33%
Equity reserve	(4,126,935,056)	(4,126,935,056)	–	0%	-25.49%	-26.38%
Deficit	(1,016,766,671)	(680,412,816)	(336,353,855)	49%	-6.27%	-4.33%
Total Equity	4,255,537,271	4,337,891,126	(82,353,855)	-2%	26.29%	27.73%
TOTAL LIABILITIES AND EQUITY	₱ 16,191,673,838	₱ 15,646,757,886	544,915,952	3%	100.00%	100.00%

The total assets of the Group increased by ₱544.9 million (+3%) to ₱16.2 billion as of September 30, 2020 compared to ₱15.6 billion at December 31, 2019. The assets, liabilities and equity presented in the statement of financial position resulted mainly from the business acquisitions and group restructuring in 2018, and the capital investments, project construction, loan borrowings and pre-operating activities of the Group from 2017 - 2020.

CURRENT ASSETS

The Group's current assets decreased by ₱104.7 million to ₱187.2 million primarily due to decrease in cash balance.

NONCURRENT ASSETS

The Group's noncurrent assets increased by ₱649.6 million to ₱16.0 billion. This is due to the increase in (i) property and equipment by ₱1.1 billion; (ii) input value-added tax by ₱62.6 million; and, (iii) advances to suppliers by ₱37.4 million. These were partially offset by the transfer of cash in escrow of ₱539.0 million to Cash and cash equivalents.

Property and equipment increased by ₱1.1 billion in 9M2020 to ₱6.4 billion primarily due to the ongoing construction of Emerald Bay.

Right-of-use assets decreased by ₱10.5 million to ₱52.9 million due to the periodic depreciation recognized.

Cash in escrow declined to ₱728.1 million due to the transfer to Cash and cash equivalents and subsequent project-related payments.

Input-value added tax increased to ₱604.1 million from ₱541.5 million due to the additional VAT paid on purchases of goods and services of the Group which will be utilized against the Group's output VAT.

Advances to suppliers increased to ₱576.1 million from ₱538.7 million due to additional deposits or mobilization fees paid to contractors for the ongoing construction of Emerald Bay.

CURRENT LIABILITIES

The Group's current liabilities increased from ₱7.2 billion to ₱7.9 billion. This was due to the increase in (i) trade and other payables by ₱620.8 million; (ii) advances from related parties by ₱81.7 million; (iii) current loans payable by ₱43.6 million; and, (iv) lease liabilities by ₱12.8 million compared to December 31, 2019.

Trade and other payables increased to ₱1.3 billion from ₱674.9 million due to current billings related to the ongoing construction of Emerald Bay and the accrued interest as of period end.

Loans payable is higher by ₱43.6 million in 2020 due to the principal amortizations that will be due in the next twelve months.

Advances from related parties increased in 2020 from ₱502.3 million to ₱584.0 million to partially finance the ongoing construction of Emerald Bay and the operating requirements of the Group.

Current portion of lease liabilities of ₱31.0 million were recognized in compliance with the new accounting standard for leases, PFRS 16.

NONCURRENT LIABILITIES

The Group's noncurrent liabilities declined by ₱131.7 million to ₱4.0 billion as of September 30, 2020 from December 31, 2019 primarily due to the decrease in (i) loans payable by ₱60.0 million, (ii) advances from related parties by ₱92.9 million, and (iii) lease liabilities by ₱9.4 million, partially offset by the increase in retention payable by ₱10.9 million and deferred tax liabilities by ₱19.7 million.

Noncurrent portion of loans payable decreased to ₱876.8 million due to the reclassification from noncurrent to current of the quarterly principal payments due in the succeeding twelve months.

Noncurrent portion of office lease liabilities of ₱44.5 million was recognized in compliance with the new accounting standard for leases (PFRS 16).

The decrease in advances from related parties by ₱92.9 million pertain to the movement in the foreign exchange rate of the dollar denominated advances.

EQUITY

The Group's equity decreased by ₱82.4 million from ₱4.3 billion as of December 31, 2019 to ₱4.3 billion as of September 30, 2020 primarily due to the 9M2020 net loss of ₱336.4 million partially offset by the ₱254.0 million increase in deposit for future stock subscription from Udenna during the 1st quarter of 2020.

2.4 Liquidity and Capital Structure

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

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

Below is the table of consolidated cash flows of the Group for the nine months ended September 30, 2020 and September 30, 2019.

	For the Nine Months Ended September 30		**Movement from prior period**	
	2020	**2019**	Change in Peso	Change in %
Net cash provided by (used in) operating activities	₱ 11,534,889	₱ 459,865,393	(448,330,504)	-97%
Net cash provided by (used in) investing activities	(343,611,021)	(2,933,359,202)	2,589,748,181	-88%
Net cash provided by financing activities	233,143,015	1,826,621,960	(1,593,478,945)	-87%
Net increase (decrease) in cash and cash equivalents	(98,933,117)	(646,871,849)	547,938,732	-85%
Effect of foreign exchange on cash and cash equivalents	(6,677,561)	(631,826)	(6,045,735)	957%
Cash and cash equivalents at beginning of period	224,973,403	686,846,385	(461,872,982)	-67%
Cash and cash equivalents at end of period	₱ 119,362,725	₱ 39,342,710	80,020,015	203%

Net cash used in operating activities of ₱11.5 million for 9M2020 primarily represents payment of operating expenses. Net cash provided by operating activities was ₱459.9 million for 9M2019 due to improved payment terms from suppliers.

Net cash used in investing activities of ₱343.6 million for 9M2020 was primarily from ₱758.4 million of construction-related spending partially offset by cash provided from withdrawal of escrow of ₱506.8 million. For 9M2019, net cash used in investing activities was ₱2.9 billion primarily due to the deposits made for the acquisition of LLC and the construction-related spending.

Net cash provided by financing activities were ₱233.1 million for 9M2020 and ₱1.8 billion for 9M2019. These mainly represent the ₱254.0 million proceeds from the deposit for future stock subscription by Udenna and ₱81.7 million advances from related parties. These were partially offset by payments of interest, rentals, and auto mortgage loans.

Capital Sources

Below is the table showing the Group's capital sources as of September 30, 2020 and December 31, 2019.

	September 30	December 31	Movement from prior period	
	2020	2019	Increase (decrease)	Change in %
Loans payable*	₱ 6,892,624,381	₱ 6,909,021,782	(16,397,401)	-0.2%
Long-term intercompany loan	2,105,853,195	2,198,780,834	(92,927,639)	-4%
Capital stock	4,793,266,504	4,793,266,504	-	0.0%
Deposit for future stock subscription	2,833,000,000	2,579,000,000	254,000,000	10%
Total	₱ 16,624,744,080	₱ 16,480,069,120	144,674,960	0.88%

**Includes bridge loan facility*

On March 26, 2019, the Group received ₱2.6 billion representing additional deposits for future stock subscription from Udenna.

During the first quarter of 2020, the Group received from Udenna an additional ₱254.0 million representing deposits for future stock subscription.

2.5 Risk Related to Financial Instruments

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

2.6 Other Financial Information

Aging of Trade and other receivables

The Group's trade and other receivables of ₱12.4 million are all current and not yet past due as of September 30, 2020.

Dividends

No dividends were declared for the nine months ended September 30, 2020 and September 30, 2019.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None.

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

None

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

None

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

During the first quarter of 2020, the Philippine government implemented measures in a move to contain the COVID-19 outbreak. These measures have caused disruptions to businesses and economic activities and its impact on businesses continue to evolve. The outbreak of COVID-19 has adversely impacted Philippine economic activity in the subsequent period which has also directly impacted the operations of the Group. The Group reported net operating revenues of ₱9.6 million for 9M2020, an 81% decrease from ₱49.5 million for 9M2019. The decrease in revenues was primarily due to the temporary closure of the Donatela Resort caused by the COVID-19 pandemic.

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

This is already incorporated in the discussion under “Plan of Operations” and “Financial Position”.

Seasonal Aspects that has a Material Effect on the Financial Statements

None

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

The Group is required to complete investment commitments under the PAGCOR Provisional Licenses issued to L3 and CGLC. L3 is required to complete a minimum US$300.0 million investment commitment as the developer of Emerald Bay. CGLC is required to invest a minimum of US$200.0 million in the approved development in Clark Global City (the “Clark Investment Commitment”). The cost of the Emerald Bay and Clark Projects include land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project.

The Group is expected to rely on the following sources of funds for such expenditures: (1) financing lines provided by various creditors, (2) shareholder advances and/or paid-up capital; and (3) a planned equity offering.

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

This is already incorporated in the discussion under “Plan of Operations” and “Financial Position”.

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

PART II. OTHER INFORMATION

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

SIGNATURES

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

PH RESORTS GROUP HOLDINGS, INC.

By:

DENNIS A. UY
Chairman of the Board

RAYMUNDO MARTIN ESCALONA
President and Chief Executive Officer

LARA C. LORENZANA
Chief Financial Officer

Signed this 12 day of November 2020