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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **Overseas Regulatory Announcement: by an overseas listed subsidiary**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Suntrust Home Developers, Inc., a subsidiary of Suncity Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), published its unaudited quarterly report for the three months ended 30 June 2021 (the “**2<sup>nd</sup> Quarterly Report**”) on the website of PSE on 16 August 2021. The 2<sup>nd</sup> Quarterly Report is attached to this announcement for reference.

By order of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 16 August 2021

*As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*

1 0 6 8 3

S.E.C. Registration Number

S U N T R U S T H O M E  
D E V E L O P E R S , I N C .

(Company's Full Name)

2 6 T H F L R . A L L I A N C E G L O B A L  
T O W E R . 3 6 T H S T . C O R . 1 1 T H  
A V E N U E U P T O W N B O N I F A C I O  
T A G U I G C I T Y . M E T R O M A N I L A

(Business Address: No. Street City/ Town/ Province)

**NELILEEN S. BAXA**

Contact Person

**(623) 894-6300**

Company Telephone Number

1 2

Month Day  
Fiscal Year

3 1

S E C F O R M 1 7 - Q

FORM TYPE

10

Month Day  
Annual Meeting

**Last Tuesday**

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document I.D.

Cashier

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STAMPS

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# SUNTRUST HOME DEVELOPERS, INC.

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio  
Bonifacio Global City, Taguig City  
1634 Metro Manila  
Tel: (632) 894-6300

## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-Q

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

1. For the quarterly period ended: **30 June 2021**
2. Commission identification number: **10683**
3. BIR Tax Identification No.: **000-141-166**
4. Exact name of issuer as specified in its charter **SUNTRUST HOME DEVELOPERS, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office **26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City,** Postal Code **1634**
8. Issuer's telephone number, including area code **(632) 8 894-6300**
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

**Common Stock, P1.00 par value**

**7,250,000,000**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [ X ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**Common Shares**

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  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

1. Consolidated Statements of Financial Position (Exhibit 1)
2. Consolidated Statements of Income (Exhibit 2)
3. Consolidated Statements of Comprehensive Income (Exhibit 3)
4. Consolidated Statements of Changes in Equity (Exhibit 4)
5. Consolidated Statements of Cash Flows (Exhibit 5)

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Please see Exhibit 7

### **Item 3. Aging of Accounts Receivable**

Please see Exhibit 8

### **Item 4. Schedule of Financial Soundness Indicators**

Please see Exhibit 9

## **PART II--OTHER INFORMATION**

The Company is not in possession of any information which may, at its option, be reported under this item and which would otherwise be required to be filed in a report on SEC Form 17-C.

## 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.

**SUNTRUST HOME DEVELOPERS, INC.**

Issuer



By:

**NEOLI MAE L. KHO**

Treasurer (Principal Financial Officer  
and Duly Authorized Officer)

August 13, 2021

**EXHIBIT 1**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30 2021**  
*(With Corresponding Figures as of December 31, 2020)*  
*(Amounts in Philippine Pesos)*

<b>A S S E T S</b>	Notes	Unaudited June 30, 2021	Audited December 31, 2020
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		P 8,817,080,162	P 5,877,616,276
Prepayments and other current assets	6	423,908,940	29,437,269
Due from a related party	7	-	27,382,014
Total Current Assets		<u>9,240,989,102</u>	<u>5,934,435,559</u>
<b>NON-CURRENT ASSETS</b>			
Right-of-use assets - net	11	14,081,515,363	14,429,698,406
Prepayments and deposits for property and equipment	6	1,089,895,910	-
Property and equipment - net	5	4,937,457,865	1,976,103,364
Investment in an associate	1	-	153,728,294
Total Non-current Assets		<u>20,108,869,138</u>	<u>16,559,530,064</u>
<b>TOTAL ASSETS</b>		<u>P 29,349,858,240</u>	<u>P 22,493,965,623</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Loan from a related party	7	P 5,825,280,000	P -
Accrued expenses and other payables		1,273,387,332	292,499,838
Lease liabilities	11	30,592,359	-
Due to related parties	7	-	58,378,962
Total Current Liabilities		<u>7,129,259,691</u>	<u>350,878,800</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds payable	8	8,546,776,680	8,197,353,930
Lease liabilities	11	5,790,883,382	5,618,666,948
Retention payables		190,150,173	-
Total Non-current Liabilities		<u>14,527,810,235</u>	<u>13,816,020,878</u>
Total Liabilities		<u>21,657,069,926</u>	<u>14,166,899,678</u>
<b>EQUITY</b>	10	<u>7,692,788,314</u>	<u>8,327,065,945</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>P 29,349,858,240</u>	<u>P 22,493,965,623</u>

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*

**EXHIBIT 2**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

<u>Notes</u>	<b>2021 Unaudited Apr 1 - Jun 30</b>	<b>2021 Unaudited Jan 1 - Jun 30</b>	<b>2020 Unaudited Apr 1 - Jun 30</b>	<b>2020 Unaudited Jan 1 - Jun 30</b>
<b>COSTS AND EXPENSES</b>				
Operating expenses	P 27,332,100	P 47,641,282	P 3,425,675	P 26,802,973
Finance costs	276,159,146	524,072,993	-	-
Tax expense	<u>23,850,349</u>	<u>24,257,084</u>	<u>122,967</u>	<u>419,299</u>
	<u>327,341,595</u>	<u>595,971,359</u>	<u>3,548,642</u>	<u>27,222,272</u>
<b>OTHER INCOME (LOSS)</b>				
Foreign exchange loss - net	( 25,958,256 )	( 67,622,585 )	( 17,677,007 )	( 17,677,007 )
Finance income	2,256,215	4,294,264	614,881	2,096,540
Gain on sale of investment in an associate	3,236,142	3,236,142	-	-
Equity in net (loss) earnings of an associate	<u>-</u>	<u>( 3,236,142 )</u>	<u>4,307,453</u>	<u>5,832,241</u>
	<u>( 20,465,899 )</u>	<u>( 63,328,321 )</u>	<u>( 12,754,673 )</u>	<u>( 9,748,226 )</u>
<b>NET LOSS</b>	<u>( P 347,807,494 )</u>	<u>( P 659,299,680 )</u>	<u>( P 16,303,315 )</u>	<u>( P 36,970,498 )</u>
<b>Loss Per Share –</b>				
<b>Basic and Diluted</b>	9 ( P 0.0480 )	( P 0.0909 )	( P 0.0022 )	( P 0.0051 )

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Fortune Noble Limited)*  
 INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020  
*(Amounts in Philippine Pesos)*

	2021 Unaudited Apr 1 - Jun 30	2021 Unaudited Jan 1 - Jun 30	2020 Unaudited Apr 1 - Jun 30	2020 Unaudited Jan 1 - Jun 30
NET LOSS	( P 347,807,494 )	( P 659,299,680 )	( P 16,303,315 )	( P 36,970,498 )
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	<u>19,303,810</u>	<u>25,022,049</u>	( <u>231,470</u> )	( <u>231,470</u> )
TOTAL COMPREHENSIVE LOSS	( <u>P 328,503,684</u> )	( <u>P 634,277,631</u> )	( <u>P 16,534,785</u> )	( <u>P 37,201,968</u> )

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*



**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u>	<u>Convertible Bonds Equity Reserve</u>	<u>Exchange Reserve</u>	<u>Revaluation Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2021 (Audited)	P 5,862,500,010	P 4,592,867,070	P 4,336,876	P 460,033	( P 2,133,098,044 )	P 8,327,065,945
Total comprehensive income (loss) for the period	-	-	25,022,049		( 659,299,680 )	( 634,277,631 )
Reclassification of equity in other comprehensive income of an associate	-	-	-	( 460,033 )	460,033	-
Balance at June 30, 2021 (Unaudited)	<b><u>P 5,862,500,010</u></b>	<b><u>P 4,592,867,070</u></b>	<b><u>P 29,358,925</u></b>	<b><u>P -</u></b>	<b><u>( P 2,791,937,691 )</u></b>	<b><u>P 7,692,788,314</u></b>
Balance at January 1, 2020 (Audited)	P 3,312,500,000	P -	P -	P 460,033	( P 1,921,552,776 )	P 1,391,407,257
Total comprehensive loss for the period	-	-	( 231,470 )	-	( 36,970,498 )	( 37,201,968 )
Collection of subscriptions receivable	<u>2,487,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,487,000,000</u>
Balance at June 30, 2020 (Unaudited)	<b><u>P 5,799,500,000</u></b>	<b><u>P -</u></b>	<b><u>( P 231,470 )</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 1,958,523,274 )</u></b>	<b><u>P 3,841,205,289</u></b>

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	Unaudited June 30, 2021	Unaudited June 30, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		( P 635,042,596 )	( P 36,551,199 )
Adjustments for:			
Finance costs		524,072,997	-
Unrealized foreign exchange loss		65,837,169	17,444,412
Depreciation and amortization	5, 11	11,483,000	106,546
Finance income		( 4,294,264 )	( 2,096,540 )
Gain on sale of investment in an associate	1	( 3,236,142 )	-
Equity in net loss (earnings) of an associate		3,236,142	( 5,832,241 )
Operating loss before working capital changes		( 37,943,694 )	( 26,929,022 )
Decrease (increase) in prepayments and other current assets		( 394,556,325 )	2,914,239
Decrease in due from related parties		27,382,014	25,323
Decrease in accrued expenses and other payables		( 23,366,808 )	( 55,570,239 )
Cash used in operations		( 428,484,813 )	( 79,559,699 )
Interest received		4,294,264	2,147,324
Cash paid for taxes		( 844,194 )	( 419,299 )
Net Cash Used in Operating Activities		( 425,034,743 )	( 77,831,674 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment - net		( 1,645,314,174 )	( 1,796,313 )
Placement for prepayments and deposits for property and equipment		( 899,416,842 )	( 184,212,496 )
Proceeds from sale of investment in an associate	1	153,728,294	-
Increase in deposits		-	( 3,305,040,000 )
Net Cash Used in Investing Activities		( 2,391,002,722 )	( 3,491,048,809 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loan from a related party	7	5,738,640,000	-
Increase (decrease) in due to related parties		( 58,378,962 )	22,813,608
Payments of lease liabilities (including interest)	11	( 10,928,610 )	-
Proceeds from stock subscriptions		-	2,487,000,000
Net Cash From Financing Activities		5,669,332,428	2,509,813,608
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,853,294,963</b>	<b>( 1,059,066,875 )</b>
<b>EFFECTS ON FOREIGN EXCHANGE RATE CHANGES</b>		<b>86,168,923</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT BEGINNING OF THE PERIOD</b>		<b>5,877,616,276</b>	<b>1,278,214,939</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>P 8,817,080,162</b>	<b>P 219,148,064</b>

**Supplemental Information on Non-cash Investing Activities:**

- 1) The Group acquired property and equipment amounting to P2,417.51 million, P772.15 million of which remain unpaid as of June 30, 2021 (see Note 5).
- 2) In 2021, the Group capitalized depreciation of right-of-use assets and borrowing costs amounting to P386.51 million and P150.11 million, respectively, in relation to the construction of the Main Hotel Casino (see Note 5).

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Company Background***

Suntrust Home Developers, Inc. (Parent Company or Suntrust) was incorporated in the Philippines on January 18, 1956 (extended for another 50 years starting January 18, 2006) to primarily engage in real estate development. The Parent Company is a publicly listed entity in the Philippines. On October 25, 2019 and December 17, 2019, respectively, the Board of Directors (BOD) and stockholders approved the amendment of the Parent Company's primary and secondary purposes, as presented in the Articles of Incorporation, to allow the Parent Company to focus on tourism-related businesses. This change was subsequently approved by the Philippine Securities and Exchange Commission (SEC) on June 17, 2020.

In line with the change in business plans to enter into tourism-related businesses, a co-development agreement (CDA) was entered into by the Parent Company and Westside City Resorts World, Inc. (Westside), a related party under common ownership to continue the latter's development, construction, operation and management of casino and related businesses. Subject to the completion of commitments from both sides, which were satisfied in December 2020, the Parent Company paid US\$200 million for the reimbursement of construction works previously incurred by the related party and usage of the property during the construction period. The payment has been initially treated as refundable deposit until the completion of commitments from both entities at which time the amount was allocated between construction in progress (CIP) and right-of-use asset (ROUA).

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune Noble) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune Noble became the parent company of Suntrust. Fortune Noble is incorporated in the British Virgin Islands and is a subsidiary of Suncity Group Holdings Limited (Suncity), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged (i) through Summit Ascent Holdings Limited and its subsidiaries, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation; (ii) provision of travel related products and services and aircraft chartering services; (iii) provision of hotel and integrated resort general consultancy services; (iv) property development in the People's Republic of China (PRC) and Japan; and (v) property leasing and management and operation of malls in the PRC. The ultimate parent company is Fame Select Limited (Fame Select), a private company incorporated in the British Virgin Islands and is primarily engaged in investment holding.

The Parent Company's registered office, which is also its principal place of business, is located at 26th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City.

The registered office and principal place of business of Fortune Noble is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Suncity's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Fame Select's registered office and principal place of business is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Parent Company's administrative functions are being handled by Suncity and Megaworld at no cost to the Parent Company.

Suntrust holds ownership interests in the following subsidiaries and associate:

	Explanatory Notes	Effective Percentage of Ownership	
		June 2021	December 2020
<b>Subsidiaries:</b>			
SWC Project Management Limited	(a)	100%	100%
WC Project Management Limited	(b)	100%	100%
Suncity WC Hotel Inc.	(c)	100%	-
<b>Associate:</b>			
First Oceanic Property Management, Inc. (FOPM)	(d)	-	24.27%

Explanatory Notes:

- (a) Incorporated in Hong Kong on January 20, 2020 to engage in provision of project management services
- (b) Incorporated in Macau on February 17, 2020 to engage in provision of project management services
- (c) Incorporated in the Philippines on January 19, 2021 to engage in in the business of establishing, constructing, operating, managing, and/or maintaining hotels, health and wellness shops, cinema, car parks, entertainment centers, amusement centers and other tourism-related facilities and all its incidental and allied facilities and services, and to own (other than land), hold, lease or sublease any real and personal property, which may be necessary or convenient for the conduct of its businesses.
- (d) Incorporated in the Philippines on January 31, 1990 to engage primarily in the management of real estate properties. In 2021, Suntrust has disposed of its ownership interest in FOPM (see Note 1.2)

## 1.2 Sale of Investment in an Associate

On March 25, 2021, an agreement for sale and purchase (FOPM SP Agreement) was entered into between the Parent Company and Asian E-Commerce, Inc. (Asian E-Commerce), which is 50%-owned by a non-controlling shareholder of Suntrust. Pursuant to the FOPM SP Agreement, the Parent Company agreed to sell and Asian E-Commerce agreed to purchase the Parent Company's remaining 24.27% equity interest in FOPM and its subsidiary, Citylink Coach Services, Inc. (FOPM Group) at a consideration of P153.73 million.

On April 16, 2021, the Parent Company and Asian E-Commerce executed the relevant deed of absolute sale of shares in relation to the Parent Company's 24.27% equity interest in FOPM. The sale of shares in FOPM resulted to the derecognition of the Group's investment in an associate for FOPM Group. Total gain on sale of investment in an associate amounted to P3.24 million.

### **1.3 COVID-19 Outbreak**

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions. However, the Group's business operations have been affected minimally as its hotel and casino are still in the preliminary construction phase. The construction works of the pile cap and the basement of the Main Hotel Casino were in progress. The Main Hotel Casino is still expected to commence operations in 2023.

## **2. BASIS OF PREPARATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial statements are summarized below. The policies have been consistently applied to all periods presented, unless otherwise stated.

### **2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements for the six months ended June 30, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2020.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group and all values represent absolute amounts except when otherwise indicated.

### **2.2 Adoption of New and Amended PFRS**

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as of and for the year ended December 31, 2020.

### 4. SEGMENT REPORTING

#### *4.1 Business Segments*

The Group's operating businesses are organized and managed separately according to the services provided, with each segment representing a unit that offers different services and serves different markets. For management purposes, the Group is organized into two major business segments, namely property management and rental, and in 2020, tourism-related business following the change in the primary purpose of the Parent Company. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) Tourism-related business – is the development and operation of the Main Hotel Casino.
- (b) Property Management and Rental – is the operation, control of (usually on behalf of an owner) and oversight of commercial, industrial or residential real estate as used in its most broad terms. It also consists of rental from leasing activity of Parent Company and transportation services of Citylink.

The segment results also include the equity share in net earnings of an associate operating in the same industry.

#### *4.2 Segment Assets and Liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, ROUA, property and equipment, prepayments and deposits for property and equipment, receivables, net of allowances and due from related parties. Segment liabilities include all operating liabilities and consist principally of lease liabilities, convertible bonds payable, accrued expenses and other payables and due to related parties.

The business segment information of the Group as of and for the periods ended June 30, 2021 and 2020 are as follows:

**Period ended June 30, 2021 (Unaudited)**

	<u>Tourism- related Business</u>	<u>Property Management and Rental</u>	<u>Total</u>
Income:			
Finance and other income	P 4,294,264	P -	P 4,294,264
Gain on sale of interest of an associate	<u>-</u>	<u>3,236,142</u>	<u>3,236,142</u>
	4,294,264	3,236,142	7,530,406
Expenses	( 47,641,282)	-	( 47,641,282)
Equity in net loss of an associate	-	( 3,236,142)	( 3,236,142)
Foreign exchange loss - net	( 67,622,585)	-	( 67,622,585)
Finance costs	( 524,072,993)	<u>-</u>	( 524,072,993)
Loss before tax	( 635,042,596)	-	( 635,042,596)
Tax expense	( 24,257,084)	<u>-</u>	( 24,257,084)
Net loss	<b><u>(P 659,299,680)</u></b>	<b><u>P -</u></b>	<b><u>(P 659,299,680)</u></b>

**As at June 30, 2021 (Unaudited)**

Segment assets	<b><u>P29,349,858,240</u></b>	<b><u>P -</u></b>	<b><u>P29,349,858,240</u></b>
Segment liabilities	<b><u>P21,657,069,926</u></b>	<b><u>P -</u></b>	<b><u>P21,657,069,926</u></b>

**Period ended June 30, 2020 (Unaudited)**

Income:			
Equity in net earnings of an associate	P -	P 5,832,241	P 5,832,241
Finance and other income	<u>2,096,540</u>	<u>-</u>	<u>2,096,540</u>
	2,096,540	5,832,241	7,928,781
Expenses	( 26,802,973)	-	( 26,802,973)
Foreign exchange loss - net	( 17,677,007)	<u>-</u>	( 17,677,007)
Profit (loss) before tax	( 42,383,440)	5,832,241	( 36,551,199)
Tax expense	( 419,299)	<u>-</u>	( 419,299)
Net profit (loss)	<b><u>(P 42,802,739)</u></b>	<b><u>P 5,832,241</u></b>	<b><u>(P 36,970,498)</u></b>

**As at December 31, 2020 (Audited)**

Segment assets	<b><u>P22,312,855,315</u></b>	<b><u>P 181,110,308</u></b>	<b><u>P 22,493,965,623</u></b>
Segment liabilities	<b><u>P 14,166,899,678</u></b>	<b><u>P -</u></b>	<b><u>P 14,166,899,678</u></b>

## 5. PROPERTY AND EQUIPMENT

Details of property and equipment as at June 30, 2021 (unaudited) and December 31, 2020 (audited) are as follows:

	Office and Communication Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost:					
Balance at January 1, 2021	P 2,464,044	P 439,406	P 444,992	P1,973,631,401	P1,976,979,843
Additions during the period	444,509	541,451	196,212	2,952,943,437	2,954,125,609
Disposal during the period	( 44,073)	-	-	-	( 44,073)
Exchange difference	20,758	5,852	4,303	7,988,963	8,019,876
Balance at June 30, 2021	<b>P 2,885,238</b>	<b>P 986,709</b>	<b>P 645,507</b>	<b>P4,934,563,801</b>	<b>P4,939,081,255</b>
Accumulated Depreciation:					
Balance at January 1, 2021	P 505,547	P 51,190	P 319,742	P -	P 876,479
Depreciation during the period	517,262	90,032	133,862	-	741,156
Disposal during the period	( 4,217)	-	-	-	( 4,217)
Exchange difference	6,106	806	3,060	-	9,972
Balance at June 30, 2021	<b>P 1,024,698</b>	<b>P 142,028</b>	<b>P 456,664</b>	<b>P -</b>	<b>P 1,623,390</b>
Net book values					
June 30, 2021 (Unaudited)	<b>P 1,860,540</b>	<b>P 844,681</b>	<b>P 188,843</b>	<b>P4,934,563,801</b>	<b>P4,937,457,865</b>
December 31, 2020 (Audited)	<b>P 1,958,497</b>	<b>P 388,216</b>	<b>P 125,250</b>	<b>P1,973,631,401</b>	<b>P1,976,103,364</b>

Total borrowing costs and depreciation of ROUA capitalized as CIP for the period ended June 30, 2021 amounted P150.11 million and P386.51 million, respectively (nil in 2020). The capitalization rate used was based on effective interest rates of applicable general borrowings ranging from 6% to 14%.

## 6. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Input value-added tax (VAT)	<b>P 268,942,964</b>	26,349,478
Deferred input VAT	<b>103,316,259</b>	1,433,838
Prepaid insurance	<b>34,394,291</b>	-
Refundable deposits	<b>15,958,393</b>	624,996
Others	<b>1,297,033</b>	1,028,957
	<b>423,908,940</b>	29,437,269
Non-current:		
Deposits for property and equipment	<b>1,039,734,540</b>	-
Prepaid insurance	<b>50,161,370</b>	-
	<b>1,089,895,910</b>	-
	<b>P 1,513,804,850</b>	P 29,437,269

Deposit for property and equipment includes advances to contractors and suppliers in relation to the construction of the Main Hotel Casino.



## 7. RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, which include stockholders, related parties under common ownership and intermediate parent company, are described below and in the succeeding page.

Notes	Amount of Transactions		Receivable (Payable)	
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Stockholders:</b>				
Issuance of convertible bonds	8	P -	P -	(P 4,540,145,757) (P 4,306,781,001)
Shareholder's interest	7.4	-	-	( 93,706,314) ( 93,706,314)
Payment of excess proceeds	7.1	( 18,741,962)	-	( 18,741,962)
Payment for investment property	7.2	( 27,382,014)	-	27,382,014
Subscription of shares	7.3	-	-	1,387,499,990
Advances obtained	7.1	-	22,813,608	1,387,499,990
Payment of advances	7.1	-	( 25,343)	-
<b>Related Parties Under Common Ownership:</b>				
Issuance of convertible bonds	8	-	-	( 4,006,630,923) ( 3,890,572,929)
Short-term loan	7.5	-	-	( 5,825,280,000) -
Interest on short-term loan	7.5	41,955,958	-	( 33,706,825) -
Payment of excess proceeds	7.1	( 39,637,000)	-	( 39,637,000)
Interest on convertible bonds	8	168,000,000	-	( 134,400,000) -
<b>Intermediate Parent Company:</b>				
Advances obtained	7.1	-	1,355,368	-

### 7.1 Due to Related Parties

In 2020, the Group received unsecured, noninterest-bearing cash advances from certain related parties for financial capital purposes, which is payable upon demand or within one year. Such advances were settled in the same year.

In 2020, the Parent Company also received excess proceeds from the issuance of the convertible bonds which are due to be remitted back to the bond holders. The outstanding balance are non-interest bearing, unsecured and repayable in cash within 12 months and are presented as Due to related parties in the 2020 consolidated statement of financial position. In 2021, the outstanding balance was fully settled by the Parent Company.

### 7.2 Due from a Related Party

In 2019, the Parent Company sold its investment property to a shareholder. The outstanding balance arising from this transaction, which is non-interest bearing, unsecured and collectible in cash on demand, is presented as Due from a related party in the 2020 consolidated statement of financial position. In 2021, the shareholder settled the amount in full.

### 7.3 Subscription Receivable

As of June 30, 2021, the Parent Company has outstanding subscription receivable arising from the subscription of its shares in 2019. The Subscription Receivable account is offset against Capital Stock account shown in the interim condensed consolidated statements of changes in equity.

#### **7.4 Shareholder's Loan Agreement with Fortune Noble**

On July 23, 2020, the Parent Company entered into a shareholder's loan agreement with Fortune Noble for P7,300.0 million to support the construction and development of the Main Hotel Casino. On December 30, 2020, the outstanding loan balance pursuant to the shareholder's loan agreement amounting to P5,400.7 million was setoff against the proceeds of the issuance of the convertible bonds. As at December 31, 2020, the shareholder's loan has been effectively fully paid.

Interest payable in connection with the loan amounting to P93.71 million which remained unpaid as of June 30, 2021 is presented as part of Accrued expenses and other payable account in the interim condensed consolidated statement of financial position.

#### **7.5 Loan Agreement with Summit Ascent**

On February 23, 2021, the Parent Company, as borrower, entered into a Loan Agreement for the principal sum of up to US\$120.0 million at the interest rate of 6.00% per annum, payable three (3) months after the date of drawing, with Summit Ascent Investments Limited (Summit Ascent), a related party under common ownership. On May 18, 2021, the Parent Company drew the entire principal sum of US\$120.0 million. As of June 30, 2021, the outstanding balance of the loan amounted to P5,825.28 million and is presented as loan from a related party in the interim condensed consolidated statement of financial position. Total interest expense and unrealized foreign exchange loss incurred during the period amounted to P41.96 million and P86.64 million, respectively and is presented as part of Finance costs and Foreign exchange loss - net, respectively, in the interim condensed consolidated statement of income.

### **8. CONVERTIBLE BONDS PAYABLE**

On May 29, 2020, the Parent Company entered into a subscription agreement with Fortune Noble for the issuance of zero-coupon convertible bonds at a total subscription price of P7,300.0 million. The convertible bonds were issued on December 30, 2020 and is convertible into 6,636,363,636 shares at the conversion price of P1.10 per share, subject to anti-dilutive adjustments.

On June 1, 2020, the Parent Company also entered into a subscription agreement with Summit Ascent for the issuance of 6.0% convertible bonds at a total subscription price of P5,600.0 million. The convertible bonds were issued on December 30, 2020 and is convertible into 3,111,111,111 shares at the conversion price of P1.80 per share, subject to anti-dilutive adjustments.

Both convertible bonds are payable up to 2025, which may subject to agreement by Fortune Noble and Summit Ascent, upon request of the Parent Company, be extended up to 2030.

The carrying amounts of the financial liability components, calculated based on the fair value of the principal at initial recognition, less any directly attributable transaction costs together with subsequent amortized interest at June 30, 2021 and December 31, 2020 are presented in the succeeding page:

	<u>Fortune Noble</u>	<u>Summit Ascent</u>	<u>Total</u>
Face value of the bonds issued	P 7,300,000,000	P 5,600,000,000	P 12,900,000,000
Bond issue costs	( 62,123,000)	( 47,656,000)	( 109,779,000)
Net proceeds	7,237,877,000	5,552,344,000	12,790,221,000
Amount classified as equity	( 2,931,095,999)	( 1,661,771,071)	( 4,592,867,070)
Carrying amount of liability at December 31, 2020 (Audited)	4,306,781,001	3,890,572,929	8,197,353,930
Amortized interest for the period	<u>233,364,756</u>	<u>116,057,994</u>	<u>349,422,750</u>
<b>Carrying amount of liabilities at June 30, 2021 (Unaudited)</b>	<b><u>P 4,540,145,757</u></b>	<b><u>P 4,006,630,923</u></b>	<b><u>P 8,546,776,680</u></b>

For the period ended June 30, 2021, the Parent Company accrued P168.0 million interest related to Summit Ascent's convertible bonds and included as part of Accrued expenses and other payables in the interim condensed consolidated statement of financial position.

## 9. LOSS PER SHARE

Loss per share amounts were computed as follows:

	<u>Period ended June 30, 2021 (Unaudited)</u>	<u>Period ended June 30, 2020 (Unaudited)</u>
Net loss	(P 659,299,680)	(P 36,970,498)
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>7,250,000,000</u>
Basic and diluted loss per share	<b><u>(P 0.0909)</u></b>	<b><u>(P 0.0051)</u></b>

For the period ended June 30, 2021, the computation of diluted loss per share did not assume the conversion of the outstanding convertible bonds of the Parent Company since the conversion of the outstanding convertible bonds would result in decrease in diluted loss per share.

The Group has no dilutive potential shares as of June 30, 2020.

## 10. EQUITY

The details of this account as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30, 2021 (Unaudited)</u>	<u>December 31, 2020 (Audited)</u>
Capital stock	P 5,862,500,010	P 5,862,500,010
Convertible bonds equity reserve	4,592,867,070	4,592,867,070
Exchange reserve	29,358,925	4,336,876
Revaluation reserve	-	460,033
Deficit	( 2,791,937,691)	( 2,133,098,044)
	<b><u>P 7,692,788,314</u></b>	<b><u>P 8,327,065,945</u></b>

## 11. COMMITMENTS AND CONTINGENCIES

### 11.1 Co-Development and Lease Agreements with a Related Party Under Common Ownership

In 2019, the Parent Company entered into a CDA with a related party under common ownership, with respect to the development of a hotel and casino. Under this agreement, the Parent Company is to raise funds of not less than US\$300.0 million within 5 months (as further extended to December 31, 2020 by five supplemental agreements to the CDA), US\$200.0 million (P9,853.7 million) of which is payment for the initial cost of the project. As of December 31, 2020, the Parent Company was able to raise the funds as required. The US\$200.0 million initial cost of the project has been fully paid and was allocated to ROUA and CIP in the amounts of P8,811.0 million and P1,042.7 million, respectively.

On February 21, 2020, and in relation to the CDA, the Parent Company entered into a lease agreement with a related party under common ownership, over three parcels of land. The lease agreement provides for an original term of until August 19, 2039 (19 years) and is renewable automatically for another 25 years subject to applicable laws and upon agreement by both parties.

The related annual rental is set at US\$10.6 million which is payable starting from the latter of the first day of commencement of the operation of the Main Hotel Casino and the fulfilment of the conditions precedent or such other dates as may mutually agreed upon by both parties. Management estimated that its cash flow for the annual rental will start in 2023, which is the target commencement date of operations of the Main Hotel Casino, hence no payment will be made on the first two years of the lease.

The carrying amount of the Group's ROUA as at June 30, 2021 and December 31, 2020 and movements during the periods are shown below.

	<u>Note</u>	<b>Period ended June 30, 2021 (Unaudited)</b>	Year ended December 31, 2020 (Audited)
Balance at beginning of period/year		<b>P 14,429,698,406</b>	P -
Additions		<b>48,892,688</b>	14,429,698,406
Depreciation capitalized as construction in progress	5	<b>( 386,509,779)</b>	-
Depreciation charged to profit or loss		<b>( 10,741,844)</b>	-
Exchange difference		<b>175,892</b>	-
		<b><u>P 14,081,515,363</u></b>	<b><u>P 14,429,698,406</u></b>

The carrying amount of the Group's lease liabilities as at June 30, 2021 and December 31, 2020 and movements during the periods are shown below.

		<b>Period ended June 30, 2021 (Unaudited)</b>	Year ended December 31, 2020 (Audited)
Balance at beginning of period/year		<b>P 5,618,666,948</b>	P -
Leases entered during the period/year		<b>48,467,832</b>	5,618,666,948
Interest during the period/year		<b>114,805,117</b>	-
Payment during the period/year		<b>( 10,928,610)</b>	-
Exchange difference		<b>50,464,454</b>	-
		<b><u>P 5,821,475,741</u></b>	<b><u>P 5,618,666,948</u></b>

The lease liabilities are presented in the interim condensed consolidated statements of financial position as follows:

	<u>June 30, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Current	<b>P 30,592,359</b>	P -
Non-current	<b><u>5,790,883,382</u></b>	<u>5,618,666,948</u>
	<b><u>P 5,821,475,741</u></b>	<u>P 5,618,666,948</u>

In 2021, the Group has leases covering its office facilities with recognized ROUA and lease liabilities.

### ***11.2 Operation and Management Agreement with a Related Party Under Common Ownership***

On May 4, 2020, the Parent Company entered into an Operation and Management Agreement with a related party under common ownership whereby the Parent Company shall operate and manage the Main Hotel Casino which is expected to commence operation in 2023. The agreement is effective upon the execution date of May 4, 2020 until July 11, 2033 and may be extended or renewed as mutually agreed upon by both parties.

### ***11.3 Capital Commitments***

As of June 30, 2021, the Group has commitments of about P25,832.96 million for the construction of the Main Hotel Casino pursuant to the CDA.

## **12. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's risk management is coordinated with the BOD and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

Exposure to foreign currency interest rate, credit and liquidity risk arise in the ordinary course of the Group's business activities. The main objective of the Group's risk management is to identify, monitor, and minimize those risks and to provide cost with a degree of certainty.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below and in the succeeding pages.

### ***12.1 Foreign Currency Risk***

Most of the Group's transactions are carried out in Philippine pesos (Php), its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated cash, due to related parties, accrued expenses and other payables and lease liabilities which are primarily denominated in U.S. Dollar (US\$) and Hong Kong Dollar (HKD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate as of June 30, 2021, are as follows:

	<u>US\$</u>	<u>Php Equivalent</u>	<u>HKD</u>	<u>Php Equivalent</u>
Financial assets	98,666,353	4,789,659,441	175,853,156	1,099,732,882
Financial liabilities	( 239,827,037)	( 11,642,163,684)	( 8,498,344)	( 53,146,094)
	<u>( 141,160,684)</u>	<u>( 6,852,504,243)</u>	<u>167,354,812</u>	<u>1,046,586,788</u>

The sensitivity of the loss before tax for the period with regard to the Group's financial assets and the US\$ – Philippine peso exchange rate assumes a +/- 9.52% change in exchange rate while the HKD – Philippine peso exchange rate assumes a +/- 9.71% change for the period ended June 30, 2021. These percentages have been determined based on the average market volatility in exchange rates in the previous year, respectively, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the US\$, with all other variables held constant, consolidated loss before tax would have decreased by P652.36 million. If the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated loss before tax would have increased by P101.62 million.

However, if the Philippine peso had weakened against the US\$ and HKD by the same percentages, consolidated net loss would have changed at the opposite direction by the same amounts.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

The Group's exposure to foreign currency risk as at June 30, 2020 was not significant.

## **12.2 Interest Rate Risk**

As at June 30, 2021 and December 31, 2020, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are non-interest bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's interim condensed consolidated financial statements since the interest rates have shown insignificant changes during the periods and the Group's interest income from cash and cash equivalents amounts only to P4.29 million and P2.10 million for the period ended June 30, 2021 and 2020, respectively.

## **12.3 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The credit risk for cash and cash equivalents and due from related parties are considered negligible, since the counterparties are reputable banks with high quality external credit ratings and amounts due from related parties were fully collected in April 2021.

#### 12.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six months and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Group's financial liabilities as at June 30, 2021 and December 31, 2020 reflecting the gross cash flows, which may differ from the carrying values of the liabilities at the end of reporting periods.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 19 Years
<b>June 30, 2021 (Unaudited)</b>			
Accrued expenses and other payables	P 1,232,769,851	P -	P -
Loan from a related party	5,870,703,242	-	-
Lease liabilities	15,735,685	15,735,685	8,401,558,433
Retention payables	-	-	190,150,173
Convertible bonds payable	-	-	14,580,000,000
	<b>P 7,119,208,778</b>	<b>P 15,735,685</b>	<b>P 23,171,708,606</b>
<b>December 31, 2020 (Audited)</b>			
Accrued expenses and other payables	P 187,672,733	P -	P -
Due to related parties	58,378,962	-	-
Lease liabilities	-	-	8,320,012,591
Convertible bonds payable	-	-	14,580,000,000
	<b>P 246,051,695</b>	<b>P -</b>	<b>P 22,900,012,591</b>

The Group's convertible bonds payable presented above assumed that the holders did not execute the conversion option. If the bonds were converted, there would be no cash outflow upon maturity of the bonds.

### 13. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

#### 13.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown in the succeeding page.

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	P 8,817,080,162	P 8,817,080,162	P 5,877,616,276	P 5,877,616,276
Due from related parties	-	-	27,382,014	27,382,014
Other current assets	717,971	717,971	93	93
	<u>P 8,817,798,133</u>	<u>P 8,817,798,133</u>	<u>P 5,904,998,383</u>	<u>P 5,904,998,383</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Accrued expenses and other payables	P 1,232,769,851	P 1,232,769,851	P 187,672,733	P 187,672,733
Due to related parties	-	-	58,378,962	58,378,962
Retention payables	190,150,173	190,150,173	-	-
Loan from a related party	5,825,280,000	5,825,280,000	-	-
Lease liabilities	5,821,475,741	5,821,475,741	5,618,666,948	5,618,666,948
Convertible bonds payable	8,546,776,680	10,057,868,711	8,197,353,930	8,197,353,930
	<u>P 21,616,452,445</u>	<u>P 23,127,544,476</u>	<u>P 14,062,072,573</u>	<u>P 14,062,072,573</u>

### 13.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

## 14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders in the future.

The Group also monitors capital on the basis of the carrying amount of equity as presented on the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.



## MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### RESULTS OF OPERATIONS

#### Review of June 30, 2021 versus June 30, 2020

On January 20, 2020, the Parent Company established SWC Project Management Limited, a new wholly owned subsidiary in Hong Kong. In addition, on February 17, 2020, the Parent Company also established WC Project Management Limited, also a new wholly owned subsidiary, in Macau. Both subsidiaries are engaged in provision of project management services.

On January 19, 2021, the SEC approved the incorporation of Suncity WC Hotel Inc. (WC Hotel), a new wholly owned subsidiary in the Philippines. The subsidiary will be engaged in the business of establishing, constructing, operating, managing, and/or maintaining hotels, health and wellness shops, cinema, car parks, entertainment centers, amusement centers and other tourism-related facilities and all its incidental and allied facilities and services, and to own (other than land), hold, lease or sublease any real and personal property, which may be necessary or convenient for the conduct of its businesses. As of June 30, 2021, WC Hotel is still in pre-operating stage and has not commenced commercial operations.

The Group's total finance income exhibited an increase of Php2.19 million or 104.29% from Php2.10 million in 2020 to Php4.29 million in 2021 of the same period.

Operating expenses exhibited an increase of Php20.84 million or 77.76% from Php26.80 million in 2020 to Php47.64 million in 2021.

Finance costs in during the current period amounted to Php524.07 million while finance costs is nil in 2020 of the same period.

Foreign exchange loss exhibited an increase of Php49.94 million or 282.47% from Php17.68 million in 2020 to Php67.62 million in 2021 of the same period.

The Group's incurred a net loss in 2021 amounting to Php659.30 million from the previous period's net loss of Php36.97 million or Php622.33 million increase.

### FINANCIAL CONDITION

#### As of June 30, 2021 and December 31, 2020

The Group's total resources amounted to Php29,349.86 million in 2021 from Php22,493.97 million in 2020. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets increased by Php3,306.55 million or 55.72% from Php5,934.44 million in 2020 to Php9,240.99 million in 2021. Cash and cash equivalents increased by Php2,939.46 million or 50.01% from Php5,877.62 million in 2020 to Php8,817.08 million in 2021. Due to related parties decreased by P27.38 million or 100% from P27.38 million in 2020 to nil in 2021. Other current assets increased by Php394.47 million or 1,339.91% from Php29.44 million in 2020 to Php423.91 million in 2021.

Non-current assets increased by Php3,549.34 million or 21.43% from Php16,559.53 million in 2020 to Php20,108.87 million in 2021. Investment in an associate decreased by Php153.73 million or 100.00% from Php153.73 million in 2020 to nil in 2021. Property and equipment increased by Php2,961.36 million or 149.86% in 2021 from Php1,976.10 million in 2020 to Php4,937.46 million in 2021. Prepayments and deposits for property and equipment increased by Php1,089.90 million.

The Group's total liabilities amounted to Php21,657.07 million in 2021 from Php14,166.90 million in 2020 or an increase of Php7,490.17 million or 52.87%.

Current liabilities increased by Php6,778.38 million or 1,931.82% from Php350.88 million in 2020 to Php7,129.26 million in 2021. Accrued expenses and other payables exhibited an increase of Php980.89 million or 335.35% from Php292.50 million in 2020 to Php1,273.39 million in 2021. Loan from a related party increased by P5,825.28 million in 2021 from nil in 2020. Due to related parties decreased by Php58.38 million or 100.00% million from Php58.38 million in 2020 to nil in 2021.

Convertible bonds payable increased by Php349.43 million or 4.26% from Php8,197.35 million in 2020 to Php8,546.78 million in 2021. Retention payables increased by P190.15 million in 2021 from nil in 2020. Lease liabilities exhibited an increase of Php202.81 million or 3.61% from Php5,618.67 million in 2020 to Php5,821.48 million in 2021.

Equity decreased by Php634.28 million or 7.62% from Php8,327.07 million in 2020 to Php7,692.79 million in 2021.

### **Material Changes in the Financial Statements Items:**

***Increase/Decrease of 5% or more versus December 31, 2020***

#### **Statements of Financial Position**

##### *50.01% increase in cash and cash equivalents*

Due to the proceeds from a loan obtained from a related party net of payment of operating expenses and construction costs in relation to the development and construction of the Main Hotel Casino.

##### *1,339.91% increase in other current assets*

Due to prepaid expenses and input value-added taxes recognized in relation to development and construction costs of the Main Hotel Casino.

##### *Increase in prepayments and deposits for property and equipment*

Due to payment of general contractor's mobilization fees in relation to the development and construction of the Main Hotel Casino.

149.86% increase in property and equipment

Due to the capitalized construction costs as construction in progress in relation to the development and construction of the Main Hotel Casino.

100.00% decrease in investment in an associate

Due to the sale of the remaining 24.27% investment in FOPM Group which was completed in April 2021.

335.35% increase in accrued expenses and other payables

Due to increase in unpaid construction related invoices as of June 30, 2021.

100.00% increase in loan from a related party

Due to the proceeds from a loan obtained from a related party.

100.00% increase in retention payables

Due to retention payables to contractors in relation to the development and construction of the Main Hotel Casino.

100.00% decrease in due to related parties

Due to payment of excess proceeds from the subscription of convertible bonds by Fortune Noble and Summit Ascent.

***Increase/Decrease of 5% or more versus June 30, 2020***

**Statements of Income**

104.29% increase in finance and other income

Due to the increase in cash and cash equivalents as a result of the proceeds received from subscription of convertible bonds by Fortune Noble and Summit Ascent in December 2020 and proceeds from a loan obtained from a related party in May 2021.

282.47% increase in foreign exchange loss, net

Due to translation adjustment of foreign denominated financial assets and liabilities such as cash and cash equivalents, lease liabilities, and loan from a related party.

77.76% increase in operating expenses

Due to increase in working capital requirements to support the construction of the Main Hotel Casino.

100.00% increase in finance costs

Due to interest expenses incurred in relation to loan from a related party, lease liabilities and convertible bonds payable.

5,676.19% increase in tax expense

Due to tax expense incurred in relation to the sale of the remaining 24.27% interest in FOPM Group.

## KEY PERFORMANCE INDICATORS

Presented below are the top five (5) key performance indicators of the Group:

	June 30, 2021	December 31, 2020
Current Ratio *1	1.30 : 1.00	16.91 : 1.00
Quick Ratio *2	1.24 : 1.00	16.83 : 1.00
Debt to Equity Ratio *3	2.82 : 1.00	1.70 : 1.00
		June 30, 2020
Return on Assets *4	-2.54%	-1.33%
Return on Equity *5	-8.23%	-1.41%

\*1 – *Current Assets / Current Liabilities*

\*2 – *Cash and Cash Equivalents and Short-term Investments / Current Liabilities*

\*3 – *Total Liabilities / Equity*

\*4 – *Net Profit (Loss) / Average Total Assets*

\*5 – *Net Profit (Loss) / Average Equity*

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has material commitments for capital expenditures amounting to Php25,832.96 million as of June 30, 2021 in relation to the construction of the Main Hotel Casino.

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There are no other material issuances, repurchases or repayments of debt and equity securities.

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There are no other material events subsequent to the end of the period that have not been reflected in the interim condensed consolidated financial statements for the period.

There are no other changes in estimates of amount reported in periods of the current financial year or changes in estimates of amounts reported in prior financial years.



SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES

(A Subsidiary of Fortune Noble Limited)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

June 30, 2021 and December 31, 2020

EXHIBIT 9

Ratio	Formula	June 30, 2021	December 31, 2020
Current ratio	Current assets / Current liabilities	1.30	16.91
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	1.24	16.83
Solvency ratio	Total liabilities / Total assets	0.74	0.63
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	2.82	1.70
Asset-to-equity ratio	Total assets / Total stockholders' equity	3.82	2.70
Interest rate coverage ratio	EBIT / Total interest	-0.21	-0.80
Return on equity	Net loss / Average total equity	-0.08	-0.04
Return on assets	Net loss / Average total assets	-0.03	-0.02
Net profit margin	Net loss / Total revenues	-	-