

香港交易及結算所有限公司及香港聯合交易所有限公司對本公告之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本公告全部或任何部分內容而產生或因依賴該等內容而引致之任何損失承擔任何責任。



**SUNCITY GROUP HOLDINGS LIMITED**  
**太陽城集團控股有限公司**

(於開曼群島註冊成立之有限公司)

(股份代號：1383)

**海外監管公告：**  
**由一間海外上市附屬公司**

本公告乃根據香港聯合交易所有限公司證券上市規則第13.10B條而作出。

太陽城集團控股有限公司於菲律賓證券交易所（「菲律賓證券交易所」）上市的一間海外上市附屬公司Suntrust Home Developers, Inc.已於2021年3月29日在菲律賓證券交易所網站刊載其截至2020年12月31日止年度的年報（「年報」）。有關詳情請參閱隨附的年報。

承董事會命  
**Suncity Group Holdings Limited**  
太陽城集團控股有限公司  
主席  
周焯華

香港，2021年3月29日

於本公告日期，執行董事為周焯華先生、盧衍溢先生、歐中安先生及施文龍先生；以及獨立非執行董事為杜健存先生、胡錦勳博士及盧衛東先生。

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE**

1. For the fiscal year ended **31 December 2020**
2. SEC Identification Number: **10683**
3. BIR Tax Identification No.: **000-141-166-000**
4. **SUNTRUST HOME DEVELOPERS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **26th Floor Alliance Global Tower  
36th Street cor. 11th Avenue, Uptown Bonifacio  
Taguig City, Philippines 1634**  
Address of principal office
8. **(632) 8894-6300**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>7,250,000,000</b>

10. Are any or all of these securities listed on a Stock Exchange?

**Yes [x] No [ ]**

**Philippine Stock Exchange    Common Shares**

11. Check whether the issuer:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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.  
**Yes [x] No [ ]**
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
**Yes [x] No [ ]**
12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of close of 28 February 2021

**Php1,882,105,254 based on the closing price of Php1.76 per share on 28 February 2021.**

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) Business Development

##### History

On 18 January 1956, Suntrust Home Developers, Inc. (the "Company"), then known as Ramie Textiles, Inc., was incorporated to engage in the business of manufacture and sale of all types of ramie products. On 11 February 1959, the Company was listed in The Philippine Stock Exchange, Inc. ("PSE").

On 10 June 1994, the SEC approved the Amendment to the Articles of Incorporation (AOI) of the Company changing the name, from Ramie Textiles Inc. to Gaming Interest and Franchise Technologies, Inc., and its secondary purpose, and including a provision denying preemptive rights to existing stockholders for any future issue of shares. Upon its conversion to a holding company, the Company sought to identify investment opportunities which will yield attractive returns.

On 10 April 1995, the Company's name was changed from Gaming Interest and Franchise Technologies, Inc. to Greater Asia Resources Corporation. Subsequently, the Company acquired two (2) parcels of land situated in Tagaytay City with an approximate total area of 510,479 square meters in exchange for 250,000 shares out of its unissued capital stock.

On 11 August 1998, the SEC approved the Amended AOI of the Company changing the name from Greater Asia Resources Corporation to BW Resource Corporation (BWRC). The primary purpose of BWRC is to acquire interests in tourism or leisure-related enterprises, projects, or ventures.

On 17 August 1999, the SEC approved an increase in Authorized Capital Stock (ACS) of the Company from 450,000,000 shares to 2,000,000,000 shares with a par value of One Peso (1.00) per share. Out of the increase in ACS, One Billion Two Hundred Million Pesos (Php1,200,000,000) worth of shares were issued to Megaworld Corporation (Megaworld). With the entry of Megaworld on 3 October 2000, the SEC approved the change in name from BWRC to Fairmont Holdings, Inc.

On 6 May 2006, the SEC approved the change of the Company's name from Fairmont Holdings, Inc. to Suntrust Home Developers, Inc. The change in name came with a change in the Company's primary purpose or nature of business, from a holding company to a real estate company authorized to engage in real estate development, mass community housing, townhouses and rowhouses development, residential subdivision and other massive horizontal land development. For the purpose of enabling the Company to finance any acquisitions or projects that it may undertake in the future in line with its new corporate purpose, the Board of Directors approved a Php1,000,000,000 increase in the Company's authorized capital stock from Php2,000,000,000 to Php3,000,000,000. Out of the Php1 billion increase, Php250,000,000 has been actually subscribed while Php62,500,000 has been actually paid-up in cash by Megaworld.

In July 2002, the Company acquired from an affiliate, Empire East Land Holdings, Inc. (EELHI), all of the latter's shareholdings in Empire East Properties, Inc. ("EEPI"). As a result, it was presented in the third quarter of 2002. Prior to such acquisition, EEPI was a wholly-owned subsidiary of EELHI engaged in the development of socialized or low-cost housing projects. In March 2004, the Company's percentage of ownership in EEPI was reduced from 100% to 60% upon the subscription by EELHI to additional shares of stock of EEPI. On 8 July 2008, EEPI changed its name to Suntrust Properties, Inc. ("SPI") and increased its authorized capital stock, with EELHI subscribing to such increase. As a result, the Company's ownership interest in SPI decreased from 60% to 20% and the

Company's control over SPI ceased and, as such, SPI became an associate of the Company. In June 2013, the Company has sold all its remaining shares in SPI.

On 30 August 2005, the Board of Directors of the Company approved the decrease in the number of members of the Board of Directors from eleven to seven directors and the extension of its corporate term for another fifty (50) years from 18 January 2006. These changes to the AOI were ratified by the stockholders of the Company on 11 November 2005 and were approved by the SEC on 10 May 2006.

On 25 October 2019, the Board of Directors of the Company approved to allow the Company to focus on tourism-related businesses. On 17 June 2020, the SEC approved the amendments to the Company's primary and secondary purposes, from that of a real estate company to a tourism-oriented company authorized to engage in tourism-related businesses, including but not limited to acquiring, developing, improving and operating tourism-oriented facilities such as hotels, resorts, private clubs, leisure parks, entertainment centers, restaurants, food and beverage outlets, and other recreational facilities; to operate, manage, and/or maintain such other allied businesses, services, and facilities, incidental or necessary or connected therewith.

In October 2019, to allow the Company to venture in tourism-related businesses and facilitate investments therefor, the Board of Directors of the Company approved the amendments to the Company's primary and secondary purposes in its AOI, the conduct of fund-raising activities for tourism-related businesses that the Corporation would venture into (such as issuance of shares to third parties at par value or issuance of convertible bonds), and the entering of a Co-Development Agreement with Westside City Resorts World, Inc. (Westside). Furthermore, the Board of Directors and the stockholders of the Company ratified the approval by the Board of Directors on 23 September 2014 and the stockholders on 18 November 2014, to increase the Corporation's ACS.

On 28 October 2019, Fortune Noble Limited (Fortune Noble), a wholly-owned subsidiary of Suncity Group Holdings Limited (Suncity Group), a listed company on The Stock Exchange of Hong Kong Limited, acquired fifty-one percent (51%) of the outstanding capital stock of the Company. Suncity Group is principally engaged in (i) property development in the PRC and Japan; (ii) property leasing and management and operation of malls in the PRC; (iii) provision of hotel and integrated resort general consultancy service in Vietnam; (iv) provision of travel related products and services; (v) development and operation of an integrated resort in the Philippines; and (vi) through the Summit Ascent Group, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation. The Group has been expanding and seeking opportunities to expand its tourism-related business, in particular, investment in integrated resort and provision of hotel and integrated resort general consultancy services in the South East Asia region.

On 10 December 2019, the SEC approved the increase in the ACS of First Oceanic Property Management, Inc. (FOPM), the Company's subsidiary since September 2011. Considering the shift in the Company's business focus, a new investor, which is a related party to a substantial stockholder of the Company infused capital in the form of cash to FOPM and the Company's interest in FOPM became 24.27%, while retaining the same number of FOPM shares it held before and after the said increase in FOPM's Authorized Capital Stock.

Incorporated and registered with SEC on 31 January 1990, FOPM is engaged primarily in the management of real estate properties consisting of residential and office condominiums and private estates. FOPM also holds 100% of the outstanding shares of stock of CityLink Coach Services, Inc. (CityLink), which was incorporated and registered with SEC on 7 November 2006. CityLink is a domestic company primarily engaged in providing transportation services. (FOPM and CityLink, hereinafter FOPM Group)

On 20 December 2019, the SEC approved the increase in the Company's ACS from Three Billion Pesos (Php3,000,000,000.00) to Twenty-three Billion Pesos (Php23,000,000,000.00). The SEC also approved the Company's application for registration under the Foreign Investments Act of 1991.

On 20 January 2020, the Company established SWC Project Management Limited, a new wholly-owned subsidiary in Hong Kong. In addition, on 17 February 2020, the Company also established WC

Project Management Limited, also a new wholly-owned subsidiary, in Macau. Both subsidiaries are engaged in the provision of project management services.

On 19 January 2021, the SEC approved the incorporation of Suncity WC Hotel Inc., 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.

On 25 March 2021, an agreement for sale and purchase (FOPM SP Agreement) was entered into between the Company and Asian E-Commerce, Inc. (Asian E-Commerce) which is 50%-owned by a non-controlling shareholder of the Company. Pursuant to the FOPM SP Agreement, the Company agreed to sell and Asian E-Commerce agreed to purchase the Company's remaining 24.27% equity interest in FOPM Group at a consideration of Php153,728,294.

## **(2) Business of Issuer**

From a holding company with investments in stocks, the Company has shifted its business focus to tourism development to take advantage of investment opportunities that will yield attractive returns.

On 28 October 2019, it entered into a Co-Development Agreement with Westside. Under the Co-Development Agreement, the Company shall finance the development and construction costs for, and would be appointed as the exclusive service provider to operate and manage the operations of, a 5-star hotel and casino establishment (Main Hotel Casino) over certain parcels of land located at Manila Bayshore Integrated City, Parañaque City (Project Site). The Main Hotel Casino would be designed to have approximately at least four (400) hundred rooms, nine hundred sixty (960) car parking slots, and a casino establishment that would cater to both mass and VIP markets. The Main Hotel Casino is expected to be operational in 2023.

Under the Co-Development Agreement, the Company would enter into a Lease Agreement over the Project Site with Westside and Travellers International Hotel Group, Inc. (Travellers), and an Operation and Management Agreement (O&M Agreement) with Westside for the operation and management of the Main Hotel Casino.

The Lease Agreement was entered into on 21 February 2020 and has an original term of until 19 August 2039, renewable automatically, subject to applicable laws and renewal of the lease between Westside and Nayong Pilipino Foundation, for another twenty-five (25) years. The O&M Agreement was executed on 4 May 2020 and has a term of until 11 July 2033, and shall be automatically extended or renewed, unless terminated earlier in accordance with the provisions of the O&M Agreement.

## **Competition**

The Main Hotel Casino is currently in the construction and planning phase and is expected to commence operations in 2023. It may be expected that the Main Hotel Casino may face significant competition in the Philippines and elsewhere in Asia.

There are three (3) hotel and casino facilities currently operating within the Entertainment City, where the Project Site is located. These facilities are already open to the public and are operated by PAGCOR licensees. PAGCOR also operates other gaming facilities (and satellite gaming facilities which are smaller casinos and slots clubs) across the Philippines.

### **Dependence on a Single or Few Customers**

The Company's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company.

### **Transactions with and/or Dependence on Related Parties**

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into under terms comparable to those available from third parties, on an arm's length basis, and will not be prejudicial to the Company's shareholders and its other stakeholders.

In normal course of business, the Company entered into transactions with related parties, including advances from related parties for working capital purposes and for the settlement of certain liabilities. Major related party transactions have been disclosed and discussed in Note 15 to the Audited Financial Statements and other portions thereof, as well as elsewhere in this report.

Westside, with whom the Company executed the Co-Development Agreement, the Lease Agreement, and O&M Agreement, is a subsidiary of Travellers which is a related party to Megaworld, a principal shareholder of the Company.

### **Intellectual Property**

The Company does not hold any patent, trademark, copyright, license, franchise, concession or royalty agreement upon which their operations are dependent.

### **Effect of Government Regulations on the Business**

A casino is also expected to be operated in the Main Hotel Casino.

The operation of casinos in the Philippines is a regulated activity under the auspice of Philippine Amusement and Gaming Corporation ("PAGCOR"). PAGCOR is a government owned and controlled corporation responsible for the licensing and monitoring of casinos in the Philippines and enforcement of relevant laws affecting gaming operations. Every casino licensee has to be licensed by PAGCOR and obtain a valid license from PAGCOR for the operation of their gaming activities.

PAGCOR has granted a Provisional License to Travellers and Westside, authorizing them to operate casinos and to enter into any agreement for the operation and/or management of the casino without need of prior written approval of PAGCOR provided that (i) such agreement will not result in the assignment, transfer, sale, lease or sub-leasing of the Provisional License; and (ii) the appointed casino manager or operator, if a juridical entity, should be registered with the SEC and not included in PAGCOR's list of banned personalities.

Under Republic Act No. 10927, casinos have been included as among the covered persons under Republic Act No. 9160 (Anti Money Laundering Act), as amended. The Casino Implementing Rules and Regulations was also issued by the Anti-Money Laundering Council ("AMLC") and Appropriate Government Agencies ("AGA") in October 2017. Under the Casino Implementing Rules and Regulations, casinos should report to the AMLC all suspicious transactions as defined by law and single casino cash transaction involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currencies within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof. Casinos had also been required to submit covered and suspicious transactions to the AMLC following the effectivity of AMLC's Registration and Reporting Guidelines for Casinos in August 2018. Casinos were likewise required to conduct customer due diligence (CDD) in accordance with PAGCOR's CDD Guidelines for Land-Based Casinos since November 2018.

## **Research and Development**

The Company has not devoted a significant percentage of revenues for research and development activities in the past three years have not amounted to. There are no new products or design being developed that will require a material amount of the Company's resources.

## **Compliance with Environmental Laws**

In relation to the construction of the Main Hotel Casino, the Company will be complying with the statutory requirements of the local government unit and other government agencies in respect to the provision of and implementation of a construction waste management plan.

The Company has carried out an environmental impact assessment in relation to the Company's application of an environmental compliance certificate.

The Company has incurred minimal costs to comply with environmental laws particularly securing government permits and clearances in relation to the construction of the Main Hotel Casino.

## **Number of employees**

The Company and its subsidiaries have 11 employees as at 31 December 2020. None of the Company's employees are represented by a labor union or are subject to collective bargaining agreements. Nor is the Group and its employees involved in any labor dispute.

Considering the Company's focus in tourism development, it is expected to hire additional employees to support the development, construction, and operations of its tourism-related businesses.

## **Major Business Risks**

The Company is exposed to a variety of financial risks in relation to financial instruments that it holds under its investment portfolio. The Company's risk management is coordinated with its Board of Directors and it focuses on actively securing short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Company's financial investments are largely in the form of short-term time deposits.

Potential risks in relation to development of the Main Hotel Casino include:

### *No direct operating history*

The Main Hotel Casino is currently in the construction and planning phase, and is expected to commence operations in 2023. The Company may face adverse changes in the business environment, economy and/or the applicable laws and regulations. If these risks are not managed successfully, it could have a material and adverse effect on the results of operations, financial performance and business of the Main Hotel Casino.

### *Supply of raw materials / delay in construction*

As the Main Hotel Casino is currently in construction and planning phase, the sources of construction materials such as lumber, steel and cement, may experience shortages or increases in prices. Construction, equipment, staffing and difficulties in obtaining requisite licenses, permits, and authorization from the Government could increase the total cost, delay project completion, or affect the design and features of the Main Hotel Casino.

### *The Main Hotel Casino may face intense competition in the Philippines and elsewhere in Asia*

The Company expects competition in the Philippines to be intense as multiple integrated resort – casino projects have been approved and/or currently operating in the Philippines. The Entertainment City, where the Project Site is located, is continuously being developed into a casino hub in Manila.

Furthermore, hotel, casino, and entertainment complex projects may also be approved elsewhere in the Philippines and in Asia. Competitive pressures in the Philippine gaming industry could affect the Main Hotel Casino's business, financial condition and results of operations.

*Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending*

Demand for luxury services, gaming-related services and leisure activities are sensitive to global economic downturn. Changes in discretionary consumer spending or consumer preferences could be driven by economic conditions. Any reduction in consumer demand for the gaming-related services could affect the Main Hotel Casino's business.

*The ability to attract and retain a sufficient number of qualified employees to run the operation*

The Main Hotel Casino will depend on its ability to attract and retain a sufficient number of qualified employees to run the operations and the facilities of the Main Hotel Casino. The ability to maintain its competitiveness is, to a large extent, dependent on the efforts, skills and continued service of key management and operating personnel. The loss of key management and operating personnel may have an adverse impact on the Main Hotel Casino's business.

*Risks associated with gaming activities*

The gaming industry is characterized by the elements of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skills and experience, the financial resources of players, the volume of bets placed by the players of the Main Hotel Casino and the amount of time the players spent on gaming. These factors, alone or in combination, have the potential to negatively impact win rates. As a result, actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause the results of operations of the casino to be volatile. Players may also may commit fraud or attempt to cheat in order to increase winnings by using counterfeit currency, chips or other tactics. Failure to discover such acts in a timely manner could result in losses in the operation of the casino.

The gaming industry may also face potential money laundering and other illegal activities. If strict controls will not be implemented, incident of money laundering and other illegal activities may occur.

*Epidemics and other communicable diseases may affect our business operation*

Outbreak of epidemics and other communicable diseases, such as swine flu, avian flu, SARS and Novel Corona Virus Disease-2019 (COVID-19) are beyond the Company's control. PAGCOR has ordered a suspension of all gaming operations for a considerable time in 2020. These events may adversely affect the current construction and planning phase of the Project, as well as the business operating environment in the Philippines' economy.

## **Item 2. Properties**

As of 31 December 2020, the Company has no properties other than funds generated to support tourism venture and its investment in the FOPM Group.

The Company entered into a Lease Agreement with Westside and Travellers over the Project Site, consisting of portions of certain parcels of land located at Manila Bayshore Integrated City, Parañaque City. The Main Hotel Casino would be constructed and developed on the Project Site.

The Lease Agreement provides for an original term of until 19 August 2039, renewable automatically for another twenty-five (25) years, subject to applicable laws and renewal of the lease between Westside and Nayong Pilipino Foundation. Further renewal or extension may be agreed upon by the Parties. After the commencement of the operations of the Main Hotel Casino, the annual rental will be in the amount of US\$10,600,000, exclusive of the applicable value-added tax, payable in two instalments or on a semi-annual basis (or every six (6) months basis). In the event of non-payment of the Annual Rental on the due date, the Lessee will be liable to pay an interest penalty equivalent to



one percent (1%) per month plus surcharge equivalent to one percent (1%) per month of the unpaid amount. The Lessee may assign or transfer its rights under the Lease Agreement and sub-lease all or any part of the Project Site, with the prior approval of the Lessor (except that notice to the Lessor shall be sufficient if the assignee, transferee, or sub-lessee is a subsidiary of the Lessee), and will have the right of first refusal, subject to relevant laws, in the event Lessor acquires the Project Site and decides to sell it.

### Item 3. Legal Proceedings

The Company is not a party to, and none of its properties is the subject of, any material pending litigation or legal proceeding.

### Item 4. Submission of Matters to a Vote of Security Holders

On 27 October 2020, the stockholders of the Company ratified and approved the following matters in the agenda:

- (i) Minutes of the annual stockholders' meeting held last 29 October 2019;
- (ii) Annual Management Report and the 2019 Annual Report;
- (iii) All acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation, during the period up to the date of the meeting of the stockholders;
- (iv) Election of Ferdinand B. Masi, Neoli Mae L. Kho, Joey I. Villafuerte, Josephine Marie R. Salazar and Antonio C. Pacis as members of the Board of Directors of the Company, and the election of Eugenio B. Reducindo and Alejo L. Villanueva, Jr. as the Independent Directors;
- (v) Appointment of Punongbayan and Araullo as the external auditors of the Corporation's financial statements for the year ending 31 December 2020;
- (vi) Listing of 2,550,000,000 shares issued to Fortune Noble pursuant to the increase in authorized capital stock of the Company approved by the SEC on 20 December 2019;
- (vii) Issuance and listing of the underlying shares to be issued to Fortune Noble and Summit Ascent Investments Limited pursuant to the Convertible Bonds (issued subject to SEC confirmation of exemption) and the waiver of the rights offering requirement of the PSE Additional Listing Rules; and
- (viii) Amendment of the Corporation's By-Laws to allow alternative modes of communication in the conduct of the Board and Stockholders' meetings.

No proxies were solicited pursuant to the Securities Regulations Code (the "SRC") Rule 20. The foregoing matters approved during the Annual Stockholders' Meeting held last 27 October 2020 were previously reported by the Company in its duly submitted SEC Form 17-C dated 27 October 2020.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### Market Information

The Company's shares of common stock are traded on the PSE. Below is a history of the trading prices of said shares for the last two fiscal years:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019	High	0.95	0.79	1.06	1.96
	Low	0.69	0.71	0.73	0.87
2020	High	2.15	1.34	1.43	1.88
	Low	0.92	1.12	1.07	1.15
Closing price as of 24 March 2021 is 1.52.					

### Holders

As of 31 December 2020, there are 1,591 holders of the Company's 7,250,000,000 outstanding shares of common stock. However, 5,250,000,000 of these outstanding shares are not yet listed with the Philippine Stock Exchange pending listing approval of the 2,550,000,000 shares owned by Fortune Noble Limited and full payment of the balance of 2,700,000,000 shares. Below is a list of the top twenty (20) holders of the Company's shares of common stock as of 31 December 2020.

	<b>Name of Shareholder</b>	<b>Number of Shares Held</b>	<b>Percent of Total Outstanding Shares</b>
1.	FORTUNE NOBLE LIMITED	2,850,000,000 <sup>1</sup>	39.310%
2.	MEGAWORLD CORPORATION	2,437,165,008	33.616%
3.	PCD NOMINEE CORPORATION (NON-FILIPINO)	865,993,001 <sup>2</sup>	11.945%
4.	PCD NOMINEE CORPORATION (FILIPINO)	735,109,126	10.139%
5.	AURORA SECURITIES, INC.	272,834,992	3.763%
6.	THE ANDRESONS GROUP, INC.	45,957,000	3.586%
7.	EBC PCI TA NO. 203-53106-5	17,000,00	0.234%
8.	LUCIO L. CO	4,082,563	0.056%
9.	GENEVIEVE GO	1,300,000	0.018%
10.	STANLEY HO HUNG SUN	1,100,000	0.015%
11.	ROMULO P. NEY	555,000	0.020%
12.	LARCY MARICHI Y. SO &/OR HANSON G. SO 601125	513,700	0.007%
13.	YAP SIK KIEONG	500,000	0.007%
14.	LUCIANO H. TAN	450,000	0.006%
15.	PABLO M. SILVA	437,499	0.006%
16.	HANSON G. SO	400,000	0.006%
17.	JAIME DY &/OR JULIET DY	399,000	0.006%
18.	FRANCIS L. DY &/OR INGRED S.	385,500	0.005%
19.	PETER TY	357,000	0.005%
20.	AGRICULTURAL RESEARCH FARMS INC	320,415	0.004%

### Dividends

Under Philippine law, a corporation may generally declare dividends if it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends can be issued with the approval of shareholders representing at

<sup>1</sup> Includes 300,000,000 shares subject of Deeds of Assignments separately executed, on 26 October 2019, by Townsquare Development, Inc. and First Centro, Inc. in favor of Fortune Noble.

<sup>2</sup> Includes 847,500,000 shares held by Fortune Noble which, together with the 2,850,000,000 shares held in its name, gives Fortune Noble 51% of the Company.

least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred per cent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

The deficit of the Company did not merit any declaration of dividends for the last two fiscal years.

*Recent Sale of Unregistered or Exempt Securities*

(a) Private Placement by way of Subscription to Common Shares out of the Increase in Authorized Capital Stock of the Corporation

On 20 December 2019, the SEC approved the increase in the Company's ACS from Three Billion Pesos (Php3,000,000,000) to Twenty-three Billion Pesos (PhP23,000,000), pursuant to which a total of 5,000,000,000 common shares were issued out of the net increase in the authorized capital stock as follows: (i) 2,550,000,000 common shares to Fortune Noble Limited; (ii) 2,177,165,008 common shares to Megaworld Corporation; and (iii) 272,834,992 common shares to Aurora Securities Inc.

The foregoing private placements by way of subscription to the increase in the authorized capital stock is a transaction that is exempt from registration requirement pursuant to Section 10.1(k) of the SRC.

(b) Issuance of Php7,300,000,000 zero coupon Convertible Bonds in favor of Fortune Noble Limited

On 30 December 2020, the Company issued Php7,300,000,000 zero coupon Convertible Bonds (the "Fortune Noble Convertible Bond") upon completion of certain conditions precedent in favor Fortune Noble Limited ("Fortune Limited"), as subscriber with maturity date falling on the fifth (5th) anniversary of the issue date of the Fortune Noble Convertible Bond which may, subject to agreement by the holder of the Convertible Bond upon request by the Company, be extended to the date falling on the tenth (10th) anniversary of the issue date of the Fortune Noble Convertible Bond (the "Fortune Noble CB Maturity Date"). The Fortune Noble Convertible Bond is subject to a conversion price of Php1.10 is to 1 common share, subject to adjustments. The conversion period commences from the day immediately following the date of issuance up to the Fortune Noble Convertible Bond maturity date.

This Fortune Noble Convertible Bond issuance is pursuant to the previously disclosed Subscription Agreement dated 29 May 2020.

No shares will be issued at this point and conversion of the Fortune Noble Convertible Bond may or may not take place at the option of Fortune Noble. If Fortune Noble opts not to convert the Fortune Noble Convertible Bond into conversion shares then the amount of the Fortune Noble Convertible Bond becomes a debt payable under the terms of the Fortune Noble Convertible Bond Subscription Agreement.

The foregoing issuance of the Fortune Noble Convertible Bonds is a transaction that is exempt from registration requirement pursuant to Section 10.1(k) of the SRC. In its letter dated 11 December 2020, the SEC confirmed that the issuance of the Fortune Noble Convertible Bonds up to a maximum principal amount of P7,300,000,000.00 pursuant to the Subscription Agreement dated 29 May 2020 is exempt from the registration requirement under Section 8 of the SRC.

(c) Issuance of Php5,600,000,000 6% Convertible Bonds in favor of Summit Ascent Investments Limited

On 30 December 2020, the Company also issued a Php5,600,000,000 6% Convertible Bonds (the "Summit Ascent Convertible Bond") upon completion of certain conditions precedent in favor Summit Ascent Investments Limited ("Summit Ascent"), as subscriber with maturity date falling on the fifth (5th) anniversary of the issue date of the Summit Ascent Convertible Bond which may, subject to agreement by the holder of the Summit Ascent Convertible Bond upon request by the Company, be extended to the date falling on the tenth (10th) anniversary of the issue date of the Summit Ascent Convertible Bond (the "Summit Ascent CB Maturity Date"). The Summit Ascent Convertible Bond is subject to a conversion price of Php1.80 is to 1 common share, subject to adjustments, subject to adjustments. The conversion period commences from the day immediately following the date of issuance up to the Summit Ascent CB Maturity Date.

This Summit Ascent Convertible Bond issuance is pursuant to the previously disclosed Subscription Agreement dated 1 June 2020.

No shares will be issued at this point and conversion of the Summit Ascent Convertible Bond may or may not take place at the option of Summit Ascent. If Summit Ascent opts not to convert the Convertible Bond into conversion shares then the amount of the Summit Ascent Convertible Bond becomes a debt payable under the terms of the Summit Ascent Convertible Bond Subscription Agreement.

The foregoing issuance of the Summit Ascent Convertible Bonds is a transaction that is exempt from registration requirement pursuant to Section 10.1(k) of the SRC. In its letter dated 11 December, 2020, the SEC confirmed that the issuance of the Summit Ascent Convertible Bonds up to a maximum principal amount of P5,600,000,000 pursuant to the subscription agreement dated 1 June 2020 is exempt from the registration requirement under Section 8 of the SRC.

Apart from the foregoing, the Company has not undertaken any sale of unregistered or exempt securities, or issued securities constituting an exempt transaction.

## **Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations**

Below are the major changes on the company's results of operation and financial condition due to the above transaction.

### **RESULTS OF OPERATIONS**

Year ended 31 December 2020 ("FY2020") compared to  
Year ended 31 December 2019 ("FY2019")

Total revenues and income and cost and expenses decreased by Php567.76 million or 97.39% and Php671.00 million or 74.74% as a result of the deconsolidation of the investment in FOPM Group from the Group's financial statements in FY2019.

In FY2020, the Company incurred interest expense amounting to Php117.13 million in relation to a shareholder's loan obtained from Fortune Noble.

### **FINANCIAL CONDITION**

As of 31 December 2020, and 31 December 2019

Total current assets increased by Php4,626.67 million or 353.78% from Php1,307.77 million in 2019 to Php5,934.44 million in 2020.

Total non-current assets increased by Php16,418.39 million from Php141.14 million in 2019 to Php16,559.53 million in 2020.

Total current liabilities increased by Php293.38 million or 510.23% from Php57.50 million in 2019 to Php350.88 million in 2020.

Total non-current liabilities increased by Php13,816.02 million from nil in 2019 to Php13,816.02 million in 2020.

Total equity increased by Php6,935.66 million or 498.46% from Php1,391.41 million in 2019 to Php8,327.07 million in 2020.

**Material Changes in the Financial Statements Items:  
*Increase/Decrease of 5% or more versus 31 December 2019***

The consolidated statement of financial position as of 31 December 2020 pertains solely to the balance of the Company. This results to major decreases in accounts in the financial statements of the Company except for below.

Cash and cash equivalents increased by 359.83% due to payment received from additional issuance of shares and subscription of convertible bonds net of payment of pre-construction costs and expenses.

Other current assets increased by 1,257.52% due to input VAT recognized in relation to pre-construction costs of the Main Hotel Casino.

Investment in an associate increased by 8.92% due to recognition of the Company's share in net income of FOPM Group.

Property and equipment increased by Php1,976.10 million or 100% substantially represents construction in-progress in relation to the construction of the Main Hotel Casino.

Right-of-use asset and lease liability increased by Php14,429.70 million and Php5,618.67 million, respectively, due to the recognition of the leasehold rights in relation to the lease agreement with Westside City Resorts World Inc and Travellers International Hotel Group, Inc. after the conditions precedent to the Co-Development Agreement have been fulfilled in December 2020.

Due to related parties increased by Php58.38 million or 100% which represents excess proceeds from subscription of convertible bonds which will be refunded to the subscribers in 2021.

Accrued expenses and other payables increased by 408.67% due to the recognition of accrued interest payable on the shareholder's loan and documentary stamp taxes payable on the subscription of convertible bonds.

Convertible bonds payable and conversion bonds equity reserve recognized as part of equity increased by Php8,197.35 million and Php4,592.87 million, respectively, are due to the subscription of convertible bonds.

Capital stock increased by 76.98% due to the collection of subscription payable of shares of stock during the year.

## KEY PERFORMANCE INDICATORS

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

	31 December 2020	31 December 2019
Current Ratio *1	16.91 : 1.00	22.74 : 1.00
Quick Ratio *2	16.83 : 1.00	22.71 : 1.00
Debt to Equity Ratio *3	1.70 : 1.00	0.04 : 1.00
Return on Assets *4	-1.77%	-28.49%
Return on Equity *5	-4.35%	-33.91%

\*1 – *Current Assets / Current Liabilities*

\*2 – *Quick Assets (Current Assets less Other Current Assets)/ 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 no material commitments for capital expenditures.

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 financial statements for the year 2020.

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.

### **2019 vs. 2018**

In December 2019, a new investor which is a related party to a substantial stockholder of the Company infused capital to FOPM which diluted the ownership of the Company to 24.27%. The Company lost its control over FOPM, which remained as the Company's affiliate. Consequently, the Company recognized the investment in FOPM as an investment in associate which resulted in deconsolidation of FOPM from its financial statements in 2019.

Below are the major changes on the company's results of operation and financial condition due to the above transaction.

## **RESULTS OF OPERATIONS**

### *Twelve months ended 31 December 2019 compared to Twelve months ended 31 December 2018*

The total revenues of Company and the FOPM Group (Group) exhibited a decrease of Php72.17 million or 11.02% from Php655.12 million in 2018 to Php582.96 million in 2019.

Costs and expenses exhibited an increase of Php346.47 million or 62.85% from Php551.26 million in 2018 to Php897.74 million in 2019.

The Group's incurred a net loss in 2019 amounting to Php314.78 million from the previous year's net profit of Php103.86 million or Php418.64 million decrease.

## **FINANCIAL CONDITION**

### *As of 31 December 2019, and 31 December 2018*

Total current assets increased by Php665.67 million or 103.67% from Php642.09 million in 2018 to Php1,307.77 million in 2019.

Total non-current assets increased by Php22.25 million or 18.71% from Php118.90 million in 2018 to Php141.14 million in 2019.

Total current liabilities decreased by Php215.72 million or 78.95% from Php273.22 million in 2018 to Php57.50 million in 2019.

Total non-current liabilities decreased by Php22.35 million or 100.00% from Php22.35 million in 2018 to nil in 2019.

Equity increased by Php925.99 million from Php465.42 million in 2018 to Php1,391.41 million in 2019.

### **Material Changes in the Financial Statements Items: *Increase/Decrease of 5% or more versus 31 December 2018***

The consolidated statement of financial position as of 31 December 2019 pertains solely to the balance of the Company. On the other hand, the consolidated statement of income for the year then ended include the results of operations of the Company for the year and the results of operations of FOPM and its subsidiary, Citylink, from 1 January 2019 until the date of loss of control. This results to major decreases in accounts in the financial statements of the Company except for below.

Cash and cash equivalents increased by 397.66% due to partial payment received from subscription of additional issuance of share.

Investment property decreased by 100.00% due to sale of investment property during the year.

## KEY PERFORMANCE INDICATORS

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

	31 December 2019	31 December 2018
Current Ratio *1	22.74 : 1.00	2.35 : 1.00
Quick Ratio *2	22.71 : 1.00	2.01 : 1.00
Debt to Equity Ratio *3	0.04 : 1.00	0.64 : 1.00
Return on Assets *4	-28.49%	14.15%
Return on Equity *5	-33.91%	25.69%

\*1 – *Current Assets / Current Liabilities*

\*2 – *Quick Assets (Current Assets less Other Current Assets)/ 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 no material commitments for capital expenditures.

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 material events subsequent to the end of the period that have not been reflected in the financial statements for the year 2019.

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

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 no material commitments for capital expenditures.

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 material events subsequent to the end of the period that have not been reflected in the financial statements for the year 2018.

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

#### **Item 7. Financial Statements**

The Company's Audited Financial Statements for the years ended 31 December 2020 and 2019 are attached as exhibits to this report.

#### **Item 8. Information on Independent Accountant and other Related Matters**

The present auditor of the Company, Punongbayan & Araullo, was also the auditor of the Company for the years 2017 to 2020. There have been no disagreements with said auditor on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have caused the auditor to make reference thereto in its respective reports on the Company's financial statements for aforementioned years.

The external auditor of the Company billed the amounts of Php1,056,160 in 2020 and Php1,365,000 in 2019 in fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2020 and 2019. Non-audit services rendered by the external auditors for 2020 amounted to P386,400. Except as disclosed above, no other services were rendered or fees billed by the external auditor of the Company for 2020 and 2019. All the above services have been approved by the Audit Committee through its internal policies and procedures of approval.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers<sup>3</sup>

The overall management and supervision of the Company is undertaken by the Board of Directors. Currently, the Board of Directors consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 27 October 2020 and will hold office until their successors have been duly elected and qualified.

Following is the list of incumbent directors and executive officers of the Company. The members of the Company's Board of Directors shall hold office for one (1) year from election and until their successors are elected and qualified. Any director elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

**Ferdinand B. Masi**, Mr. Masi, 59 years old, Filipino, is currently the Chairman and the President of the Company. He was appointed as Chairman of the Board on 09 November 2007 and has served as its President since 09 February 2001. He has been connected with Consolidated Distillers of the Far East, Inc. since 1983 and is currently its General Manager. He is concurrently the Chairman and President of Good Earth Technologies International, Inc. and Corporate Secretary of First Centro, Inc. Mr. Masi is currently serving as Senior Vice President and General Manager of Progreen Agricorp, Inc. He is a Certified Public Accountant and member of the Philippine Institute of Certified Public Accountants. He also finished his MBA from Ateneo Graduate School of Business.

**Josephine Marie R. Salazar**, Ms. Salazar, 60 years old, Filipino, joined FOPM as its President in July 2014. She is concurrently the President of Elite Communities Property Services, Inc. and also serves as Board member of Megaworld-Daewoo Development Corporation, McKinley Town Center Estates Association Inc., and Newport City Estates Association Inc. Prior to joining FOPM, Ms. Salazar was a First Vice President of Megaworld and head of its Operations and Quality Control Management group from 1997 to 2014. Prior to Megaworld, she also held key management positions at Regatta Properties Inc., an ICCP Group (Investment & Capital Corporation of the Philippines) as its Project Development Manager, with Project Management Consultants, Inc. as Director, and with George Ramos & Associates as Designer/Architect. Ms. Salazar is a licensed Architect and affiliated with United Architects of the Philippines, the Professional Regulation Commission Board of Architecture, and the Philippine Association of Building Administrators Inc. She is a member of the Executive Development Academy, Philippines and has received certification with Six Sigma Belt Training. She is a graduate of the University of Santo Tomas with a degree in Bachelor of Sciences in Architecture and also received International Training through the Japanese Architectural & Building Technology Scholarship and The ILO Association of Japan in Chiba Prefecture, Japan, which included a Japanese Language Course in the Chiba Prefecture Central Skill Development Center.

**Neoli Mae L. Kho**, Ms. Kho, 36 years old, Filipino, is currently the Vice President and the Finance and Administration Head of FOPM, which handles the property management of various residential and BPO office developments of the Megaworld group, a position she has held since April 2018. Prior to joining FOPM, Ms. Kho was a Manager in the Management Analyst Group of Megaworld, where she was responsible for auditing and analyzing various transactions of Megaworld and its group of companies and projects ranging from construction, marketing, land acquisitions, and administration. She is concurrently a Director of One World Center Building Administration, Inc., Treasurer of Eastwood City Estates Association, Inc., and a trustee and officer of several condominium and building associations of Megaworld projects. She has a degree in Bachelor of Science Major in Industrial Economics, Minor in AB Humanities and a Master of Science in Industrial Economics from the University of Asia and the Pacific.

**Joey I Villafuerte**, Mr. Villafuerte, 46 years old, Filipino, is concurrently Megaworld's First Vice President for Controllership, a position which he has held since June 2019. He has been with Megaworld since 2005 and has served in various capacities, including the position of Vice President for Controllership. Prior to joining Megaworld, he was the Controller of Specified Contractors and

<sup>3</sup> Age of Directors and Officers as of 28 February 2021.

Development Inc. Mr. Villafuerte is a Certified Public Accountant. He graduated from Catanduanes State University with the degree of Bachelor of Science in Accountancy in 1997. He also completed his Master's Degree in Business Administration at the University of the East in 2004.

**Antonio C. Pacis.** Mr. Pacis, 80 years old, Filipino, serves as a Managing Partner in the Pacis & Reyes Law Firm since 1976, where he is involved in counseling clients who are in banking, investments securities, trusts, manufacturing, real estate, construction, exports, insurance, mall operation, telecoms and education. He is concurrently the Director of Banco de Oro Universal Bank and Alliance Select Foods International, Inc., and a Trustee of Central Colleges of the Philippines. He is previously the Corporate Secretary of Security Bank Corporation and a Lecturer on Corporate Law at Ateneo Law School. He obtained his Bachelor of Laws degree from Ateneo de Manila University, while his Master of Laws degree at Harvard Law School.

**Alejo L. Villanueva, Jr.** Mr. Villanueva, 79 years old, Filipino was elected as Independent Director on 29 October 2012. He currently serves as Independent Director of Alliance Global Group, Inc., Emperador Inc. and Empire East Land Holdings, Inc. and a Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is also Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counselors Foundations of the Philippines, Inc. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

**Eugenio B. Reducindo.** Mr. Reducindo, 51 years old, is currently the Managing Director of Choice Gourmet Banquet, Inc., which owns and operates McDonald's stores and used to operate other restaurants like Shanghai Bistro and SoHo Tea House. He has held the position of Managing Director since 2007. As Managing Director, Mr. Reducindo is responsible for the overall operations and management of 11 McDonald's outlets located within Metro Manila and other provinces such as Cebu and Iloilo. Prior to being Managing Director, Mr. Reducindo was a branch manager at Choice Gourmet handling the first McDonald's branch of the company located at Forbestown Center. Mr. Reducindo has considerable experience in the management and operations of quick service and fine dining restaurants, having been involved in the daily operations of a specific branch as well as the overall management and operations of several branches/outlets. He has worked for Golden Arches Development Corporation as branch manager and for McDonald's Egypt as Operations Consultant and for Makati Shangri-La as Assistant Manager for the coffee shop. Mr. Reducindo graduated in 1989 from the Far Eastern University with a degree in AB Communications.

**Nelileen S. Baxa.** Ms Baxa, 42 years old, Filipino, is currently a Senior Accounting Manager of Megaworld Corporation. She is a Certified Public Accountant with over eighteen (18) years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc., and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

**Maria Cristina D. Gonzales.** Ms. Gonzales, 57 years old, Filipino, is the Compliance Officer of the Company. She is presently a First Vice President for Management Services of Megaworld, a position she has held since 2007. Previously, she was a Vice President for Audit of Megaworld from 1993 to

2007, Audit Manager for Shoemart, Inc. from 1988 to 1993 and Auditor with Sycip, Gorres & Velayo from 1984 to 1987. She is a Certified Public Accountant since 1984 and graduated with a Business Administration degree, Major in Accounting (graduated magna cum laude) from the University of the East.

**Maria Carla T. Uykim.** Ms Uykim, 44 years old, Filipino, is the Assistant Corporate Secretary and Assistant Corporate Information Officer. She is also the Corporate Secretary of Global-Estate Resorts, Inc., San Vicente Coast, Inc., Twin Lakes Hotel, Inc., Northwin Properties, Inc., Global One Integrated Business Services, Inc., and Maple Grove Land, Inc., and a Director and Corporate Secretary of Luxury Global Malls, Inc. She is currently the head of the Corporate Advisory and Special Projects of Megaworld and is a member of Megaworld's Management Executive Committee. Prior to joining Megaworld, Atty. Uykim was an associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff to Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of a double degree program of De Lasalle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

Directors are elected annually by the stockholders to serve until the election and qualification of their successors.

#### ***Significant Employees***

The Company does not have significant employees, i.e., persons who are not executive officers but expected to make significant contribution to the business.

#### ***Family Relationships***

No director or executive officer is related to each other up to the fourth civil degree whether by consanguinity or affinity.

#### ***Involvement in Legal Proceedings***

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## Item 10. Executive Compensation

The current principal executive officers of the Company are:

<i>Name</i>	<i>Position</i>
Ferdinand B. Masi	Chairman & President (CEO)
Neoli Mae L. Kho	Treasurer
Nelileen S. Baxa	Corporate Secretary and Corporate Information Officer
Maria Carla T. Uykim	Asst. Corporate Secretary and Asst. Corporate Information Officer
Maria Cristina D. Gonzales	Compliance Officer

Except for per diems paid to certain members of the Company's Board of Directors amounting to Php66,667 in 2020, the principal executive officers of the Company and members of the Company's Board of Directors did not receive any compensation from the Company for years 2020 and 2019 and neither will there be any compensation for the ensuing year. There are no arrangements in force pursuant to which the officers and directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as such officer or director.

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the years 2020 and 2019 and for the ensuing year.

There are no other arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, for the years 2020 and 2019 and for the ensuing year, for any service provided as a director. No employment contracts, termination of employment, or change in control arrangements, were affected for the applicable fiscal year.

No warrants or stock options are held by the Company's CEO, its named executive officers or directors for years 2020 and 2019 nor are there plans for extending warrants or options for the ensuing year.

## Item 11. Security Ownership of Certain Record and Beneficial Owners and Management<sup>4</sup>

*Security Ownership of Owners Holding More than Five Percent (5%) of Voting Securities*

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	%
Common	FORTUNE NOBLE LIMITED Vista Corporate Services Centre, Wickhams Cay II, Road Town , Tortola, VG1110, British Virgin Islands	Suncity Group Holdings Limited, parent company of Fortune Noble Limited	Non-Filipino	2,850,000,000 <sup>5</sup>	39.31%

<sup>4</sup> As of 28 February 2021.

Common	MEGAWORLD CORPORATION 30/F Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation <sup>6</sup> (also the record owner)	Filipino	2,437,165,008	33.62%
Common	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Fortune Noble Limited, a wholly-owned subsidiary of Suncity Group Holdings Limited	Non-Filipino	847,500,000 <sup>7</sup>	11.69%
Common	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	BDO Securities Corporation, <sup>8</sup> 27/F Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Filipino	735,109,126	10.14%

*Security Ownership of Management*

Title of Class	Name of Owner	Amount and Nature of Beneficial	Citizenship	Percent of Class
Common	Ferdinand B. Masi	1 (direct)	Filipino	0.00%
Common	Eugenio B. Reducindo	1 (direct)	Filipino	0.00%
Common	Neoli Mae L. Kho	1 (direct)	Filipino	0.00%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00%
Common	Antonio C. Pacis	1 (direct)	Filipino	0.00%
Common	Joey I. Villafuerte	1 (direct)	Filipino	0.00%
Common	Josephine Marie R. Salazar	1 (direct)	Filipino	0.00%
Common	Nelileen S. Baxa	0	Filipino	N/A
Common	Maria Carla T. Uykim	0	Filipino	N/A
Common	Maria Cristina D. Gonzales	0	Filipino	N/A
Common	All directors and executive officers	7 (direct)		0.00%

*Voting Trust Holders of 5% or More*

The Company has no knowledge of persons holding more than 5% of its voting securities under a voting trust or similar agreement.

*Change in Control*

The Company has no knowledge of any arrangements among stockholders that may result in a change in control of the Company.

<sup>5</sup> Includes 300,000,000 shares subject of Deeds of Assignments separately executed, on 26 October 2019, by Townsquare Development, Inc. and First Centro, Inc. in favor of Fortune Noble.

<sup>6</sup> Mr. Andrew L. Tan has the power to direct the voting and disposition of the shares held by Megaworld Corporation in the Company.

<sup>7</sup> Out of 865,993,001 shares registered under PCD Nominee Corporation (Non-Filipino), 847,500,000 shares are beneficially owned by Fortune Noble which, together with the 2,850,000,000 shares held in its name, gives Fortune Noble 51% of the Company.

<sup>8</sup> BDO Securities Corporation is a participant of the PCD Nominee Corporation. The beneficial owners of the shares held by BDO Securities, Inc. are not known to the Company.

## Item 12. Certain Relationships and Related Transactions

Transactions with related parties are entered into on an arm's length basis and under terms that will not be prejudicial to the Company's shareholders and its other stakeholders.

Except for the material related party transactions described in the notes to the audited financial statements of the Company and elsewhere in this report, there has been no material transaction during the last two years to which the Company was or is a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

## PART IV - EXHIBITS AND SCHEDULES

### Item 13. (a) Exhibits

Exhibit No.	Description of Exhibits
1	Consolidated Audited Financial Statements for the Year Ended 31 December 2020 and Supplementary Schedules

The Company's Sustainability Report is attached pursuant to SEC Memorandum Circular No. 4, series of 2019.

### (b) Reports on SEC Form 17-C Filed During the Last Six Months of the Report Period

Date	Disclosures
1 June 2020	Conditional Subscription of Convertible Bonds by Fortune Noble Limited
1 June 2020	Conditional Subscription of Convertible Bonds by Summit Ascent Investment Limited Investments Limited
8 June 2020	Comprehensive Corporate Disclosure of the Company. in relation to the Subscription Agreement between the Company and Fortune Noble Limited
9 June 2020	Comprehensive Corporate Disclosure of the Company in relation to the Subscription Agreement between the Company and Summit Ascent Investment Limited
15 June 2020	Supplemental Agreement to Co-Development Agreement with Westside City Resorts World Inc.
18 June 2020	SEC approval of the proposed amendments to the Company's Primary and Secondary Purposes under its Amended Articles of Incorporation.
3 July 2020	Lifting of Foreign Ownership Limitation
23 July 2020	Execution of Loan Agreement for the principal sum of up to PHP7,300,000,000, with interest rate of 5.25% per annum, with Fortune Noble
23 July 2020	Execution of fifth supplemental agreement to the Co-Development Agreement with Westside City Resorts World Inc.
11 September 2020	Execution of the Extension Letter dated 11 September 2020 relating to the conditional Subscription of Convertible Bonds by Summit Ascent Investments Limited
17 September 2020	Setting of the 2020 Annual Stockholders' Meeting and Other Relevant Dates.

17 September 2020	Amendment of Sections 5 and 7, Article I and Section 6, Article II of the Amended By-Laws of the Corporation
9 October 2020	Change in Corporate Secretary and Corporate Information Officer
27 October 2020	Results of the Annual Stockholders' Meeting
27 October 2020	Amendment of Sections 5 and 7, Article I and Section 6, Article II of the Amended By-Laws of the Corporation.
27 October 2020	Results of the Organizational Meeting
30 October 2020	Acquisition of shares of another corporation or any transaction resulting in such corporation becoming a subsidiary of the Issuer by way of incorporation of a wholly owned subsidiary
16 November 2020	Letters of Award for the Pile Cap, Excavation & Excavation and Lateral Supports (ELS) Direct Contract and Site B Main Contract (including Basement Substructure, Superstructure and Architectural Builders Works and Finishes (ABWF))
14 December 2020	Confirmation of Exempt Transaction (Fortune Noble Limited)
14 December 2020	Confirmation of Exempt Transaction (Summit Ascent Investments Limited)
21 December 2020	Supplemental Agreement to the Letters of Award for the Pile Cap, Excavation & Excavation and Lateral Supports (ELS) Direct Contract and Site B Main Contract (including Basement Substructure, Superstructure and Architectural Builders Works and Finishes (ABWF))
4 January 2021	Issuance of Php5,600,000,000 6% Convertible Bonds (Fortune Noble Limited)
4 January 2021	Issuance of Php5,600,000,000 6% Convertible Bonds (Summit Ascent Investments Limited)
4 January 2021	Execution of a share subscription agreement by and between Suntrust Home Developers, Inc. (the "Corporation") and SWC Project Management Limited ("SWC"), for subscription of shares therein
20 January 2021	Approval by the Securities and Exchange Commission (SEC) of the incorporation of Suncity WC Hotel Inc., a wholly-owned subsidiary of Suntrust Home Developers, Inc. (the "Company")
24 February 2021	Loan Agreement entered into by Suntrust Home Developers, Inc. and Summit Ascent Investments Limited

**(c) Reports on SEC Form 17-Q until 31 December 2020**

<b>Date</b>	<b>Subject</b>
30 June 2020	First Quarter Results
14 August 2020	Second Quarter Results
30 September 2020	Third Quarter Results



**SIGNATURES**

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig, on this 25th day of March 2021.

**SUNTRUST HOME DEVELOPERS, INC.**  
Company

By:



**FERDINAND B. MASI**  
Chairman and President  
(Principal Executive and Operating Officer)



**NEOLI MAE L. KHO**  
Treasurer  
(Principal Financial Officer)



**ALDEE CELIS**  
Principal Accounting Officer



**NELILEEN S. BAXA**  
Corporate Secretary

**MAR 26 2021**

SUBSCRIBED AND SWORN to before me this 25th day of March 2021, affiants exhibiting to me their Tax Identification Numbers, as follows:

NAMES	TIN NO.
Ferdinand B. Masi	125-960-157
Neoli Mae L. Kho	214-488-163
Nelileen S. Baxa	221-930-818
Aldee Celis	900-024-802

Loc. No. 69  
Page No. 9  
Book No. 13  
Series of 2021

**JOVEN E. SEVILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY



**P&A**  
**Grant Thornton**

An instinct for growth™

---

**Punongbayan & Araullo**  
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

## **Report of Independent Auditors**

**The Board of Directors and Stockholders**  
**Suntrust Home Developers, Inc. and Subsidiaries**  
*(A Subsidiary of Fortune Noble Limited)*

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

### ***Opinion***

We have audited the consolidated financial statements of Suntrust Home Developers, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

### ***Basis for Opinion***

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

---

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

---

[grantthornton.com.ph](http://grantthornton.com.ph)

### ***Emphasis of a Matter***

We draw attention to Note 18 to the consolidated financial statements, which indicates that the Group is in a deficit position as of December 31, 2020 because of losses incurred in the previous years. As stated in Note 18, management considered the new business plans for the Group including the additional financing received from new shareholders and assessed that this condition does not indicate the existence of material uncertainty related to going concern. Our opinion is not modified in respect of this matter.

### ***Key Audit Matter***

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### ***(a) Measurement of Right-of-use Asset and Lease Liability***

##### *Description of the Matter*

In 2020, the Group entered into an operating lease agreement with its related party under common ownership for the portion of land where its main hotel and casino would be situated. As required by PFRS 16, *Leases*, this resulted in the recognition of right-of-use asset and lease liability amounting to P14,429.7 million and P5,618.7 million, respectively, as of December 31, 2020. Because the amounts recognized are material to the Group's consolidated financial statement, as well as the significant management judgment and estimates involved relative to the determination of the assumptions used in recognizing the lease, we considered the measurement of right-of-use asset and lease liability as key audit matter.

The Group's accounting policy on lease and related information are disclosed in Notes 2, 3, and 9 to the consolidated financial statements.

##### *How the Matter was Addressed in the Audit*

Our main audit responses included, among others, the following:

- Obtained adequate understanding of the lease transaction by:
  - ensuring the proper authorization by reviewing the minutes of meetings of the Board of Directors;
  - reviewing the lease contract and other related documents to understand the key terms and conditions; and,
  - confirming our understanding with management.
- Evaluated the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of security, if any, and the economic environment in which the transaction occurs; and,
- Evaluated the appropriateness of the recognition and measurement of right-of-use asset and lease liability, and determined the adequacy of related financial statement disclosures, including bases of judgments and estimates.



**(b) Measurement of Convertible Bonds**

*Description of the Matter*

In 2020, the Group issued convertible bonds with a total subscription price of P12,900.0 million, which are considered as compound financial instruments as they include liability and equity components. Management determined that the liability and equity components amount to P8,197.4 million and P4,592.9 million, respectively, on the issuance date of the convertible bonds. Considering the complexity involved in separating the elements of the compound financial instruments, the significant degree of judgement involved and the materiality to the Group's consolidated financial position, we have determined that the measurement of convertible bonds as a key audit matter.

The Group's accounting policy on convertible bonds and related information are disclosed in Notes 2, 3 and 11 to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our main audit responses included, among others, the following:

- Inspected Board of Directors' minutes of meetings and executed bond certificates to assess whether the transactions were appropriately authorized;
- Verified amounts, interest rate and maturity date to the supporting documentation, debt/subscription agreement, and examined terms and conditions of the bonds;
- Evaluated relevant provisions in the subscription agreement to determine appropriate accounting treatment on compound financial statements and whether the conversion options meet the criteria for recognition as equity;
- Tested the calculations carried out to split the convertible bonds into equity and debt elements. We examined the valuation report from the external expert engaged by the Group to identify the value of liability which was also assessed by the Firm's internal valuation specialists;
- Assessed the key assumptions, including the enterprise value, risk-free rate and expected volatility rate by the Firm's internal specialist by comparing to available market information and valuation standard or market practice; and,
- Evaluated the adequacy of disclosures made by the Group in the consolidated financial statements in view of the requirements of PFRS.

***(c) Conduct of Remote Audit***

*Description of the Matter*

The COVID-19 pandemic has prompted management and the audit team to have most of the audit conducted remotely. The current working arrangements is relevant and significant to our audit since it created an increased risk of material misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;
- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;
- Obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;
- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;
- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective; and,
- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.



### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

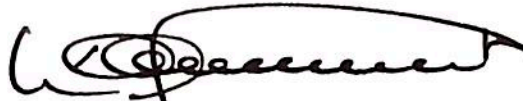
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.



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

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

**PUNONGBAYAN & ARAULLO**



**By: Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 19, 2021



**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 5,877,616,276	P 1,278,214,939
Due from a related party	15	27,382,014	27,382,014
Other current assets	6	29,437,269	2,168,467
Total Current Assets		5,934,435,559	1,307,765,420
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	1, 16	153,728,294	141,144,732
Property and equipment - net	7	1,976,103,364	-
Right-of-use asset	9	14,429,698,406	-
Total Non-current Assets		16,559,530,064	141,144,732
<b>TOTAL ASSETS</b>		<b>P 22,493,965,623</b>	<b>P 1,448,910,152</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	P 292,499,838	P 57,502,895
Due to related parties	15	58,378,962	-
Total Current Liabilities		350,878,800	57,502,895
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds payable	11, 15	8,197,353,930	-
Lease liability	9	5,618,666,948	-
Total Non-current Liabilities		13,816,020,878	-
Total Liabilities		14,166,899,678	57,502,895
<b>EQUITY</b>			
Capital stock	18	5,862,500,010	3,312,500,000
Convertible bonds equity reserve	11	4,592,867,070	-
Revaluation reserve		460,033	460,033
Exchange reserve		4,336,876	-
Deficit	18	( 2,133,098,044 )	( 1,921,552,776 )
Total Equity		8,327,065,945	1,391,407,257
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 22,493,965,623</b>	<b>P 1,448,910,152</b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES AND INCOME</b>				
Equity in net earnings				
of an associate	16	<b>P 12,583,562</b>	P 7,810,256	P -
Finance and other income	5, 6, 8	<b>2,613,480</b>	23,169,121	13,370,341
Management fees	4, 12	-	500,983,740	517,201,700
Rental income	8	-	32,715,976	37,189,216
Service income	4, 12	-	18,277,177	21,967,597
Retirement benefit gain	13	-	-	65,395,697
		<u><b>15,197,042</b></u>	<u>582,956,270</u>	<u>655,124,551</u>
<b>COSTS AND EXPENSES</b>				
Operating expenses	12	<b>82,349,275</b>	273,128,138	161,533,760
Cost of services	12	-	333,252,958	333,963,677
Finance costs	12	<b>143,871,830</b>	4,382,206	6,292,789
Loss on deconsolidation	1	-	264,692,670	-
Tax expense	14	<b>521,205</b>	22,280,033	49,471,456
		<u><b>226,742,310</b></u>	<u>897,736,005</u>	<u>551,261,682</u>
<b>NET PROFIT (LOSS)</b>		<b>( P 211,545,268 )</b>	<b>( P 314,779,735 )</b>	<b>P 103,862,869</b>
<b>Earnings (Loss) Per Share –</b>	17			
Basic and Diluted		<b>( P 0.029 )</b>	<b>( P 0.131 )</b>	<b>P 0.046</b>

*See Notes to Consolidated Financial Statements.*

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019	2018
<b>NET PROFIT (LOSS)</b>		<b>( P 211,545,268 )</b>	<b>( P 314,779,735 )</b>	<b>P 103,862,869</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will be reclassified subsequently to profit or loss</b>				
Exchange difference on translating foreign operations	2	4,336,876	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of retirement benefit plan	13	-	( 13,845,875 )	34,432,185
Equity in other comprehensive income of an associate	16	-	460,033	-
Tax income (expense)	14	-	4,153,763	( 10,329,656 )
		-	( 9,232,079 )	24,102,529
		4,336,876	( 9,232,079 )	24,102,529
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>( P 207,208,392 )</b>	<b>( P 324,011,814 )</b>	<b>P 127,965,398</b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	<b>Capital Stock</b> <i>(see Note 18)</i>	<b>Convertible Bonds Equity Reserve</b> <i>(see Note 11)</i>	<b>Deposit for Future Stock Subscription</b> <i>(see Note 1)</i>	<b>Exchange Reserve</b> <i>(see Note 2)</i>	<b>Revaluation Reserve</b> <i>(see Note 13)</i>	<b>Deficit</b>	<b>Total Equity</b>
Balance at January 1, 2020	P 3,312,500,000	P -	P -	P -	P 460,033	( P 1,921,552,776 )	P 1,391,407,257
Collection of subscriptions receivable	2,550,000,010	-	-	-	-	-	2,550,000,010
Recognition of conversion options	-	4,592,867,070	-	-	-	-	4,592,867,070
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,336,876</u>	<u>-</u>	<u>( 211,545,268 )</u>	<u>( 207,208,392 )</u>
<b>Balance at December 31, 2020</b>	<b><u>P 5,862,500,010</u></b>	<b><u>P 4,592,867,070</u></b>	<b><u>P -</u></b>	<b><u>P 4,336,876</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 2,133,098,044 )</u></b>	<b><u>P 8,327,065,945</u></b>
Balance at January 1, 2019	P 2,062,500,000	P -	P -	P -	P 49,048,367	( P 1,646,129,296 )	P 465,419,071
Collection of subscriptions receivable	1,250,000,000	-	-	-	-	-	1,250,000,000
Contribution of new investor	-	-	150,000,000	-	-	-	150,000,000
Deconsolidation of subsidiary	-	-	( 150,000,000 )	-	( 39,356,255 )	39,356,255	( 150,000,000 )
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 9,232,079 )</u>	<u>( 314,779,735 )</u>	<u>( 324,011,814 )</u>
<b>Balance at December 31, 2019</b>	<b><u>P 3,312,500,000</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 1,921,552,776 )</u></b>	<b><u>P 1,391,407,257</u></b>
Balance at January 1, 2018							
As previously reported	P 2,062,500,000	P -	P -	P -	P 24,945,838	( P 1,744,284,309 )	P 343,161,529
Effect of adoption of PFRS 9 (see Note 18)	-	-	-	-	-	( 5,707,856 )	( 5,707,856 )
As restated	<u>2,062,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,945,838</u>	<u>( 1,749,992,165 )</u>	<u>337,453,673</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,102,529</u>	<u>103,862,869</u>	<u>127,965,398</u>
<b>Balance at December 31, 2018</b>	<b><u>P 2,062,500,000</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 49,048,367</u></b>	<b><u>( P 1,646,129,296 )</u></b>	<b><u>P 465,419,071</u></b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		( P 211,024,063 )	( P 292,499,702 )	P 153,334,325
Adjustments for:				
Interest expense	12	117,132,893	4,382,206	6,292,789
Equity in net earnings of an associate	16	( 12,583,562 )	( 7,810,256 )	-
Finance income	5, 8	( 2,613,480 )	( 15,322,751 )	( 8,548,503 )
Depreciation and amortization	12	876,477	27,345,468	20,810,575
Loss on deconsolidation	1	-	264,692,670	-
Impairment loss on trade and other receivables	12	-	21,074,810	8,943,514
Gain on sale of investment property	8	-	( 2,375,520 )	-
Retirement benefit gain	13	-	-	( 65,395,697 )
Operating profit (loss) before working capital changes		( 108,211,735 )	( 513,075 )	115,437,003
Increase in trade and other receivables		-	( 2,415,537 )	( 17,192,410 )
Increase in due from related parties		-	( 47,655,033 )	( 104,694,702 )
Increase in other current assets		( 27,268,802 )	( 26,745,621 )	( 80,937,796 )
Increase in other non-current assets		-	( 1,959,595 )	( 516,214 )
Increase (decrease) in trade and other payables		118,069,643	162,379,180	( 3,852,280 )
Increase (decrease) in retirement benefit obligation		-	9,612,004	18,652,005
Cash generated from (used in) operations		( 17,410,894 )	92,702,323	( 73,104,394 )
Interest received		2,613,480	15,476,261	8,012,963
Cash paid for taxes		( 521,205 )	( 41,939,243 )	( 29,170,144 )
Net Cash From (Used in) Operating Activities		( 15,318,619 )	66,239,341	( 94,261,575 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payment of deposit	19, 24	( 9,853,728,852 )	-	-
Acquisition of property and equipment	7	( 934,282,447 )	( 3,903,245 )	( 5,711,390 )
Proceeds from disposal of property and equipment	7	-	169,451	68,240
Net Cash Used in Investing Activities		( 10,788,011,299 )	( 3,733,794 )	( 5,643,150 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from issuance of convertible bonds	11	7,389,479,038	-	-
Proceeds from shareholder's loan	15	5,400,741,962	-	-
Cash received from subscription of capital stock	1, 18	2,550,000,010	1,250,000,000	-
Increase (decrease) in due to related parties		58,378,962	( 5,107,312 )	942,731
Cash received from an investor of a previously owned subsidiary	1, 16	-	150,000,000	-
Repayment of lease liability	9	-	( 11,167,957 )	-
Interest paid		-	( 762,662 )	( 914,295 )
Net Cash From Financing Activities		15,398,599,972	1,382,962,069	28,436
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,595,270,054</b>	<b>1,445,467,616</b>	<b>( 99,876,289 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,278,214,939</b>	<b>256,844,016</b>	<b>356,720,305</b>
<b>EFFECTS ON FOREIGN EXCHANGE RATE CHANGES</b>		<b>4,131,283</b>	<b>-</b>	<b>-</b>
<b>EFFECT OF DECONSOLIDATION</b>	1	<b>-</b>	<b>( 424,096,693 )</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 5,877,616,276</b>	<b>P 1,278,214,939</b>	<b>P 256,844,016</b>

*Supplemental Information on Non-cash Financing and Investing Activities is disclosed on Note 24 to the Consolidated Financial Statements.*

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020, 2019 AND 2018**  
*(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 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 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 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) (see Notes 7, 9, 15.7 and 19.1).

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 (the intermediate parent company or Suncity), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged in the development of residential and commercial properties as well as leasing of commercial properties, providing hotel and integrated resort management and consultancy service and travel agency. 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 address and principal place of business is 26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> 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 KY 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 (see Note 15.8).

## ***1.2 Subsidiaries and Deconsolidation***

The Parent Company previously held 100.00% ownership interest in First Oceanic Property Management, Inc. (FOPMI), a domestic corporation engaged primarily in the management of real estate properties. On November 28, 2019, FOPMI received cash from another minority shareholder representing deposit for stock subscription. Subsequent to the SEC's approval of FOPMI's application for increase in authorized capital stock, the related shares were issued on December 10, 2019, which resulted into the dilution of the Parent Company's ownership interest over FOPMI to 24.27% and loss of control. Subsequently, the Parent Company no longer considered FOPMI as a subsidiary but treats the latter as an associate since the Parent Company retains significant influence.

The consolidated statement of financial position as of December 31, 2019 pertains solely to the balances of the Parent Company. On the other hand, the consolidated statement of income and consolidated statement of comprehensive income for the year then ended includes the results of operations of the Parent Company for the year ended December 31, 2019 and the results of operations of FOPMI and its subsidiary, Citylink Coach Services, Inc. (Citylink), from January 1, 2019 until the date of loss of control.

FOPMI holds 100.00% ownership interest over Citylink, a domestic company primarily engaged in providing transportation services. FOPMI and Citylink were incorporated and have their principal place of business in the Philippines.

In 2020, the Parent Company established SWC Project Management Limited (SWCPML) and WC Project Management Limited (WCPML), two new wholly-owned subsidiaries in Hong Kong and Macau, respectively. Both subsidiaries are engaged in providing project management services.

## ***1.3 Impact of COVID-19 Pandemic on Group's Business***

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 activities. The Group experienced no delays in its preliminary construction activities nor difficulties in financing. Management is still on track with its initial target date of completion of construction by 2023.

#### **1.4 Approval of the Consolidated Financial Statements**

The consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2020 (including the comparative consolidated financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Parent Company's BOD on March 19, 2021.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(b) Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

#### *(c) Functional and Presentation Currency*

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

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.



## 2.2 *Adoption of New and Amended PFRS*

### (a) *Effective in 2020 that are Relevant to the Group*

The Group adopted for the first time the following revisions and amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

- (ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of ‘material’ in PAS 1 by including the concept of ‘obscuring’ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term ‘material’ to ensure consistency. The application of these amendments had no significant impact on the Group’s consolidated financial statements.
- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no significant impact on the Group’s consolidated financial statements.
- (iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group’s consolidated financial statements.

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group’s consolidated financial statements:

- (i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
- (ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

- (iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- (iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
  - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
  - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- (vii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction

### **2.3 Basis of Consolidation**

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1.2), after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries and associate as follows:

#### **(a) Investments in Subsidiaries**

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: (i) it has the power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.10).

When the Parent Company loses control over a subsidiary, the Parent Company, on the date of loss of control, derecognizes the assets and liabilities of the subsidiary at their carrying amounts as well as the carrying amount of any non-controlling interests in the former subsidiary. On that same date, the Parent Company shall recognize any retained investment in the former subsidiary at its fair value. Moreover, any amounts previously recognized under other comprehensive income in relation to the subsidiary will be reclassified to profit or loss or transferred directly to equity as required by the related standards. Any resulting difference from these transactions will be recognized as a gain or loss attributable to the Parent Company in profit or loss.

(b) *Investment in an Associate*

An associate is an entity over which the Parent Company is able to exert significant influence but which are neither a subsidiary nor interest in a joint venture.

The Parent Company's investment in an associate is initially carried at fair value which is the fair value of the investment at the time the Parent Company lost its control over the former subsidiary and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate is recognized in the Parent Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings of an Associate account in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

## **2.4 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date.

### *(a) Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets at amortized cost, the only classification of financial assets applicable to the Group, is described below.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest payment on the principal amount outstanding.

Except for trade receivable, that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, and Due from a Related Party. Cash and cash equivalents include demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of income as part of Finance and Other Income.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group recognizes ECL for its trade receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Group's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group applies a general approach in relation to due from a related party. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of due from a related party, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related party's highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect the receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of due from a related party can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized which may prove to be negligible.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**2.5 Other Assets**

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as non-current assets.

**2.6 Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Transportation equipment	5 to 15 years
Office and communication equipment	3 to 5 years
Furniture and fixtures	3 to 5 years



Leasehold improvements are amortized over their estimated useful life of five years or the term of the lease, whichever is shorter.

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

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further change for depreciation and amortization is made in respect of these assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## ***2.7 Investment Property***

Investment property pertains to condominium units held for rent and for capital appreciation. Condominium units are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost of investment property comprises the acquisition cost or construction cost and other directly attributable costs for bringing the asset to working condition for its intended use. Expenditures for additions and major improvements are capitalized while expenditures for repairs and maintenance are charged to expense when incurred.

Depreciation of condominium units is computed on a straight-line basis over its estimated useful life of 30 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement disposal.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

## **2.8 Financial Liabilities**

The financial liabilities of the Group include trade and other payables (excluding tax-related payables), financial liability component of convertible bonds, due to related parties and lease liability. Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. The components of an issued financial instrument that contains both financial liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting the financial liability component from the fair value of the compound financial instrument taken as a whole on the date of issue [see Note 3.2(c)].

The financial liability component of compound financial instruments is recognized at fair value using an option allocation method. In this method, the fair values of different classes of shares (i.e. convertible options and common stock) are regarded as a combination of call options on the enterprise value of the Parent Company with the pay-offs determined by the characteristics of each share class, including, but not limited to, the liquidation preference and dividend distribution. The allocation model focus on the asset distribution among different share classes as at the date of hypothetical liquidity event.

The financial liability is subsequently measured at amortized cost using the effective interest method. Interest costs, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, lease liability and amounts due to related parties are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## **2.9 Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

## **2.10 Business Combinations**

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill, if any, which is the excess of the Group's interest in the net fair value of acquired identifiable assets, liabilities, and contingent liabilities over cost, is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## **2.11 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### ***2.12 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.13 Revenue and Expense Recognition***

Revenue comprises mainly from property management services, transport-related services and rental of properties.

To determine whether to recognize revenue, the Group follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into property management contracts wherein the Group provides property management services to residential properties, malls and offices. The Group also enters into rental and other service contracts. There is no significant judgement involved in determining the transaction price since it usually pertains to only one performance obligation based on the nature of contracts with customers. The performance obligation is satisfied over time and the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

- (a) *Management fees* – Revenue is derived over time when the performance of property management services have been substantially rendered. The Group recognizes revenue equivalent to cost incurred plus a certain mark-up.
- (b) *Service income* – Revenue is recognized over time when transport-related services have been substantially rendered.
- (c) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset account.

In obtaining customer contracts, the Group may incur incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization goods or services at the date they are incurred.

## 2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

(i) *Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a ROUA and a lease liability in the consolidated statement of financial position. The ROUA is measured at cost, which is equal to the initial measurement of the lease liability. Subsequently, the Group depreciates the ROUA on a straight-line basis to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.16).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's IBR. Lease payments mainly include contractual fixed payments. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROUA, or profit and loss if the ROUA is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a ROUA and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, ROUA and lease liability have been presented separately from property, plant and equipment and other liabilities, respectively.

*(ii) Accounting for Leases in Accordance with PAS 17 (2018)*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

*(b) Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

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

**2.15 Foreign Currency Transactions and Translations**

*(a) Transactions and Balances*

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

*(b) Translation of Financial Statements of Foreign Subsidiaries*

The consolidated operating results and financial position of offshore subsidiaries (see Note 1), which are measured using the Hong Kong dollar (“HKD”), and Macanese Pataca (“MOP”) as their functional currencies, are translated to Philippine pesos, the Parent Company’s functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

- (iii) All resulting translation adjustments are recognized in other comprehensive income and in a separate component of equity under the Exchange Reserve account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

### ***2.16 Impairment of Non-financial Assets***

The Group's property and equipment, ROUA and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### ***2.17 Employee Benefits***

The Group's post-employment benefits to employees through a defined benefit plan, certain defined contribution plans, and other employee benefits are recognized as follows:

#### ***(a) Post-employment Defined Benefit Plan (2019)***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment benefit plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees.



The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance and Other Income accounts in the consolidated statement of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

*(b) Post-employment Defined Contribution Plans (2019)*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

*(c) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

### ***2.18 Borrowing Costs***

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

### ***2.19 Income Taxes***

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other consolidated comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would flow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in the consolidated profit or loss, except to the extent that it relates to items recognized in the consolidated other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

## ***2.20 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the Parent Company's BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Parent Company's consolidated total assets based on the latest financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

## ***2.21 Equity***

Capital stock represents the nominal value of shares that have been issued.

Subscription receivable represents the unpaid portion of the subscribed capital stock due from stockholders.

Exchange reserve represent the translation adjustments resulting from the translation of foreign currency-denominated financial statements of foreign subsidiaries into the Parent Company's functional and presentation currency.

Convertible bonds equity reserve represent the equity component of convertible bonds payable [see Notes 2.8 and 3.2(c)]. This will eventually be closed to additional paid-in capital upon settlement of the convertible bonds.

Revaluation reserve comprise accumulated actuarial gains and losses due to the remeasurements of post-employment defined benefit plan, net of tax and the Group's share in other comprehensive income of its associate.

Deficit includes all current and prior period results of operations as disclosed in the consolidated statement of income.

### ***2.22 Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing net profit (loss) by the weighted average number of common shares subscribed and issued during the year adjusted retroactively for any stock dividend, stock split or reverse stock split declared in the current year, if any.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The Group has dilutive potential shares outstanding related to its convertible bonds, which are deemed to have been converted to common shares at the issuance of the options (see Note 17).

### ***2.23 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

*(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

In 2020, management assessed that the renewal period on the Parent Company's lease for its land should not be included in the lease term as the head lease agreement of the lessor does not have such similar arrangement (see Note 9).

*(b) Determination of Timing of Satisfaction of Performance Obligations*

The Group generates its revenue by providing property management services to residential properties, malls and offices, and estates; and, provision of transport-related services. Revenues arising therefrom are recognized over time. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date, i.e., generally when the related party customers have acknowledged the Group's right to invoice.

*(c) Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-managed properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(d) *Distinction Between Operating and Finance Leases (2018)*

The Group has entered into various lease agreements either as a lessor or as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that the Group's current lease agreements are operating leases.

(e) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant provisions and contingencies are presented in Note 19.

(f) *Allocation of the Refundable deposit*

Judgment was exercised by management on the allocation of a refundable deposit paid in connection with an agreement entered by the Parent Company with a related party (see Note 19.1). Based on management's judgment, the payment is treated as a directly attributable cost CIP and ROUA. Amount allocated to CIP was based on the value determined by a team of independent valuation experts engaged by the Group to estimate the costs incurred on the project site. Residual amount was assigned to ROUA as incremental cost of obtaining the lease described in Note 9.

### **3.2 Key Sources of Estimation Uncertainty**

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

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's IBR. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL on Financial Assets at Amortized Cost*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparty defaulting and the resulting losses). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the counterparties' actual default in the future. The Group's accounting policy with respect to ECL is described in Note 2.4(b). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 20.2.

(c) *Recognition of Financial Liability and Equity Components of Compound Financial Instruments*

The convertible bonds contain both a financial liability component, which is the Parent Company's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into the Parent Company's common shares. The value of the financial liability component is determined separately which is deducted from the fair value of the compound instrument as a whole, and the residual amount is assigned as the value of the equity component.

The carrying amount of the financial liability component was determined by an independent third-party valuer by using the option pricing method. In measuring the fair value, the risk-free rate, the underlying volatility of the Parent Company's stock price, and enterprise value are the principal assumptions used in the valuation. When the fair value of the financial liability is compared with the fair value of the compound financial instrument as a whole, which is equivalent to the issue price, the residual amount was assigned to the equity component which is presented as Convertible Bonds Equity Reserve in the 2020 consolidated statement of financial position. The financial liability was subsequently measured at amortized cost.

(d) *Estimating Useful Lives of Property and Equipment, and ROUA*

The Group estimates the useful lives of its property and equipment, and ROUA based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, and ROUA are analyzed in Notes 7 and 9, respectively. Based on management's assessment as at December 31, 2020 and 2019, there are no changes in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Based on management's assessment, the Group has assessed that the unrecognized deferred tax assets arising from net operating loss carry over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) as at December 31, 2020 and 2019 may not be utilized within the prescribed periods required by law. The unrecognized deferred tax assets as of those dates is disclosed in Note 14.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on the Group's non-financial assets in 2020, 2019 and 2018.

(g) *Valuation of Retirement Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense analysis of the movements in the estimated present value of post-employment benefit obligation as of December 31, 2019 (nil in 2020) are presented in Note 13.2.



#### 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 as disclosed in Note 1.1. 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, receivables, net of allowances and due from related parties. Segment liabilities include all operating liabilities and consist principally of trade and other payables and due to related parties.

The business segment information of the Group as of and for the years ended December 31, 2020, 2019 and 2018 follows:

	<u>Tourism- related Business</u>	<u>Property Management and Rental</u>	<u>Total</u>
<b>2020:</b>			
Revenues and income:			
Equity in net earnings of an associate	P -	P 12,583,562	P 12,583,562
Finance and other income	<u>2,613,480</u>	<u>-</u>	<u>2,613,480</u>
	2,613,480	12,583,562	15,197,042
Expenses	( 82,349,275)	-	( 82,349,275)
Finance costs	( <u>143,871,830</u> )	<u>-</u>	( <u>143,871,830</u> )
Profit (loss) before tax	( 223,607,625)	12,583,562	( 211,024,063)
Tax expense	( <u>521,205</u> )	<u>-</u>	( <u>521,205</u> )
Net profit (loss)	<b><u>(P 224,128,830)</u></b>	<b><u>P 12,583,562</u></b>	<b><u>(P 211,545,268)</u></b>
Segment assets	<b><u>P 22,312,855,315</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>

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
<u>2019:</u>			
Revenues and income:			
Management fees	P 500,983,740	P -	P 500,983,740
Rental income	-	32,715,976	32,715,976
Service income	-	18,277,177	18,277,177
Equity in net earnings (losses) of an associate	8,235,440	( 425,184)	7,810,256
Finance and other income	<u>15,469,353</u>	<u>7,699,768</u>	<u>23,169,121</u>
	524,688,533	58,267,737	582,956,270
Expenses	( 450,329,404)	( 156,051,692)	( 606,381,096)
Loss on deconsolidation	( 264,692,670)	-	( 264,692,670)
Finance costs	( <u>3,619,544</u> )	( <u>762,662</u> )	( <u>4,382,206</u> )
Profit before tax	( 193,953,085)	( 98,546,617)	( 292,499,702)
Tax expense	( <u>19,643,252</u> )	( <u>2,636,781</u> )	( <u>22,280,033</u> )
Net loss	<u>(P 213,596,337)</u>	<u>(P 101,183,398)</u>	<u>(P 314,779,735)</u>
Segment assets	<u>P -</u>	<u>P 1,448,910,152</u>	<u>P 1,448,910,152</u>
Segment liabilities	<u>P -</u>	<u>P 57,502,895</u>	<u>P 57,502,895</u>
<u>2018:</u>			
Revenues and income:			
Management fees	P 517,201,700	P -	P 517,201,700
Retirement benefit gain	65,395,697	-	65,395,697
Service income	-	21,967,597	21,967,597
Rental income	-	37,189,216	37,189,216
Finance and other income	<u>10,316,936</u>	<u>3,053,405</u>	<u>13,370,341</u>
	592,914,333	62,210,218	655,124,551
Expenses	( 434,831,688)	( 60,665,749)	( 495,497,437)
Finance costs	( <u>5,378,495</u> )	( <u>914,294</u> )	( <u>6,292,789</u> )
Profit before tax	152,704,150	630,175	153,334,325
Tax expense	( <u>48,799,239</u> )	( <u>672,217</u> )	( <u>49,471,456</u> )
Net profit (loss)	<u>P 103,904,911</u>	<u>(P 42,042)</u>	<u>P 103,862,869</u>
Segment assets	<u>P 599,143,380</u>	<u>P 161,846,370</u>	<u>P 760,989,750</u>
Segment liabilities	<u>P 230,768,241</u>	<u>P 64,802,438</u>	<u>P 295,570,679</u>

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2020</u>	<u>2019</u>
Cash on hand and in banks	<b>P 5,809,682,477</b>	P 1,211,294,639
Short-term placements	<u>67,933,799</u>	<u>66,920,300</u>
	<b><u>P 5,877,616,276</u></b>	<b><u>P 1,278,214,939</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods from 30 to 90 days and earn effective interest ranging from 0.50% to 2.83% in 2020, 3.00% to 6.63% in 2019 and 2.75% to 6.70% in 2018. Interest earned is presented as part of Finance and Other Income account in the consolidated statements of income.

## 6. OTHER CURRENT ASSETS

The composition of this account is as follows:

	<u>2020</u>	<u>2019</u>
Input value-added tax (VAT) – net	<b>P 26,349,478</b>	P 1,908,231
Deferred input VAT	<b>1,433,838</b>	183,450
Refundable deposits	<b>624,996</b>	-
Tax credits	<b>1,190</b>	1,190
Others	<b><u>1,027,767</u></b>	<u>75,596</u>
	<b><u>P 29,437,269</u></b>	<u>P 2,168,467</u>

Prior to deconsolidation of FOPMI, the Group has short-term placements with more than 90 days maturity. These investments earn interest income ranging from 3.30% to 3.88% in 2019 and from 6.10% to 6.70% in 2018. Interest income recognized from short-term investments is presented as part of Finance and Other Income account in the 2019 and 2018 consolidated statements of income. There were no similar transactions in 2020.

## 7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	<u>Transportation Equipment</u>	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2020						
Cost	P -	P 2,464,044	P 439,406	P 444,992	P 1,973,631,399	P 1,976,979,841
Accumulated depreciation and amortization	<u>-</u>	<u>( 505,546)</u>	<u>( 51,191)</u>	<u>( 319,740)</u>	<u>-</u>	<u>( 876,477)</u>
Net carrying amount	<b><u>P -</u></b>	<b><u>P 1,958,498</u></b>	<b><u>P 388,215</u></b>	<b><u>P 125,252</u></b>	<b><u>P 1,973,631,399</u></b>	<b><u>P 1,976,103,364</u></b>
December 31, 2019						
Cost	P -	P -	P -	P -	P -	P -
Accumulated depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>
January 1, 2019						
Cost	P 82,908,311	P 34,279,661	P 7,013,733	P 18,943,869	P -	P 143,145,574
Accumulated depreciation and amortization	<u>( 47,475,681)</u>	<u>( 28,681,026)</u>	<u>( 5,144,882)</u>	<u>( 5,883,784)</u>	<u>-</u>	<u>( 87,185,373)</u>
Net carrying amount	<b><u>P 35,432,630</u></b>	<b><u>P 5,598,635</u></b>	<b><u>P 1,868,851</u></b>	<b><u>P 13,060,085</u></b>	<b><u>P -</u></b>	<b><u>P 55,960,201</u></b>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2020 and 2019 is shown below.

	<u>Transportation Equipment</u>	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P -	P -	P -	P -	P -	P -
Additions	-	2,464,044	439,406	444,992	1,973,631,399	1,976,979,841
Depreciation and amortization charges for the year	-	(505,546)	(51,191)	(319,740)	-	(876,477)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P -</u>	<u>P 1,958,498</u>	<u>P 388,215</u>	<u>P 125,252</u>	<u>P 1,973,631,399</u>	<u>P 1,976,103,364</u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 35,432,630	P 5,598,635	P 1,868,851	P 13,060,085	P -	P 55,960,201
Additions	1,561,071	2,314,728	27,446	-	-	3,903,245
Disposal	(167,071)	(2,380)	-	-	-	(169,451)
Depreciation and amortization charges for the year	(4,462,428)	(4,040,423)	(1,095,584)	(3,392,279)	-	(12,990,714)
Effect of deconsolidation	(32,364,202)	(3,870,560)	(800,713)	(9,667,806)	-	(46,703,281)
Balance at December 31, 2019, net of accumulated depreciation and amortization	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>

Construction in progress pertains to the accumulated costs incurred on properties under development in the Entertainment City, Manila in accordance with the CDA with a related party under common ownership (see Note 15.7). Costs incurred totaling to P1,973.6 million comprise of the amount of deposit capitalized as reimbursement for the cost of the project, after fulfilling certain conditions (see Note 19.1), and other costs such as piling, engineering, architectural and other consultancy fees related to the design and development of the Main Hotel Casino.

The amount of depreciation and amortization is presented as part of Operating Expenses account in the consolidated statements of income (see Note 12.1).

## 8. INVESTMENT PROPERTY

In 2019, the Parent Company sold all condominium units with a carrying amount of P23.8 million for a total consideration amounting to P26.1 million. Gain on sale of investment properties amounting to P2.4 million is presented as part of Finance and Other Income under the Revenue and Income section section of the 2019 consolidated statement of income. Meanwhile, the related receivables, including VAT and net of deferred rent and other incidental expenses, are presented as Due from a Related Party in the 2019 consolidated statement of financial position (see Note 15.3). The receivable remained outstanding as of December 31, 2020.

Prior to sale, rental income from condominium units under operating lease agreements not exceeding one year, amounted to P0.3 million and P1.0 million in 2019 and 2018, respectively, and presented as part of Rental Income account in the consolidated statements of income. There was no contingent rent recognized as of those dates.

There are no direct operating expenses incurred with respect to investment properties except for depreciation charges and real property tax presented as part of Cost of Services account in the 2019 and 2018 consolidated statements of income (see Note 12.1).

## 9. LEASES

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 (see Note 15.7) 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 (see Note 9.2)

As of December 31, 2020, the lease agreement is reflected on the 2020 consolidated statement of financial position as an ROUA and a lease liability in accordance with PFRS 16.

In 2019, the Group has leases covering its office facilities with recognized ROUA and lease liabilities prior to deconsolidation.

### 9.1 ROUA

The carrying amount of the Group's ROUA as at December 31, 2020 and 2019 and the movements during the year are shown below.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P -</b>	P 39,878,873
Additions	<b>14,429,698,406</b>	-
Depreciation and amortization	-	( 10,444,467)
Effect of deconsolidation	<u>-</u>	<u>( 29,434,406)</u>
Balance at end of year	<b><u>P14,429,698,406</u></b>	<u>P -</u>

## 9.2 Lease Liabilities

The carrying amounts of the Group's lease liabilities as at December 31, 2020 and 2019 and the movements during the year are shown below.

	Note	<u>2020</u>	<u>2019</u>
Balance at beginning of year		<b>P -</b>	P 39,878,873
Lease entered during the year	24.1	<b>5,618,666,948</b>	-
Interest expense		-	2,237,191
Payment during the year		-	( 11,167,957)
Effect of deconsolidation		-	( 30,948,107)
Balance at end of year		<b><u>P 5,618,666,948</u></b>	<u>P -</u>

The outstanding lease liability as of December 31, 2020 is presented under Non-current Liabilities in the 2020 consolidated statement of financial position.

The undiscounted maturity analysis of lease liability at December 31, 2020 is as follows :

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>5 to 10 years</u>	<u>10 to 19 years</u>	<u>Total</u>
Lease payments	P -	P -	P 510,044,440	P 510,044,440	P 510,044,440	P2,550,222,200	P4,239,657,071	P8,320,012,591
Finance charges	-	-	( 50,125,872)	( 68,187,800)	( 85,540,400)	( 665,054,408)	( 1,832,437,163)	( 2,701,345,643)
Net present value	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 459,918,568</u></b>	<b><u>P 441,856,640</u></b>	<b><u>P 424,504,040</u></b>	<b><u>P1,885,167,792</u></b>	<b><u>P2,407,219,908</u></b>	<b><u>P5,618,666,948</u></b>

## 9.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets amounted to P11.5 million and P6.0 million and is presented as Rentals as part of Cost of Services and Operating Expenses under Cost and Expenses in the 2020 and 2019 consolidated statements of income (see Note 12.1).

The Group is also committed to short-term leases and the total commitment amounted to P1.1 million as of December 31, 2020.

## 9.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P11.2 million in 2019. Interest expense in relation to lease liabilities amounted to P2.2 million and is presented as part of Finance costs under Cost and Expenses in the 2019 consolidated statement of income (see Note 12.2). No interest expense was incurred in 2020 in relation to the lease since the lease liability was only recognized on December 30, 2020.

## 10. TRADE AND OTHER PAYABLES

The details of this account are as follows:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Government payables		<b>P 104,827,105</b>	P 55,005,411
Interest payable	15.6	<b>93,706,314</b>	-
Construction costs payable		<b>84,286,607</b>	-
Retention payable		<b>6,113,369</b>	-
Accrued expenses		<b>3,532,574</b>	1,762,540
Others		<b>33,869</b>	734,944
		<b><u>P 292,499,838</u></b>	<b><u>P 57,502,895</u></b>

Government payables mainly pertain to documentary stamp taxes incurred by the Parent Company in 2020 and 2019 in relation to the issuance of convertible bonds and shares, respectively.

Accrued expenses pertain to accrual for professional fees and employee benefits.

## 11. CONVERTIBLE BONDS

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 Investments Limited (Summit Ascent), a related party under common ownership, 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 antidilutive 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 fair values at initial recognition and the carrying amounts of the financial liability components, calculated based on the fair value of the principal less any directly attributable transaction costs, at December 31, 2020 are presented below.

	<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	<b><u>P 4,306,781,001</u></b>	<b><u>P 3,890,572,929</u></b>	<b><u>P 8,197,353,930</u></b>

In subsequent periods, the financial liability components will be carried at amortized cost using the effective interest method. The effective interest of the Fortune Noble Convertible Bond and Summit Ascent Convertible Bond are 10.60% and 12.67%, respectively. There were no interest expense recognized in 2020 as management considered it not material to the consolidated financial statements.

Conversion options, which represents the residual amount after deducting the financial liability component from the fair value of the instruments amounted to P4,592.9 million and is presented as Convertible Bonds Equity Reserve under the Equity section of the 2020 consolidated statement of financial position.

The fair values of the convertible bonds are determined by a firm of independent professional valuers using the option price allocation method.

The inputs used for the calculations of fair values of convertible bonds are as follows:

	<u>Fortune Noble</u>	<u>Summit Ascent</u>
Enterprise value	P 25,007,500,000	P 25,007,500,000
Conversion price	1.10	1.80
Expected option life	5 years	5 years
Risk-free rate	2.6%	2.6%
Volatility	60.20%	60.20%

## 12. REVENUES, COSTS AND EXPENSES

### *12.1 Operating Expenses by Nature*

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Taxes, licenses and registration fees		<b>P 40,042,311</b>	P 96,560,171	P 4,711,246
Salaries and employee benefits	13.1	<b>17,812,792</b>	325,135,538	308,938,384
Rentals	9.3, 15.5	<b>11,498,337</b>	6,006,824	16,358,553
Professional fees		<b>7,081,984</b>	3,133,749	2,047,629
Utilities and supplies		<b>1,532,916</b>	5,588,177	5,365,097
Depreciation and amortization	7, 8, 9.1	<b>876,477</b>	27,345,468	20,810,575
Trainings and conferences		<b>193,860</b>	3,632,739	9,417,725
Representation and entertainment		<b>121,498</b>	2,915,968	5,593,459
Repairs and maintenance		<b>30,260</b>	8,718,418	6,403,130
Service costs		-	37,267,972	38,595,632
Outside services		-	37,082,714	34,479,832
Impairment loss on trade and other receivables	20.2(b)	-	21,074,810	8,943,514
Others		<b>3,158,840</b>	<b>31,918,548</b>	<b>33,832,661</b>
		<b><u>P 82,349,275</u></b>	<b><u>P 606,381,096</u></b>	<b><u>P 495,497,437</u></b>

In 2019 and 2018, prior to deconsolidation, the Group recognized impairment losses on trade and other receivables of FOPMI amounting to P21.1 million and P8.9 million. Consequently, an adequate amount of allowance for impairment has been recognized [see Note 20.2(b)].



Depreciation and amortization include the depreciation of computer software of FOPMI amounting to P2.9 million in 2019 and 2018 and depreciation of investment property amounting to P1.0 million and P1.2 million in 2019 and 2018, respectively (see Notes 8 and 9).

Others include dues and charges, insurance, and printing and photocopying.

These expenses are classified in the consolidated statements of income as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost of services	<b>P -</b>	P333,252,958	P333,963,677
Operating expenses	<u><b>82,349,275</b></u>	<u>273,128,138</u>	<u>161,533,760</u>
	<u><b>P 82,349,275</b></u>	<u>P606,381,096</u>	<u>P495,497,437</u>

### ***12.2 Finance Costs***

The breakdown of this account is as follows:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest on shareholder's loan	15.6	<b>P 117,132,893</b>	P -	P -
Interest costs on retirement benefit obligation – net	13.2	-	1,382,353	5,378,494
Interest cost on lease liability	9.2	-	2,237,191	-
Others		<u><b>26,738,937</b></u>	<u>762,662</u>	<u>914,295</u>
		<u><b>P143,871,830</b></u>	<u>P 4,382,206</u>	<u>P 6,292,789</u>

Others include the realized foreign exchange loss amounting to P26.7 million in 2020 arising from the conversion of amount due from SWCPML into equity investment.

### ***12.3 Disaggregation of Management Fees and Service Income***

In 2019 and 2018, the Group derives revenue mainly from management of real estate properties and transportation services from which revenue is recognized over time when the performance of property management and transportation services have been substantially rendered in the following major types of properties and geographical areas:

	<u>Office Buildings</u>	<u>Residential Properties</u>	<u>Transportation Services and Others</u>	<u>Total</u>
<u>2019</u>				
Metro Manila	P 241,328,282	P 205,501,474	P 24,580,838	P 471,410,594
Visayas	<u>35,064,609</u>	<u>12,785,714</u>	<u>-</u>	<u>47,850,323</u>
	<u><b>P 276,392,891</b></u>	<u><b>P 218,287,188</b></u>	<u><b>P 24,580,838</b></u>	<u><b>P 519,260,917</b></u>

		<u>Office Buildings</u>	<u>Residential Properties</u>	<u>Transportation Services and Others</u>	<u>Total</u>
<u>2018</u>					
Metro Manila	P	211,692,130	P 256,611,988	P 21,967,597	P 490,271,715
Visayas		<u>39,219,011</u>	<u>9,678,571</u>	<u>-</u>	<u>48,897,582</u>
	P	<u>250,911,141</u>	<u>P 266,290,559</u>	<u>P 21,967,597</u>	<u>P 539,169,297</u>

### 13. EMPLOYEE BENEFITS

#### 13.1 Salaries and Employee Benefits

Expenses recognized as salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Short-term benefits		<b>P 17,812,792</b>	P315,523,534	P290,286,379
Post-employment benefits	13.2	<u>-</u>	<u>9,612,004</u>	<u>18,652,005</u>
	12.1	<b><u>P 17,812,792</u></b>	<b><u>P325,135,538</u></b>	<b><u>P308,938,384</u></b>

#### 13.2 Retirement Benefit Obligation

The Parent Company has not yet established a formal post-employment benefit plan and does not accrue post-employment benefits for its employees due to insignificance of the amount. However, FOPMI maintains a partially funded noncontributory post-employment benefit plan covering all its regular full-time employees. As a result of the deconsolidation, the retirement benefit obligation on the consolidated financial statements was reduced to nil in 2019 (see Note 1.2).

##### (a) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit obligation and costs, and the amount of contributions. All amounts presented below are based on the most recent actuarial valuation report obtained from an independent actuary in 2019.

The movements in present value of the retirement benefit obligation as of December 31, 2019 are as follows:

Balance at beginning of year	P 57,331,939
Current service costs	9,612,004
Interest costs	3,545,941
Remeasurements –	
Actuarial gains arising from	
change in experience assumptions	13,267,047
Effect of deconsolidation	<u>(83,756,931)</u>
Balance at end of year	<u><u>P -</u></u>

The movements in the fair value of plan assets as of the beginning and end of 2019 is presented below.

Balance at beginning of year	P	34,981,594
Interest income included		
in net interest cost		2,163,588
Remeasurement loss on plan assets	(	578,828)
Effect of deconsolidation	(	<u>36,566,354</u> )
Balance at end of year	P	<u>          -</u>

The components of amounts recognized in consolidated statements of income and consolidated statements of comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2019</u>	<u>2018</u>
<i>Reported in consolidated statements of income:</i>		
Current service costs	P 9,612,004	P 18,652,005
Net interest costs	1,382,353	5,378,494
Retirement benefit gain	-	(65,395,697)
	<u>P 10,994,357</u>	<u>(P 41,365,198)</u>
<i>Reported in consolidated statements of comprehensive income –</i>		
Actuarial losses (gains) arising from:		
Experience adjustments	P 13,267,047	(P 35,759,614)
Remeasurement loss on plan assets	<u>578,828</u>	<u>1,327,429</u>
	<u>P 13,845,875</u>	<u>(P 34,432,185)</u>

The amounts of post-employment benefit expense are allocated as follows:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Cost of services	P	7,489,291	P 15,009,526
Operating expenses		<u>2,122,713</u>	<u>3,642,479</u>
	13.1	<u>P 9,612,004</u>	<u>P 18,652,005</u>

The interest expense, net of interest income, is included in Finance Costs account under Cost and Expenses section in the 2019 and 2018 consolidated statements of income (see Note 12.2).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to consolidated statements of income.

In determining the amounts of the defined benefit obligation, the following significant actuarial assumptions were used in 2019:

Discount rates	5.05%
Expected rate of salary increases	8.50%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of FOPMI's employees retiring at 60 is 20 years for both male and female. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

#### 14. TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Final tax	<b>P 521,205</b>	P 4,636,532	P 1,598,453
RCIT at 30%	-	25,378,142	37,573,113
MCIT at 2%	<u>-</u>	<u>-</u>	<u>126,196</u>
	<b>521,205</b>	30,014,674	39,297,762
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>-</u>	<u>( 7,734,641 )</u>	<u>10,173,694</u>
	<b><u>P 521,205</u></b>	<b><u>P 22,280,033</u></b>	<b><u>P 49,471,456</u></b>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<b><u>P -</u></b>	<b><u>(P 4,153,763)</u></b>	<b><u>P 10,329,656</u></b>

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax on pretax profit (loss) at 30%	<b>(P 66,872,409)</b>	(P 87,749,911)	P 46,000,298
Adjustment for income subjected to lower income tax rates	<b>( 262,805 )</b>	( 679,158 )	( 799,227 )
Tax effects of:			
Non-deductible expenses	<b>44,190,187</b>	82,263,889	3,547,215
Unrecognized deferred tax assets	<b>23,466,232</b>	30,615,089	1,063,447
Nontaxable income	-	( 2,343,077 )	( 340,277 )
Reversal of previously recognized deferred tax asset	<u>-</u>	<u>173,201</u>	<u>-</u>
Tax expense	<b><u>P 521,205</u></b>	<b><u>P 22,280,033</u></b>	<b><u>P 49,471,456</u></b>

The Parent Company is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The Parent Company did not report MCIT or RCIT in 2020, 2019 and 2018 as the Parent Company is in a gross loss position during the taxable years. Citylink reported MCIT in 2018 since it is in a taxable loss position. FOPMI reported RCIT in 2019 and 2018.

Suntrust's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The Parent Company did not recognize deferred tax assets arising from NOLCO and unrealized foreign exchange loss amounting to P52.9 million and P30.3 million, as of December 31, 2020 and 2019, respectively, since management has assessed that it may not be able to realize their related tax benefits.

The details of unrecognized NOLCO incurred by the Parent Company which can be claimed as deduction from their respective future taxable income within three years from the year the taxable loss was incurred are shown below. Pursuant to Section 4(bbb) of R.A 11494, *Bayanihan to Recover as One* (Bayanihan II), the NOLCO for taxable year 2020 shall be claimed as deduction within five years immediately following the year of such loss.

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2020	P 78,220,772	P -	P 78,220,772	2025
2019	94,834,032	-	94,834,032	2022
2018	3,124,170	-	3,124,170	2021
2017	<u>3,014,158</u>	<u>( 3,014,158)</u>	<u>-</u>	
	<u>P179,193,132</u>	<u>(P 3,014,158)</u>	<u>P176,178,974</u>	

The breakdown of MCIT which can be claimed as a credit against Citylink's RCIT as of December 31, 2018 is as follows:

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2018	P 126,196	P -	P 126,196	2021
2017	<u>72,540</u>	<u>72,540</u>	<u>-</u>	
	<u>P 198,736</u>	<u>P 72,540</u>	<u>P 126,196</u>	

Deferred tax asset arising from NOLCO of Citylink amounting to P0.04 million was also not recognized since management assessed that Citylink may not be able to realize the related tax benefits.

The net deferred tax income (expense), pertaining to FOPMI prior to deconsolidation in 2019 and 2018 relates to the following:

	<u>Profit or Loss</u>		<u>Other Comprehensive Income or Loss</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Retirement benefit obligation	P 2,525,107	(P 12,409,559)	P 4,153,763	(P 10,329,656)
Allowance for impairment	6,322,443	2,683,054	-	-
Unamortized past service costs	( 665,420)	( 725,912)	-	-
Accrued rent – PAS 17	<u>( 447,489)</u>	<u>278,723</u>	<u>-</u>	<u>-</u>
Net deferred tax income (expense)	<u>P 7,734,641</u>	<u>(P 10,173,694)</u>	<u>P 4,153,763</u>	<u>(P 10,329,656)</u>

In 2020, 2019 and 2018, the Group opted to continue claiming itemized deductions in computing for its income tax due.

As of date of the issuance of the 2020 separate financial statements of the Parent Company, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill is yet to be enacted into a law. The CREATE Bill aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers. When enacted, based on the Bicameral Committee's approved version, the effective RCIT rate applicable to the Parent Company from January 1, 2020 to June 30, 2020 and from July 1, 2020 to December 31, 2020 will be 30% and 25%, respectively. Pending the enactment of the CREATE Bill, the Parent Company used the prevailing RCIT rate of 30% as of December 31, 2020 in determining its current and deferred taxes in its 2020 separate financial statements.

## 15. RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, which include stockholders, related parties by common ownership, the Group's key management and the retirement fund, are described below and in the succeeding pages.

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>			<u>Outstanding Receivable (Payable)</u>	
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>
<b>Stockholders:</b>						
Issuance of convertible bonds	15.1	P 4,306,781,001	P -	P -	(P 4,306,781,001)	P -
Shareholder's loan and interest	15.6	5,400,741,962	-	-	( 93,706,314)	-
Excess proceeds	15.4	18,741,962	-	-	( 18,741,962)	-
Lease of properties	15.5	-	11,167,957	12,623,159	-	-
Advances obtained (paid)	15.4	-	-	3,610,064	-	-
Advance rental	15.5	-	-	195,350	-	-
Security deposits	15.5	-	-	415,379	-	-
Sale of investment property	15.3	-	27,382,014	-	27,382,014	27,382,014
Subscription of shares	15.2	2,550,000,010	1,250,000,000	-	1,387,499,990	3,937,500,000
<b>Related Parties Under Common Ownership:</b>						
Issuance of convertible bonds	15.1	3,890,572,929	-	-	( 3,890,572,929)	-
Excess proceeds	15.4	39,637,000	-	-	( 39,637,000)	-
Advances granted (collected)	15.3	-	46,403,743	( 104,694,702)	-	-
Advances obtained (paid)	15.4	-	( 5,107,312)	( 2,667,333)	-	-
<b>Key Management Personnel –</b>						
Compensation	15.8	-	30,672,448	33,006,118	-	-

### 15.1 Issuance of Convertible Bonds

In 2020, the Parent Company entered into subscription agreements whereby Fortune Noble and Summit Ascent agreed to subscribe in the aggregate principal amount of P7,300.0 million and P5,600.0 million convertible bonds, respectively subject to fulfilment of certain conditions and regulatory approvals.

The instruments were issued to the subscribers on December 30, 2020 upon the fulfilment of the conditions and regulatory approvals (see Note 11).

### 15.2 Subscription Receivable

In 2019, the Parent Company's stockholders subscribed to additional shares of the Parent Company amounting to P5,000.0 million, of which P1,250.0 million was paid to the Parent Company representing 25% of the subscription (see Notes 1.1 and 18.1). In 2020, the Parent Company received an amount of P2,550.0 million in relation to the subscription.

The Subscription Receivable account is offset against Capital Stock account shown in the consolidated statements of changes in equity.

### 15.3 Due from Related Parties

The Group grants unsecured cash advances to its related parties for working capital requirements. In 2019, the Parent Company also sold its investment property to a stockholder (see Note 8). These receivables are non-interest bearing, unsecured and collectible in cash on demand.

The movement in due from related parties is as follows:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		<b>P 27,382,014</b>	P 161,618,242
Net advances during the year*		-	47,655,033
Sale of investment property	8	-	26,130,724
Effect of deconsolidation		<u>-</u>	<u>( 208,021,985)</u>
Balance at end of year		<b><u>P 27,382,014</u></b>	<b><u>P 27,382,014</u></b>

\*Amount includes other related transaction costs and taxes on the sale of investment property.

Based on management's assessment, no impairment loss is necessary to be recognized in 2020, 2019 and 2018 on these advances.

### 15.4 Due to Related Parties

In 2020, the Parent Company 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.

In 2019, prior to deconsolidation, FOPMI paid P5.1 million on outstanding advances from a stockholder in 2018, which bears interest at 6% per annum. The related interest expense is presented as part of Finance Costs account in the 2018 consolidated statement of income.

The movements in due to related parties are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P -</b>	P 110,126,763
Excess proceeds from bond issuance	<b>58,378,962</b>	-
Net advances paid during the year	-	( 5,107,312)
Effect of deconsolidation	<u>-</u>	<u>( 105,019,451)</u>
Balance at end of year	<b><u>P 58,378,962</u></b>	<b><u>P -</u></b>

### **15.5 Lease of Properties**

In 2017, FOPMI entered into a lease agreement with a stockholder for the lease of its new office facilities for a period of five years. Rental charges arising from these transactions are presented as part of Rentals under Operating Expenses account in the 2018 consolidated statement of income (see Note 12.1). There were no unpaid rentals as of December 31, 2019. There was no rental expense recognized in 2019 as FOPMI already recognized a ROUA and lease liability with respect to the said lease contract (see Note 9).

### **15.6 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. The loan is interest-bearing, unsecured and will mature on the earlier of the date falling one month from the date of first drawing or the date of completion of the convertible bond subscription agreement. 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 expense on the loan amounting to P117.1 million is presented as part of Finance Costs in the 2020 consolidated statement of income. The outstanding balance of the interest payable amounted to P93.7 million, net of final withholding taxes is presented as part of Trade and Other Payables in the 2020 consolidated statement of financial position (see Note 10).

### **15.7 CDA**

In, 2019, the Parent Company entered into a CDA with Westside. The principal terms of the agreement are as follows:

- (i) *Suntrust Shall Lease the Project Site (i.e., the site upon which the hotel casino is to be erected) from Westside.*

The Parent Company shall lease the site upon which the Main Hotel Casino will be erected until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

The said lease was entered into by the parties on February 21, 2020 (see Note 9).

- (ii) *Suntrust Shall Finance the Development and Construction of a Hotel Casino.*

The Parent Company shall finance the development and construction of a hotel casino on the leased area. Suntrust shall also pay a certain fixed amount to Westside for usage of the properties and reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site (see Note 19.1).



- (iii) *Westside Shall Enter into an Agreement with Suntrust, for the Latter to Operate and Manage the Hotel Casino.*

Suntrust and Westside shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement of Westside (i.e., up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between by the Parent Company and Westside.

The operations and management agreement was entered into by the parties on May 4, 2020 (see Note 19.2).

### **15.8 Key Management Personnel Compensation**

The compensation of key management personnel, which solely pertains to FOPMI, in 2019 and 2018 are broken down as follows:

	<u>2019</u>	<u>2018</u>
Salaries and short-term benefits	P 28,177,648	P 30,899,238
Retirement benefit	<u>2,494,800</u>	<u>2,106,880</u>
	<u>P 30,672,448</u>	<u>P 33,006,118</u>

In 2020, there were no compensation of key management personnel after the deconsolidation of FOPMI as the Parent Company's administrative functions are being handled by Suncity and Megaworld at no cost.

### **15.9 Retirement Plan**

FOPMI's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The details of the fair value and the composition of the plan assets is presented in Note 13.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

## **16. INVESTMENT IN AN ASSOCIATE**

As disclosed in Note 1.2, in December 2019, the Parent Company's ownership interest on FOPMI was diluted to 24.27%. The Parent Company lost its control over FOPMI but retained a significant influence over the latter. Accordingly, the Parent Company recognized the investment in FOPMI as an investment in an associate at the fair value upon initial recognition.

The movements in the carrying value of Investment in an Associate as of December 31, which is accounted for under the equity method in the consolidated financial statements of the Group is shown below:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	<b>P 141,144,732</b>	P -
Recognition of investment due to dilution	-	132,874,443
Equity in net earnings of an associate		
Profit or loss	<b>12,583,562</b>	7,810,256
Other comprehensive income	<u>-</u>	<u>460,033</u>
Balance at end of year	<b><u>P 153,728,294</u></b>	<b><u>P 141,144,732</u></b>

The summarized financial position of FOPMI and Citylink as of December 31, 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>
Current assets	<b>P 870,598,250</b>	P 789,455,040
Non-current assets	<u>131,484,496</u>	<u>134,740,430</u>
Total assets	<b><u>P 1,002,082,746</u></b>	<b><u>P 924,195,470</u></b>
Current liabilities	<b>P 252,878,908</b>	P 289,049,541
Non-current liabilities	<u>115,795,128</u>	<u>53,585,435</u>
Total liabilities	<b><u>P 368,674,036</u></b>	<b><u>342,634,976</u></b>
Revenue	<b><u>P 575,527,865</u></b>	<b><u>P 641,457,762</u></b>
Net profit	<b><u>P 51,848,216</u></b>	<b><u>P 64,581,559</u></b>
Other comprehensive loss for the year	<b><u>P -</u></b>	<b><u>(P 7,796,347)</u></b>
Total comprehensive income for the year	<b><u>P 51,848,216</u></b>	<b><u>P 56,785,212</u></b>

A reconciliation of the above summarized financial information to the carrying amount of the investment in FOPMI is shown below.

	<u>2020</u>	<u>2019</u>
Net assets of FOPMI	<b>P 633,408,710</b>	P 581,560,494
Proportion of ownership interest by the Group	<u>24.27%</u>	<u>24.27%</u>
Carrying amount of investment	<b><u>P 153,728,294</u></b>	<b><u>P 141,144,732</u></b>

No dividends were received from FOPMI in 2020 and 2019. FOPMI is a private company and there are no quoted prices available for its shares of stocks.

## 17. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per share is computed as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net profit (loss)	<b>(P 211,545,268)</b>	(P 314,779,735)	P 103,862,869
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>2,400,684,932</u>	<u>2,250,000,000</u>
Basic and diluted EPS	<b><u>(P 0.029)</u></b>	<u>(P 0.131)</u>	<u>P 0.046</u>

On December 30, 2020, the Parent Company issued convertible bonds to Fortune Noble and Summit Ascent, which are convertible to 6,636,363,636 and 3,111,111,111 shares, respectively (see Note 11).

The basic and diluted loss per share are the same for 2020 because the Group is at a net loss. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the convertible bonds.

The Group has no dilutive potential shares as of the end of 2019 and 2018.

## 18. EQUITY

### 18.1 Capital Stock

The details of the Parent Company's capital stock as of December 31, 2020 and 2019 are as follows:

	<u>Shares</u>		<u>Amount</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	23,000,000,000	3,000,000,000	P23,000,000,000	P 3,000,000,000
Approved during the year	<u>-</u>	<u>20,000,000,000</u>	<u>-</u>	<u>20,000,000,000</u>
Balance at end of year	<u>23,000,000,000</u>	<u>23,000,000,000</u>	<u>P23,000,000,000</u>	<u>P23,000,000,000</u>
Subscribed:				
Balance at beginning of year	7,250,000,000	2,250,000,000	7,250,000,000	2,250,000,000
Subscription during the year	<u>-</u>	<u>5,000,000,000</u>	<u>-</u>	<u>5,000,000,000</u>
Balance at end of year	<u>7,250,000,000</u>	<u>7,250,000,000</u>	<u>7,250,000,000</u>	<u>7,250,000,000</u>
Subscription receivable:				
Balance at beginning of year			3,937,500,000	187,500,000
Subscription during the year			-	5,000,000,000
Collection during the year			<u>( 2,550,000,010)</u>	<u>( 1,250,000,000)</u>
Balance at end of year			<u>1,387,499,990</u>	<u>3,937,500,000</u>
			<b><u>P 5,862,500,010</u></b>	<b><u>P 3,312,500,000</u></b>

On September 23, 2014 and November 18, 2014, the Parent Company's BOD and stockholders, respectively, approved an increase in the authorized capital stock of the Parent Company from 3,000,000,000 common shares with par value of P1.00 per share to 23,000,000,000 common shares with par value of P1.00 per share. This was subsequently ratified by the Parent Company's BOD and stockholders on October 25, 2019 and October 29, 2019, respectively, and was approved by the SEC on December 20, 2019. Subsequent to the approval, the amount of P1.25 billion received in October 2019 was applied as partial payment for the subscription of 5,000,000,000 shares. In 2020, the Parent Company received P2.55 billion from Fortune Noble as payment for the latter's subscription over the capital stock of the Parent Company.

On June 9, 2006, the SEC approved the listing of the Company's shares totaling 2,000,000,000. The shares were initially issued at an offer price of P1.00 per share. As of December 31, 2020, and 2019, there are 1,591 and 1,589 holders of the listed shares, respectively, which closed at P1.66 and P1.23 per share, respectively.

### ***18.2 Deficit***

In 2018, the Group adopted PFRS 9 using the modified retrospective approach. The adoption resulted into an adjustment to the Deficit account of P5.7 million.

### ***18.3 Status of Operations***

The Group incurred net losses from its operations in prior years which resulted in a deficit of P2,133.1 million and P1,921.6 million as of December 31, 2020 and 2019, respectively. While these conditions may raise doubt about the Group's ability to continue as a going concern, management believes that the Group will be able to continue as a going concern considering that the construction of the Main Hotel Casino is still in progress. In addition, the management plans to obtain financing from financial institutions that will enable the Parent Company to finance the construction of the Main Hotel Casino.

## **19. COMMITMENTS AND CONTINGENCIES**

The following are the significant commitments and contingencies involving the Group:

### ***19.1 Co-Development Agreement 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 Group 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 (see Notes 7 and 9).

### **19.2 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 prior to 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 (see Note 15.7).

### **19.3 Operating Lease Commitment – Group as a Lessee**

FOPMI is a lessee under an operating lease covering its office facilities. The lease had a term of five years, with renewal options. The future lease payments under this operating lease as of December 31, 2018 are shown below.

Within one year	P 12,223,535
After one year but not more than five years	<u>33,188,959</u>
	<u>P 45,412,494</u>

Total rental expense in 2018 from these operating leases were shown as part of Rentals under Operating Expenses account in the 2018 consolidated statement of income (see Notes 12.1 and 15.5).

### **19.4 Capital Commitments**

As of December 31, 2020, the Parent Company has commitments of about P28,518.1 million for the construction of the Main Hotel Casino pursuant to the CDA.

### **19.5 Others**

The Group has other commitments and contingencies that may arise in the normal course of the Group's operations which have not been reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these other commitments will not have material effects on the Group's consolidated financial statements.

## **20. 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.

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

## 20.1 Market risk

### (a) Interest Rate Risk

As at December 31, 2020 and 2019, the Group is exposed to changes in market interest rates through its cash and cash equivalents, and short-term investments which are subject to variable interest rates (see Notes 5 and 6). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's consolidated financial statements since the interest rates have shown insignificant changes during the years and the Group's interest income from cash and cash equivalents and short-term investments amounts only to P2.6 million, P15.3 million and P8.0 million in 2020, 2019 and 2018, respectively.

### (b) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated cash, due to related parties, trade and other payables and lease liabilities which are primarily denominated in U.S. dollar (USD) and 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 December 31, 2020, are as follows:

	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
Financial assets	\$ 500	P 24,042	\$ 120,761,436	P 749,481,702
Financial liabilities	( 116,967,836)	( 5,677,045,910)	( 264,930)	( 1,644,233)
	<u>(\$ 116,967,336)</u>	<u>(P 5,677,021,868)</u>	<u>\$ 120,496,506</u>	<u>P 747,837,469</u>

The Group has no financial instruments denominated in foreign currencies in 2019.

The sensitivity of the loss before tax for the period with regard to the Group's financial assets and the USD – Philippine peso exchange rate assumes +/- 9.5% change in exchange rate while the HKD – Philippine peso exchange rate assumes +/- 9.7% change for the year ended December 31, 2020. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, 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 USD, with all other variables held constant, consolidated loss before tax would have been profit before tax of P329.4 million. If the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated loss before tax would have increased by P72.6 million.

However, if the Philippine peso had weakened against the USD and the HKD by the same percentages, consolidated loss before tax would have increased by P540.4 million and decreased by P72.6 million, respectively.

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

## 20.2 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. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the consolidated statements of financial position or in the detailed analysis provided in the notes to consolidated financial statements, as summarized below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	5	<b>P5,877,616,276</b>	P1,278,214,939
Due from a related party	15.3	<b>27,382,014</b>	27,382,014
Trade and other receivables (presented as part of Others)	6	<u><b>93</b></u>	<u>75,596</u>
		<b><u>P 5,904,998,383</u></b>	<b><u>P 1,305,672,549</u></b>

None of the Group's financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents as described below.

### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking unit as provided for under Republic Act (R.A.) 9302, *Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

### (b) Trade and Other Receivables

The Group applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

The Group's policy in measuring the expected credit losses, trade receivables and other receivables are grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Group did not incorporate macro-economic variable on its default rate due to undue costs or effort [see Notes 3.2(b)]. In 2019 and 2018, there were certain receivables found to be impaired by management; hence, adequate amounts of allowance have been recognized (see Note 12.1).

On that basis, the expected credit losses on trade receivables for the year ended December 31, 2019 was determined based on months past due are as follows:

	Not more than 3 mos.		More than 3 mos. but not more than 6 mos.		More than 6 mos. but not more than 1 year		More than 1 year		Total
<b>December 31, 2019 *</b>									
Expected loss rate	0%		0%		94.06%		100%		
Gross carrying amount P	53,177,558	P	10,769,538	P	15,722,254	P	32,735,385	P	112,404,736
Loss allowance	-		-		14,788,352		32,735,385		47,523,737

\* These pertains to the receivables of FOPMI on the date of loss of control.

(c) *Due from a Related Party*

ECL for Due from a related party are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to pay the advances upon demand at the reporting date taking into consideration the historical defaults from related parties. Based on management's assessment, there is no impairment on Due from Related party as of December 31, 2020 and 2019.

### 20.3 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 Company's financial liabilities [except tax related liabilities and lease liability (see Note 9.2)] as at December 31 reflecting the gross cash flows, which may differ from the carrying values of the liabilities at the end of reporting periods.

	Notes	Current		Non-current
		Within 6 Months	6 to 12 Months	1 to 5 Years
2020:				
Trade and other payables	10	P 187,672,733	P -	P -
Due to related parties	15.4	58,378,962	-	-
Convertible bonds	11	-	-	12,900,000,000
		<b>P 246,051,695</b>	<b>P -</b>	<b>P12,900,000,000</b>
2019 –				
Trade and other payables	10	P 2,491,055	P -	P -

The Group's convertible bonds 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.



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

### 21.1 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 below.

	Notes	2020		2019	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 5,877,616,276	P5,877,616,276	P 1,278,214,939	P 1,278,214,939
Due from related parties	15.3	27,382,014	27,382,014	27,382,014	27,382,014
Trade and other receivables (presented as part of Others)	6	93	93	75,596	75,596
		<b>P 5,904,998,383</b>	<b>P5,904,998,383</b>	<b>P 1,305,672,549</b>	<b>P1,305,672,549</b>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Trade and other payables	10	P 187,672,733	P 187,672,733	P 2,491,055	P 2,491,055
Due to related parties	15.4	58,378,962	58,378,962	-	-
Convertible bonds	11	8,197,353,930	8,197,353,930	-	-
Lease liability	9	5,618,666,948	5,618,666,948	-	-
		<b>P14,062,072,573</b>	<b>P14,062,072,573</b>	<b>P 2,491,055</b>	<b>P 2,491,055</b>

See Notes 2.4 and 2.8 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 20.

### 21.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments in 2020 and 2019 and does not have relevant offsetting arrangements, except as disclosed in Note 15. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 15 can be potentially offset to the extent of their corresponding outstanding balances.

## 22. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 22.1 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.

## 22.2 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Notes 2.4 and 2.8).

	2020			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash and cash equivalents	P 5,877,616,276	P -	P -	P 5,877,616,276
Due from a related party	-	-	27,382,014	27,382,014
Trade and other receivables	-	-	93	93
	<b><u>P 5,877,616,276</u></b>	<b><u>P -</u></b>	<b><u>P 27,382,107</u></b>	<b><u>P 5,904,998,383</u></b>
<b>Financial liabilities:</b>				
Trade and other payables	P -	P -	P 187,672,733	P 187,672,733
Due to related parties	-	-	58,378,962	58,378,962
Convertible bonds	-	-	8,197,353,930	8,197,353,930
Lease liability	-	-	5,618,666,948	5,618,666,948
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 14,062,072,573</u></b>	<b><u>P 14,062,072,573</u></b>
2019				
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash and cash equivalents	P 1,278,214,939	P -	P -	P 1,278,214,939
Due from a related party	-	-	27,382,014	27,382,014
Accrued interest	-	-	75,596	75,596
	<b><u>P 1,278,214,939</u></b>	<b><u>P -</u></b>	<b><u>P 27,457,610</u></b>	<b><u>P 1,305,672,549</u></b>
<b>Financial liability:</b>				
Trade and other payables	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 2,491,055</u></b>	<b><u>P 2,491,055</u></b>

## 23. 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.

## 24. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### *24.1 Supplemental Information on Non-cash Operating and Investing Activities*

The following are the significant non-cash transactions of the Group:

#### *(a) 2020*

- The Parent Company recognized ROUA and lease liability amounting to P14,429.7 million and P5,618.7 million, respectively (see Note 9). Portion of the deposit amounting to P8,811.0 million was capitalized to ROUA (see Notes 9.2 and 19.1).
- The Parent Company has unpaid capitalized construction costs amounting to P15.6 million as of December 31, 2020 (see Note 7). In addition, portion of the deposit paid amounting to P1,042.7 million was capitalized to construction in progress under Property and Equipment account (see Notes 7 and 19.1).
- In 2020, the Parent Company issued convertible bonds portion of which P4,592.9 million was classified as Convertible Bonds Equity Reserve (see Note 11). The total transaction costs amounting to P109.8 million was paid against the proceeds received.
- In 2020, the outstanding balance from the shareholder's loan was set-off against the total proceeds from the issuance of the convertible bonds (see Note 15.6).
- In 2020, the total interest expense incurred from the shareholder's loan amounted to P117.1 million, of which 93.7 million, remained unpaid as of December 31, 2020 (see Note 15.6).

#### *(b) 2019*

- In 2019, the Parent Company sold its investment property to a related party on account (see Notes 8 and 15.3).
- In 2019, the Parent Company lost control over its former subsidiaries. Accordingly, the cash balance of the subsidiaries were deconsolidated in the 2019 consolidated statement of cash flows (see Note 16).

## 24.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Due to Related Parties <i>(see Note 15.4)</i>	Convertible Bonds Payable <i>(see Note 11)</i>	Shareholder's Loan <i>(see Note 15.6)</i>	<u>Total</u>
Balance at January 1, 2020	P -	P -	P -	P -
Cash flows from financing activities:				
Excess Proceeds from subscription of convertible bonds	58,378,962	-	-	58,378,962
Net proceeds from loans	-	7,389,479,038	5,400,741,962	12,790,221,000
Non-cash financing activities -				
Set-off of payables	-	5,400,741,962	( 5,400,741,962)	-
Allocated to convertible bonds equity reserve	<u>-</u>	<u>( 4,592,867,070)</u>	<u>-</u>	<u>( 4,592,867,070)</u>
Balance at December 31, 2020	<u><b>P 58,378,962</b></u>	<u><b>P 8,197,353,930</b></u>	<u><b>P -</b></u>	<u><b>P 8,255,732,892</b></u>

## 25. EVENTS AFTER THE END OF THE REPORTING PERIOD

### 25.1 Incorporation of a New Subsidiary

On January 19, 2021, the Parent Company established Suncity WC Hotel Inc., a wholly owned subsidiary incorporated in the Philippines intended to handle the hotel business and other related businesses of the Parent Company.

### 25.2 Loan Agreement with a Related Party Under Common Ownership

On February 23, 2021, the Parent Company entered into a Loan Agreement with Summit Ascent for an interest-bearing loan with a principal sum of up to US\$120.0 million (approximately P5,827.4 million). The loan is interest bearing, unsecured and due to be settled within three to six months. The loan was intended to support the short-term cash position requirement of the Parent Company while arrangements for a long-term loan are yet to be finalized.

# 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

The management of **Suntrust Home Developers, Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

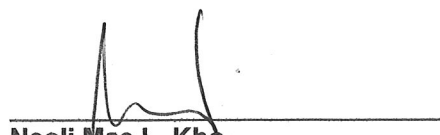
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

**Punongbayan & Araullo**, the independent auditors appointed by the stockholders has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



**Ferdinand B. Masi**  
Chairman of the Board and President



**Neoli Mae L. Kho**  
Treasurer

March 19, 2021

**SUBSCRIBED AND SWORN TO BEFORE ME** in the City of Mandaluyong  
this 19 day of March 2021, affiant exhibiting to me  
as his/her competent evidence of identity. **MAR 26 2021**

LOC. No. ES  
Page No. 12  
Book No. 17  
Series of 2021

**JOVENA SEVILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY



**P&A**  
**Grant Thornton**

An instinct for growth™

**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately from  
the Basic Financial Statements**

---

**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Suntrust Home Developers, Inc.  
(A Subsidiary of Fortune Noble Limited)  
26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City**

We have audited, in accordance with Philippine Standards of Auditing, the financial statements of Suntrust Home Developers, Inc. (the Company), for the year ended December 31, 2020, on which we have rendered our report dated March 19, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

- a. Reconciliation of Retained Earnings Available for Dividend Declaration;
- b. Map Showing the Relationship between and among the Company and its Related Entities.

---

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

---

[grantthornton.com.ph](http://grantthornton.com.ph)

Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-37-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 19, 2021

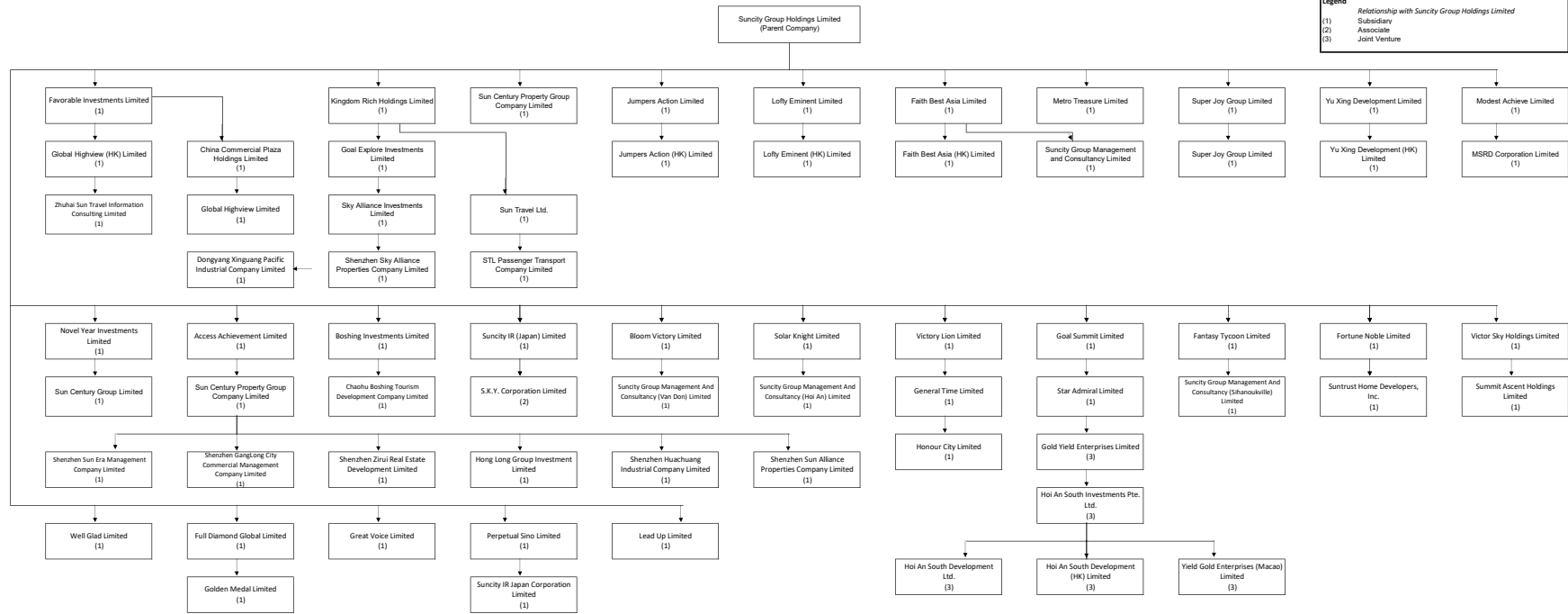
**SUNTRUST HOME DEVELOPERS, INC.**

**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the Year Ended December 31, 2020**

<b>Deficit, at beginning of year</b>	( P 1,929,363,032 )
<b>Net Income Realized during the Year</b>	
Net loss per audited financial statements	( <u>193,375,888</u> )
<b>Deficit, at end of year</b>	( P <u>2,122,738,920</u> )



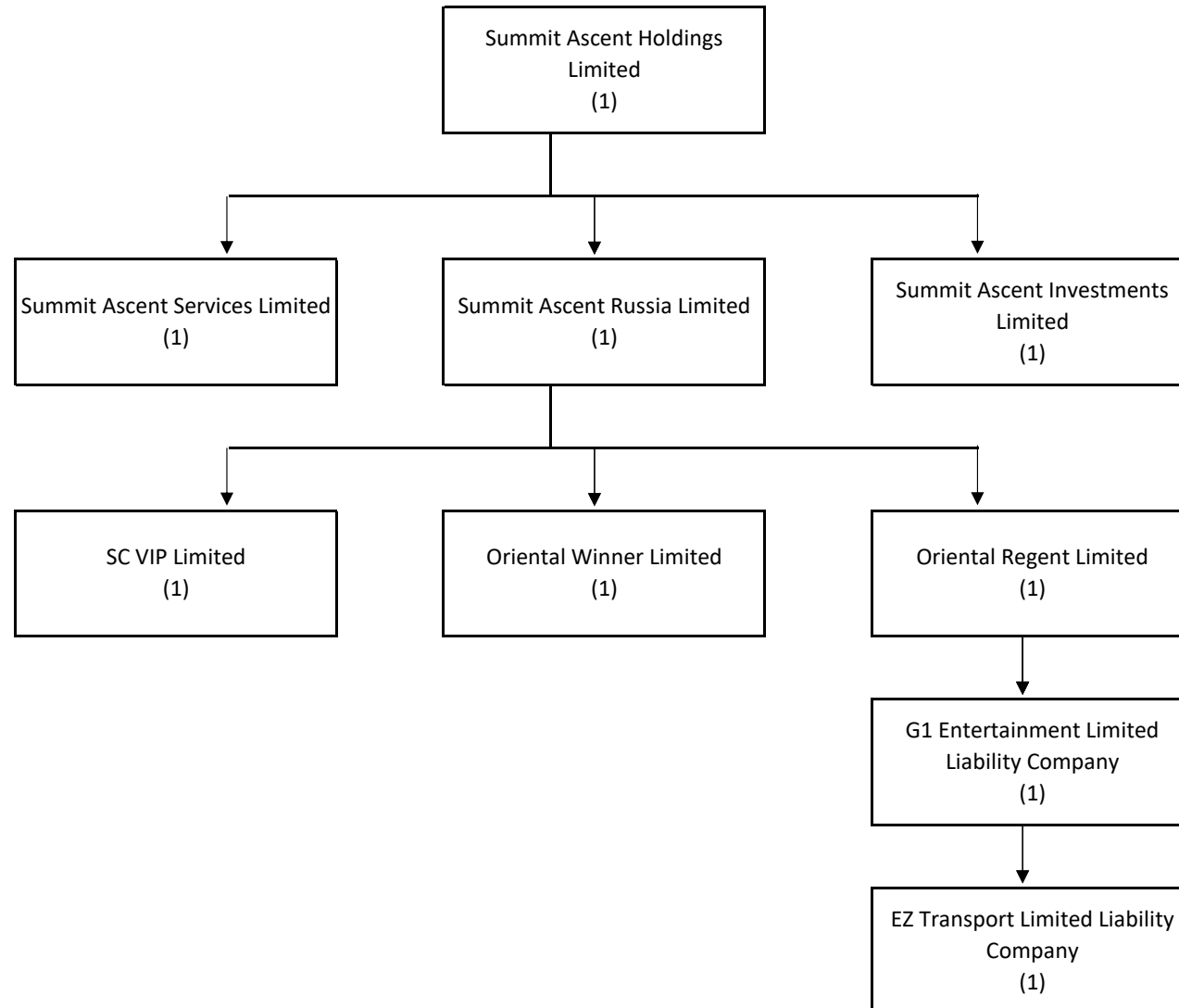
SUNCITY GROUP HOLDINGS LIMITED  
 Map Showing the Relationship Between Suncity Group Holdings Limited and its related parties  
 December 31, 2020



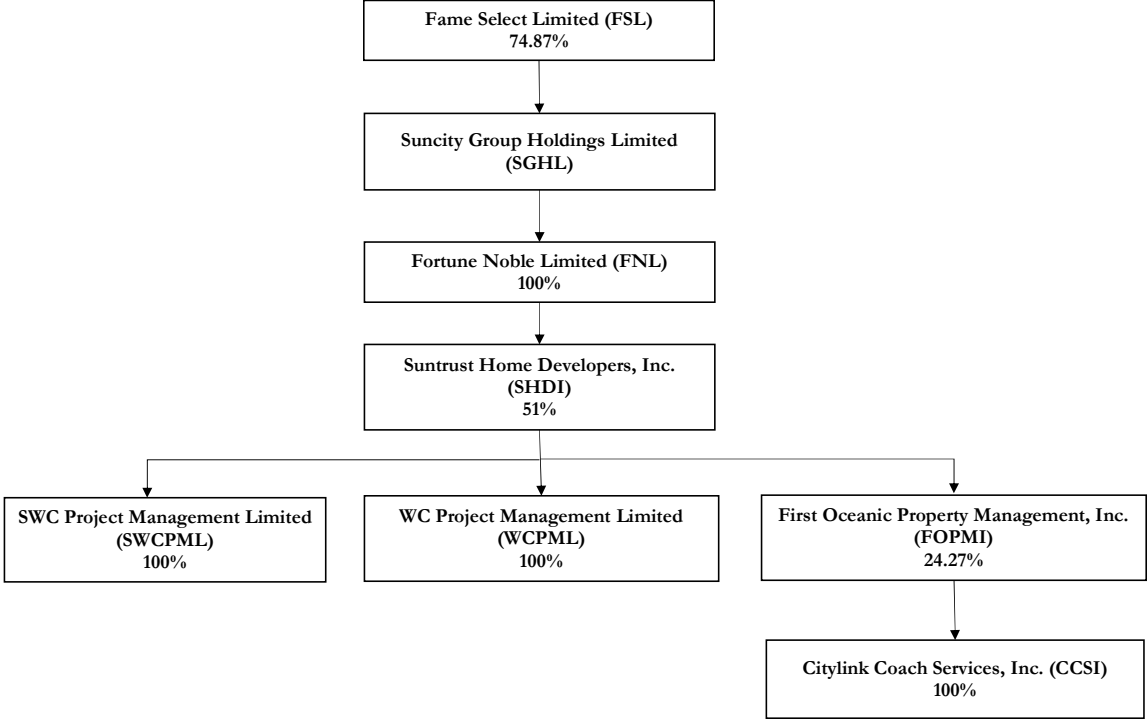
SUMMIT ASCENT HOLDINGS LIMITED

Map Showing the Relationship Between Summit Ascent Holdings Limited and its related parties

December 31, 2020



Suntrust Home Developers, Inc.  
 Mapping of Related Parties  
 December 31, 2020



FSL is the ultimate parent company.  
 SGHL is a subsidiary of FSL. FNL is a subsidiary of SGHL.  
 SHDI is considered as FNL's subsidiary while SWCPML and WCPML are subsidiaries of SHDI.  
 FOPMI is an associate of SHDI  
 CCSI is FOPMI's subsidiary.



P&A  
Grant Thornton

An instinct for growth™

**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange Commission  
Filed Separately from the Basic  
Consolidated Financial Statements**

**Punongbayan & Araullo**  
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Suntrust Home Developers, Inc. and Subsidiaries  
(A Subsidiary of Fortune Noble Limited)**

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated March 19, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 19, 2021

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

[grantthornton.com.ph](http://grantthornton.com.ph)

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**List of Supplementary Information**  
**December 31, 2020**

<u>Schedule</u>	<u>Contents</u>	<u>Page No.</u>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	N/A
B	Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable/ Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements of Financial Statements	N/A
D	Long-term Debt	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	2
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	3

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule B - Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders**  
**(Other than Related Parties)**  
**December 31, 2020**

<i>Name</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>		<i>Total</i>
				<i>Current</i>	<i>Not Current</i>	
Megaworld Corporation	P 27,382,014	-	-	P 27,382,014	-	P 27,382,014

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule E - Indebtedness to Related Parties**  
**December 31, 2020**

<i>Name of related party</i>	<i>Balance at the beginning of year</i>	<i>Balance at the end of year</i>
<b>Convertible bonds</b>		
Fortune Noble Limited	P -	P 4,306,781,001
Summit Ascent Investments Limited	<u>-</u>	<u>3,890,572,929</u>
<b>Total</b>	<u><u>P -</u></u>	<u><u>P 8,197,353,930</u></u>

Note: The Convertible bonds were only issued during the year.

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
Schedule G - Capital Stock  
December 31, 2020

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
<b>Common</b>	23,000,000,000	7,250,000,000	-	6,180,622,008	7	1,069,377,985

Note: The Company's stockholders subscribed to a total of 7.25 billion shares, 5.86 billion of which was paid as of December 31, 2020.





**P&A**  
**Grant Thornton**

An instinct for growth™

**Report of Independent Auditors  
on Components of  
Financial Soundness Indicators**

**Punongbayan & Araullo**  
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders**  
**Suntrust Home Developers, Inc. and Subsidiaries**  
*(A Subsidiary of Fortune Noble Ltd.)*  
26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the years ended December 31, 2020 and 2019, on which we have rendered our report dated March 19, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for the years then ended and no material exceptions were noted.

**PUNONGBAYAN & ARAULLO**

By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8533237, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 19, 2021

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

[grantthornton.com.ph](http://grantthornton.com.ph)

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
December 31, 2020 and 2019

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current assets / Current liabilities	16.91	22.74
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	16.83	22.71
Solvency ratio	Total liabilities / Total assets	0.63	0.04
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	1.70	0.04
Asset-to-equity ratio	Total assets / Total stockholders' equity	2.70	1.04
Interest rate coverage ratio	EBIT / Total interest	-0.80	-65.75
Return on equity	Net profit (loss) / Average total equity	-0.04	-0.34
Return on assets	Net profit (loss) / Average total assets	-0.02	-0.28
Net profit margin	Net profit (loss) / Total revenues	-	-0.54

# SUSTAINABILITY REPORT

## Contextual Information

Company Details	
Name of Organization	SUNTRUST HOME DEVELOPERS, INC.
Location of Headquarters	26 <sup>th</sup> Floor Alliance Global Tower, 36 <sup>th</sup> Street cor. 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City
Location of Operations	26 <sup>th</sup> Floor Alliance Global Tower, 36 <sup>th</sup> Street cor. 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Suntrust Home Developers, Inc. (the “Company”)
Business Model, including Primary Activities, Brands, Products, and Services	<p>The Company has been engaged in the business of a holding company with investments in stocks. In October 2019, its Board of Directors approved the shift in its focus to tourism-related businesses.</p> <p>As of December 31, 2020, the Company is in the planning phase and pre-construction phase of the construction of its Main Hotel Casino which is expected to commence operation in 2023.</p>
Reporting Period	FY 2020

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

**Considering the shift in the Company’s business focus to tourism-related businesses in the last quarter of 2019 and pre-construction phase of the Main Hotel Casino in 2020, the Company continues to assess its baseless to assess and monitor its environmental, social and governance (“ESG”) impacts, providing an opportunity to institute and implement policies and initiatives to strengthen its ESG performance and reporting.**

**Guided by policies laid down by the Board of Directors, the Management continues to evaluate and determine its ESG-related risks for its tourism-related businesses. The Management is responsible for ensuring that appropriate and effective ESG risk management and internal control systems are in place, and that ESG policies approved by the Board of Directors are coordinated and implemented. Management is also accessing and addressing the definition and concerns of the stakeholders of the Company. The stakeholders, who may be affected by the Company’s decisions or can influence the implementation of the Company’s decisions, include customers, suppliers, employees and shareholders.**

SASB’s Materiality Map<sup>®1</sup> identifies sustainability-related business issues, which may constitute disclosure topics, that vary by industry, such as:

Dimensions	Casino & Gaming	Hotel & Lodging
Environment	Energy Management	Energy Management Water & Wastewater Management Ecological Impacts
Social Capital	Consumer Welfare	
Human Capital	Employee Health & Safety	Labor Practices
Business Mode & Innovation	Business Ethics	Physical Impacts of Climate Change

Considering that its tourism-related businesses are not yet operational, the Company does not have sufficient data yet with respect to ESG-related impacts of such businesses. Relevant sustainability-related issues may be considered in subsequent reports.

As such, this report only covers the Company’s operations as a holding company.

As an investment holding company, the Company generates minor ESG impacts. It does not produce sewage, exhaust gas, and hazardous waste. Indirect environmental impacts are mainly generated from electricity and water used in its administrative office and used office papers. This report assessed and disclosed the Company’s environmental, social and governance impacts.

Environmental indicators include:

- Electricity and water consumption
- Environmental impact management

Social indicators include:

- Labor laws and human rights

Governance indicators include:

- Data privacy
- Business ethics

<sup>1</sup> See <http://materiality.sasb.org/>.

## ENVIRONMENT

### [Energy and water consumption within the organization](#)

The Company's energy and water consumption are generated from usage in its administrative office. Its energy and water consumption are not significant.

In 2019, the Company's administrative requirements are provided to it by a principal shareholder. As such, it has no available statistical data on its energy and water consumption.

### [Environmental impact management](#)

The Company has not caused any material emissions or air pollution. Air emission may have been produced, to a certain degree, from the consumption of electricity in the Company's administrative office or gasoline consumption of vehicles used to attend to the Company's activities as an investment holding company. However, the Company has no sufficient statistical data available on the matter considering that its administrative requirements are provided to it by its substantial shareholder.

Neither did the Company generate any material amount of solid waste. Solid waste includes office paper. Internal policies to minimize the use of paper (such as by maximizing the use of emails and electronic documents and encouraging paper recycling) are being implemented. The Company has used about 20 rims of A4 good quality paper in preparing and filing necessary reports to management, advisers, and relevant government agencies.

The Company does not produce effluents, exhaust gas, and hazardous waste.

## SOCIAL

### [Labor Laws and Human Rights](#)

The Company is committed to maintaining fair and comprehensive employment policies and practices to ensure the compliance with all relevant laws and regulations, including ethical standards such as providing equal opportunity and career development to all employees.

The Company adheres to its Code of Business Ethics which provides that the Company shall faithfully comply with employment and labor law & policies and reasonably assist its and its subsidiaries and affiliates' employee and his family in providing for their economic security.

In 2019, the Company did not require a significant number of employees for its activities as an investment holding company. Its administrative requirements were also provided to it by a principal shareholder. It could be expected that the Company would hire more employees in subsequent years to support its tourism-related businesses.

There has been neither incident of work-related injuries nor any violation of occupational health and safety requirements.

## GOVERNANCE

### Business Ethics

**The Company adheres to its Code of Business Conduct and Ethics, which mandates its directors, management, and employees to faithfully comply with applicable laws and best business practices, including laws and policies prohibiting use of position or influence or solicitation or acceptance of gifts.**

Its Code of Business Conduct and Ethics cover topics on (i) conflict of interest; (ii) conduct of business and fair dealings; (iii) receipt of gifts from third parties; (iv) compliance with laws and regulations; (v) respect for trade secrets; (vi) responsible use of company funds, assets, and information; (vii) employment and labor laws and policies; (viii) disciplinary action; (ix) whistle blower; and (x) conflict resolution.

**The Company's activities as an investment holding company do not require engagements with a significant number of suppliers. It may define further policies on supplier accreditation with respect to its tourism-related businesses to balance maintaining long term relationship with its suppliers and monitoring supplier's sustainability performance.**

**There has been no incident of corruption involving its directors, officers, employees, and business partners.**

### Data Security

**There has been on data breach of violation, including leaks, thefts, or losses of data.**

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Hotel and Casino <sup>2</sup>	Decent work and Economic Growth; Reduced Inequalities; Improved quality of life; Sustainable Cities and Communities	Energy management; Water & waste management; Employee health & safety; Ecological Impacts	The Board of Directors and the Management will review the Company's ESG impacts regularly, including environmental protection, employment and labor practices, operating practices, and community investment, and implement appropriate measures to enhance the ESG performance of the Company.

<sup>2</sup> The Company is developing a hotel and casino, which is at planning phase and pre-construction phase as of 31 December 2020.