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L E T
LEISURE ENTERTAINMENT TASTE

LET GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

Overseas Regulatory Announcement: by an overseas listed subsidiary

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

Suntrust Resort Holdings, Inc., an overseas listed subsidiary of LET Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), has published its annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) on the website of PSE on 28 March 2023. For details, please refer to the attached 2022 Annual Report.

By order of the Board
LET Group Holdings Limited
Chiu King Yan
Company Secretary

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Director is Mr. Lo Kai Bong (Chairman); and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.

**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 2022**
2. SEC Identification Number: **10683**
3. BIR Tax Identification No.: **000-141-166-000**
4. **SUNTRUST RESORT HOLDINGS, 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
Common	7,250,000,000

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 2023

Php934,925,396.40 based on the closing price of Php0.90 per share on 28 February 2023.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

History

On 18 January 1956, Suntrust Resort Holdings, Inc., formerly 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.

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"). 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 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.

On 25 October 2019, the Board of Directors of the Company approved to allow the Company to focus on tourism-related businesses.

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 previous resolution of the Board and stockholders confirming the Board of Directors' resolution dated 23 September 2014 and the stockholders' resolution on 18 November 2014, to increase the Corporation's ACS.

On 28 October 2019, Fortune Noble Limited (Fortune Noble), a wholly-owned subsidiary of LET Group Holdings Limited (LET Group), formerly Suncity Group Holdings Limited and a listed company on The Stock Exchange of Hong Kong Limited, acquired fifty-one percent (51%) of the outstanding capital stock of the Company. LET Group and its subsidiaries are principally engaged in (i) through Suntrust and its subsidiaries, the development and operation of an integrated resort in the Philippines; (ii) through Summit Ascent Holdings Limited and its subsidiaries, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation; (iii) property development in Japan; and (iv) management and operation of malls in the People's Republic of China.

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

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.

On 19 January 2021, the SEC approved the incorporation of Suncity WC Hotel Inc., a new wholly-owned subsidiary of the Company in the Philippines. The subsidiary is 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. The subsidiary has not yet started commercial operations as of 31 December 2022.

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 Php153.73 million. On 16 April 2021, the Company and Asian E-Commerce executed the relevant deed of absolute sale of shares in relation to the Company's 24.27% equity interest in FOPM. The sale of shares in FOPM resulted to the derecognition of the Group's investment in an associate for FOPM Group. Total gain on sale of investment in an associate amounted to Php3.24 million.

On 6 September 2021, the Company's Board of Directors also approved the amendment to the Articles of Incorporation and By-Laws to change the Company's corporate name to "Suntrust Resort Holdings, Inc." On 26 October 2021, the Company's shareholders approved the aforementioned amendments to the Company's Articles of Incorporation and By-Laws. On 10 June 2022, the SEC approved the aforementioned amendments to the Company's Articles of Incorporation and By-Laws.

(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 over four hundred sixty (460) five-star rooms, approximately one thousand (1,000) car park spaces, and a casino establishment that would cater to both mass and VIP markets. The Main Hotel Casino is expected to be operational in 2024.

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 phase and is expected to commence operations in 2024. 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 business is 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 14 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 auspices 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 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 (3) years. Except for the construction of the Main Hotel Casino, 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 15 employees as at 31 December 2022. 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 has no material financial investments as of 31 December 2022.

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

No direct operating history

The Main Hotel Casino is currently in the construction phase, and is expected to commence operations in 2024. 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 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 either a suspension or reduced capacity of all gaming operations for a considerable time in 2020, 2021 and 2022. 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

The Company (as Lessee) entered into a Lease Agreement with Westside and Travellers (as Lessor) over the Project Site, consisting of portions of certain parcels of land located at Manila Bayshore Integrated City, Parañaque City. The Main Hotel Casino is being 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 25 October 2022, the stockholders of the Company ratified and approved the following matters in the agenda:

- i. Minutes of Annual Stockholders' Meeting held on 26 October 2021;
- ii. Annual Management Report for 2021;
- 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 Lo Kai Bong, Chua Ming Huat, Ferdinand B. Masi, and Neoli Mae L. Kho, as members of the Board of Directors of the Company, and the Election of Eugenio B. Reducindo and Jesus B. Varela as the Independent Directors;
- v. Appointment of Punongbayan and Araullo as the External Auditors of the Company's Financial Statements for the Year Ended 31 December 2022;

- vi. Issuance of Convertible Bonds in the Principal Amount of Php6.4 billion to Summit Ascent Investments Limited, the Waiver of a Rights or Public Offering for the Underlying Shares and the Subsequent Listing thereof; and
- vii. Amendment of the Amended By-Laws

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 25 October 2022 were previously reported by the Company in its duly submitted SEC Form 17-C dated 25 October 2022.

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 (2) fiscal years:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2021	High	2.60	1.87	1.84	1.55
	Low	1.39	1.38	1.45	1.07
2022	High	1.15	1.15	1.13	1.05
	Low	0.89	0.87	0.87	0.91
Closing price as of 17 March 2023 is 0.93.					

Holdings

As of 31 December 2022, there are 1,580 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 (PSE) 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.

On 23 February 2023, PSE approved the listing of 2,550,000,000 shares owned by Fortune Noble Limited.

Below is a list of the top twenty (20) holders of the Company’s shares of common stock as of 31 December 2022.

	Name of Shareholder	Number of Shares Held	Percent of Total Outstanding Shares
1.	FORTUNE NOBLE LIMITED	3,697,499,998	51.00%
2.	MEGAWORLD CORPORATION	2,465,000,000	34.00%
3.	PCD NOMINEE CORP. (FILIPINO)	707,149,134	9.75%
4.	AURORA SECURITIES, INC.	272,834,992	3.76%
5.	THE ANDRESONS GROUP, INC.	45,957,000	0.63%
6.	PCD NOMINEE CORP. (NON-FILIPINO)	18,792,001	0.26%
7.	EBC PCI TA NO. 203-53106-5	17,000,000	0.23%
8.	LUCIO L. CO	4,082,563	0.06%
9.	GENEVIEVE GO	1,300,000	0.02%
10.	STANLEY HO HUNG SUN	1,100,000	0.02%
11.	ROMULO P. NEY	555,000	0.01%
12.	LARCY MARICHI Y. SO &/OR HANSON G. SO 601125	513,700	0.01%
13.	YAP SIK KIEONG	500,000	0.01%
14.	LUCIANO H. TAN	450,000	0.01%
15.	PABLO M. SILVA	437,499	0.01%
16.	HANSON G. SO	400,000	0.01%
17.	JAIME DY &/OR JULIET DY	399,000	0.01%

18.	FRANCIS L. DY &/OR INGRED S.	385,500	0.01%
19.	PETER TY	357,000	0.00%
20.	AGRICULTURAL RESEARCH FARMS INC.	320,415	0.00%

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 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 (PhP23,000,000,000), 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 Php7,300,000,000.00 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 ("SA Investments")

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

This SA Investments Convertible Bond 1 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 SA Investments Convertible Bond 1 may or may not take place at the option of SA Investments. If SA Investments opts not to convert the Convertible Bond into conversion shares then the amount of the SA Investments Convertible Bond 1 becomes a debt payable under the terms of the SA Investments Convertible Bond 1 Subscription Agreement.

The foregoing issuance of the SA Investments Convertible Bond 1 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 SA Investments Convertible Bond 1 up to a maximum principal amount of Php5,600,000,000 pursuant to the subscription agreement dated 1 June 2020 is exempt from the registration requirement under Section 8 of the SRC.

(d) Issuance of Php6,400,000,000 6% Convertible Bonds in favor of SA Investments

On 10 June 2022, the Company also issued a Php6,400,000,000 6% Convertible Bonds (the "SA Investments Convertible Bond 2") upon completion of certain conditions precedent in favor SA Investments, as subscriber with maturity date falling on the third (3rd) anniversary of the issue date of the SA Investments Convertible Bond 2 which may, subject to agreement by the holder of the SA Investments Convertible Bond 2 upon request by the Company, be extended to the date falling on the sixth (6th) anniversary of the issue date of the SA Investments Convertible Bond 2 (the "SA Investments CB 2 Maturity Date"). The SA Investments Convertible Bond 2 is subject to a conversion price of Php1.65 is to 1 common share, subject to adjustments,. The conversion period commences from the day immediately following the date of issuance up to the SA Investments CB 2 Maturity Date.

This SA Investments Convertible Bond 2 issuance is pursuant to the previously disclosed Subscription Agreement dated 20 September 2021.

No shares will be issued at this point and conversion of the SA Investments Convertible Bond 2 may or may not take place at the option of SA Investments. If SA Investments opts not to convert the Convertible Bond into conversion shares then the amount of the SA Investments Convertible Bond 2 becomes a debt payable under the terms of the SA Investments Convertible Bond 2 Subscription Agreement.

The foregoing issuance of the SA Investments Convertible Bond 2 is a transaction that is exempt from registration requirement pursuant to Section 10.1(k) of the SRC. In its letter dated 9 June 2022, the SEC confirmed that the issuance of the SA Investments Convertible Bond 2 up to a maximum principal amount of Php6,400,000,000 pursuant to the subscription agreement dated 20 September 2022 is exempt from the registration requirement under Section 8 of the SRC.

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

Twelve months ended 31 December 2022 compared to Twelve months ended 31 December 2021

The total revenues of Company exhibited a decrease of Php3.59 million or 99.72% from Php3.60 million in 2021 to Php0.01 million in 2022.

Costs and expenses exhibited an increase of Php48.59 million or 9.56% from Php508.47 million in 2021 to Php557.07 million in 2022.

The Group's incurred a net loss in 2022 amounting to Php557.05 million from the previous year's net loss of Php504.88 million or Php52.17 million increase.

FINANCIAL CONDITION

As of 31 December 2022, and 31 December 2021

Total current assets decreased by Php4,401.19 million or 64.45% from Php6,828.84 million in 2021 to Php2,427.65 million in 2022.

Total non-current assets increased by Php5,237.08 million or 21.95% from Php23,856.58 million in 2021 to Php29,093.66 million in 2022.

Total current liabilities decreased by Php6,140.70 million or 82.32% from Php7,459.88 million in 2021 to Php1,319.18 million in 2022.

Total non-current liabilities increased by Php6,350.44 million or 41.41% from Php15,336.70 million in 2021 to Php21,687.14 million in 2022.

Equity increased by Php626.15 million or 7.94% from Php7,888.84 million in 2021 to Php8,514.99 million in 2021.

Material Changes in the Financial Statements Items: Increase/Decrease of 5% or more versus 31 December 2021

This results to major decreases in accounts in the financial statements of the Company except for below.

Cash decreased by Php4,863.23 million or 79.01% due to payments of operating expenses and construction costs in relation to the development and construction of the Main Hotel Casino.

Prepayments and other current assets increased by Php462.05 million or 68.55% mainly due to input VAT recognized in relation to construction costs of the Main Hotel Casino.

Property and equipment and prepayments and deposits for property and equipment increased by Php6,439.92 million or 72.73% and Php373.06 million or 28.24%, respectively, which substantially represent construction in-progress in relation to the construction of the Main Hotel Casino.

Right-of-use asset (ROUA) decreased by Php1,575.91 million or 11.52% mainly due to amortization of ROUA during the year while lease liabilities decreased by Php45.04 million or 0.73% due to the recognition of amortized interest for the year. The decrease is partly due to the remeasurement of lease liability and ROUA in 2022.

Trade and other payables decreased by Php183.06 million or 23.11% mainly due to the timing of payments of construction related invoices as at December 31, 2022.

Convertible bonds payable increased by Php6,185.92 million or 69.27% which represents issuance of Php6.40 billion 6% convertible bonds to Summit Ascent.

Other payables increased by Php187.31 million or 80.09% which represent amounts retained from construction related payments to vendors which are payable upon the end of the retention period.

KEY PERFORMANCE INDICATORS

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

	31 December 2022	31 December 2021
Current Ratio *1	1.84 : 1.00	0.92 : 1.00
Quick Ratio *2	0.98 : 1.00	0.83 : 1.00
Debt to Equity Ratio *3	2.70 : 1.00	2.89 : 1.00
Return on Assets *4	-1.79%	-1.90%
Return on Equity *5	-6.79%	-6.23%

*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 consolidated financial statements for the year 2022.

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.

RESULTS OF OPERATIONS

Twelve months ended 31 December 2021 compared to Twelve months ended 31 December 2020

The total revenues of Company exhibited a decrease of Php11.60 million or 76.34% from Php15.20 million in 2020 to Php3.60 million in 2021.

Costs and expenses exhibited an increase of Php281.73 million or 124.25% from Php226.74 million in 2020 to Php508.47 million in 2021.

The Group's incurred a net loss in 2021 amounting to Php504.88 million from the previous year's net loss of Php211.55 million or Php293.33 million increase.

FINANCIAL CONDITION

As of 31 December 2021, and 31 December 2020

Total current assets increased by Php894.40 million or 15.07% from Php5,934.44 million in 2020 to Php6,828.84 million in 2021.

Total non-current assets increased by Php7,297.05 million or 44.07% from Php16,559.53 million in 2020 to Php23,856.58 million in 2021.

Total current liabilities increased by Php7,109.01 million or 2,026.06% from Php350.88 million in 2020 to Php7,459.88 million in 2021.

Total non-current liabilities increased by Php1,520.68 million or 11.01% from Php13,816.02 million in 2020 to Php15,336.70 million in 2021.

Equity decreased by Php438.23 million or 5.26% from Php8,327.07 million in 2020 to Php7,888.84 million in 2021.

Material Changes in the Financial Statements Items: Increase/Decrease of 5% or more versus 31 December 2020

This results to major decreases in accounts in the financial statements of the Company except for below.

Cash and cash equivalents increased by Php277.23 million or 4.72% due to the proceeds from a loan obtained from SA Investments net of payment of operating expenses and construction costs in relation to the development and construction of the Main Hotel Casino.

Due from a related party decreased by 100% due to account settlement of a related party.

Other current assets increased by Php644.56 million or 2,189.59% mainly due to input VAT recognized in relation to construction costs of the Main Hotel Casino.

Investment in an associate decreased by 100% to nil after the sale of the 24.27% interest in FOPM Group.

Property and equipment and prepayments and deposits for property and equipment increased by Php6,878.43 million or 348.08% and Php1,320.98 million, respectively, which substantially represent construction in-progress in relation to the construction of the Main Hotel Casino.

Right-of-use asset (ROUA) decreased by Php748.62 million or 5.19% mainly due to amortization of ROUA during the year while lease liabilities increased by Php576.84 million or 10.27% due to the recognition of amortized interest for the year and translation adjustment at 31 December 2021.

Due to related parties increased by Php400.66 million or 263.44% which represents interest accrued on SA Investment's convertible bonds and short-term loan amounting to Php6,092.88 million.

Trade and other payables increased by Php593.21 million or 298.40% mainly due to the unpaid construction related invoices as at December 31, 2021.

Convertible bonds payable increased by Php732.23 million or 8.93% which represents the recognition of amortized interest during the year.

Retention payable increased by Php233.87 million from amounts retained from construction related payments to vendors which are payable upon the end of the retention period.

KEY PERFORMANCE INDICATORS

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

	31 December 2021	31 December 2020
Current Ratio *1	0.92 : 1.00	16.91 : 1.00
Quick Ratio *2	0.83 : 1.00	16.83 : 1.00
Debt to Equity Ratio *3	2.89 : 1.00	1.70: 1.00
Return on Assets *4	-1.90%	-1.77%
Return on Equity *5	-6.23%	-4.35%

*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 consolidated financial statements for the year 2021.

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 2022 and 2021 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 2022. 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 Php1,157,360 in 2022 and Php1,173,000 in 2021 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 2021 and 2020. Non-audit services rendered by the external auditors for 2022 and 2021 amounted to Php1,428,834 and Php836,600, respectively. Except as disclosed above, no other services were rendered or fees billed by the external auditor of the Company for 2022 and 2021. 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 Officers¹

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 25 October 2022 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.

Lo Kai Bong. Mr. Lo, 43 years old, Chinese (Hong Kong), currently the Chairman of the Company, was elected to replace Mr. Joey I. Villafuerte following the latter's resignation with effect from 4 May 2021. On 26 October 2021, Mr. Lo was appointed as the Chairman of the Company. Mr. Lo joined LET Group, a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (stock code: 1383) on 9 March 2017 as an executive director. Mr. Lo has obtained a Bachelor of Arts degree from the University of Winnipeg in Canada. On 12 December 2018, Mr. Lo was appointed as a non-executive director of Summit Ascent Holdings Limited ("SA Holdings"), a company listed on the Hong Kong Stock Exchange (stock code: 102). With effect from 26 April 2019, Mr. Lo has been re-designated from a non-executive director to an executive director and has been appointed as the deputy chairman of SA Holdings. On 31 August 2022, Mr. Lo has been appointed Chairman of LET Group and re-designated from deputy chairman to Chairman of SA Holdings.

Chua Ming Huat. Mr. Chua, 60 years old, Malaysian, currently the President of the Company, was elected to replace Ms. Josephine Marie R. Salazar following the latter's resignation effective 4 May 2021. Mr. Chua has been appointed as an executive director and Chief Executive Officer of SA Holdings with effect from 1 May 2021. Mr. Chua is currently a director of Travellers International Hotel Group, Inc. (Travellers), the developer and operator of Resorts World Manila, which was listed on the PSE (stock code: RWM) until its voluntary delisting on 21 October 2019. Mr. Chua was a director of Global Ferronickel Holdings, Inc. from June 2016 to July 2020, a company listed on the PSE (stock code: FNI). He also served as an independent director of CIMB Investment Bank Berhad, Malaysia from February 2015 to January 2017. Mr. Chua was the Chief Operating Officer of Genting Berhad (Genting) from September 2006 to February 2007, a company listed on Bursa Malaysia Securities Berhad (Bursa Malaysia) (stock code: 3182) and the President of Genting Hong Kong Limited from May 2007 to January 2015, a company listed on the Hong Kong Stock Exchange (stock code: 678). He was also a director of Norwegian Cruise Line Holdings Ltd. from July 2011 to March 2015, a company listed on the New York Stock Exchange (stock code: NCLH). Prior to joining Genting, Mr. Chua held various positions in the investment banking business in Hong Kong, Singapore and Malaysia for over 20 years. He had also served as a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia. Mr. Chua possesses a Bachelor of Arts degree in Political Science and Economics from the Carleton University, Ottawa, Canada.

¹ Age of Directors and Officers as of 28 February 2023.

Ferdinand B. Masi. Mr. Masi, 61 years old, Filipino, 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 also the President of Southpoint Science Park 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.

Neoli Mae L. Kho. Ms. Kho, 38 years old, Filipino, is currently the First Vice President for Revenue Business Group, which handles the property management of various residential and BPO office developments of the Megaworld group, a position she has held since April 2018. She 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.

Jesus B. Varela. Mr. Varela, 66 years old, Filipino, concurrently independent director of GERI/Travelers and MREIT. Regent at Unibersidad de Manila. Founding Director of AWARE, President of FCP. Director & Chair of Investment and governance committee of OPHIR (Oil & Petroleum Holdings International Reserves, HK Ltd), Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

Eugenio B. Reducindo. Mr. Reducindo, 53 years old, Filipino, 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, 44 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.

Sutharshan Kandiah. Mr. Kandiah, 53 years old, Australian, is a seasoned finance executive with experience heading large institutional operations at UBS, as head of its Asian and Japanese capital markets businesses and head of Southeast Asian investment banking, and with building and operating start-up financial services businesses. He brings over 25 years of experience in markets across Asia Pacific including Japan and has held leadership roles in the key finance hubs of Singapore, Hong Kong and Japan. After over a decade in senior roles at UBS, Mr. Kandiah left to set up, build, operate, and lead the capital markets and investment banking business of Religare Capital Markets. Following Religare's exit to Soochow Securities, a state-owned Chinese securities firm, he served as Soochow's CEO of Asset Management and Vice Chairman of Capital Markets and was instrumental in growing the firm's brand recognition in the region. Mr. Kandiah has structured and executed over 250 transactions for mid and large sized corporates in industries including real estate, travel, hospitality, gaming, healthcare, media and technology. He presently serves as Senior Advisor to a private equity firm and a venture capital firm that are focused on Southeast Asia and serves as advisor to the Board of Directors at Digipay, a digital payments and financial services application based in the Philippines. Mr. Kandiah holds a Master of Applied Finance from Macquarie University and Bachelor of Economics from the Australian National University.

Maria Cristina D. Gonzales. Ms. Gonzales, 59 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, 46 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>
Lo Kai Bong	Chairman
Chua Ming Huat	President and Chief Executive Officer
Sutharshan Kandiah	Chief Operating Officer / Chief Financial Officer
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

The table below summarizes the aggregate compensation of the Corporation's Chairman, President and Chief Executive Officer and the five (5) most highly compensated executive officers, as well as the aggregate compensation paid to all directors and officers as a group for the years 2022, 2021 and 2020.

Name and Principal Position	Year	Salary	Bonuses	Others	Total
The Chairman, President and five (5) executive officers are as follows:	2020	-	-	-	-
1. Lo Kai Bong - Chairman 2. Chua Ming Huat – President and Chief Executive Officer 3. Sutharshan Kandiah – Chief Operating Officer / Chief Financial Officer	2021	Php -	Php -	Php4,925,700	Php4,925,700
4. Neoli Mae L. Kho - Treasurer 5. Nelileen S. Baxa - Corporate Secretary and Corporate Information Officer 6. Maria Carla T. Uykim - Asst. Corporate Secretary and Asst. Corporate Information Officer 7. Maria Cristina D. Gonzales - Compliance Officer	2022	14,058,495	2,175,669	38,284,549	54,518,713
All Other Executive Officers and Directors, as a group unnamed	2020	-	-	-	-
	2021	-	-	-	-
	2022	-	-	-	-

Standard Arrangement

Aside from the compensation arising from service arrangements with certain directors amounting to Php38,284,549 in 2022 and Php4,925,700 in 2021, 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 2022 and 2021 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.

Other Arrangement

Except for minimal allowance or per diems paid to certain members of the Company's Board of Directors amounting to Php1,411,110 in 2022 and Php333,333 in 2021, the principal executive officers of the Company and members of the Company's Board, 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.

Below is a summary of the per diem given to the directors of the Corporation as a group:

	Year Ended 31 December (in PhP)	
	2022	2021
Per diem to the Board of Directors as a group	1,411,110.00	333,333.00

Warrants and Options Outstanding

No warrants or stock options are held by the Company's Chairman, President, executive officers or directors for years 2022 and 2021 nor are there plans for extending warrants or options for the ensuing year.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management²

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	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	LET Group Holdings Limited, parent company of Fortune Noble Limited	Non-Filipino	3,697,499,998 ³	51.00%
Common	MEGAWORLD CORPORATION 30/F Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation ⁴ (also the record owner)	Filipino	2,465,000,000	34.00%
Common	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Various Owners Various Principals	Filipino	706,937,134	9.75%

² As of 28 February 2023

³ Out of 3,716,503,999, shares registered under PCD Nominee Corporation (Non-Filipino), 3,697,499,998 shares are beneficially owned by Fortune Noble.

⁴ Mr. Andrew L. Tan has the power to direct the voting and disposition of the shares held by Megaworld Corporation in the Company.

Security Ownership of Management

Title of Class	Name of Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Lo Kai Bong	1 (direct)	Chinese (Hong Kong)	0.00%
Common	Chua Ming Huat	1 (direct)	Malaysian	0.00%
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	Jesus B. Varela	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	6 (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.

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 2022 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
13 July 2022	Approval of Amendments to the By-Laws
13 July 2022	Approval of Amendments to the Articles of Incorporation
13 July 2022	Clarification of News Reports "Alvin Chau disposes of all its shares stake in Suncity Group and Summit Ascent" posted in macaubusiness.com on 19 May 2022 (https://www.macaubusiness.com/alvin-chau-disposes-of-all-
21 July 2022	Proposed Change in Name of Suncity Group Holdings Limited ("SGHL")
17 August 2022	Proposed Change in Name of Suncity Group Holdings Limited ("SGHL")
19 August 2022	Proposed Change in Name of Suncity Group Holdings Limited ("SGHL")
26 August 2022	Change in Corporate Website
6 September 2022	Setting of the 2022 Annual Stockholder's Meeting and Other Relevant Dates
12 September 2022	Amendments to the Provisions of the Amended By-Laws of the Corporation
19 September 2022	Approval of the Amendment of Sections 5 and 7, Article I and Section 6, Article II of the Amended By-Laws of Suntrust Resort Holdings, Inc. (the "Corporation") Consolidated in the Securities and Exchange Commission's ("SEC") Approval of the Change in Corporate Name Previously Disclosed on 13 June 2022.
19 September 2022	Update to the Disclosures Made on 7 July 2022 and 21 December 2021, in relation to Mr. Alvin Chau's Disposition of All His Shares in LET Group Holdings Limited (formerly, Suncity Group Holdings Limited) and Summit Ascent Holdings
17 October 2022	Update to the Disclosures Made on 16 September 2022, 7 July 2022 and 21 December 2021, in relation to Mr. Alvin Chau's Disposition of All His Shares in LET Group Holdings Limited (formerly, Suncity Group Holdings Limited) and Summit Ascent Holdings Limited.
25 October 2022	Results of the Annual Stockholders' Meeting
25 October 2022	Results of the Organizational Meeting
25 October 2022	Amendments to the Provisions of the Amended By-Laws of the Corporation
7 November 2022	Update to the Disclosures Made on 14 October 2022, 16 September 2022, 7 July 2022 and 21 December 2021, in relation to Mr. Alvin Chau's Disposition of All His Shares in LET Group Holdings Limited (formerly, Suncity Group Holdings Limited) and Summit Ascent Holdings Limited.

17 November 2022	Supplemental Agreement No. 3 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)).
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(c) Reports on SEC Form 17-Q until 31 December 2022

Date	Subject
20 May 2022	First Quarter Results
15 August 2022	Second Quarter Results
15 November 2022	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 MAR 24 2023 on this 24 day of March 2023.

SUNTRUST RESORT HOLDINGS, INC.

By:

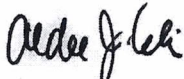
LO KAI BONG
Chairman
(Principal Executive Officer)


CHUA MING HUAT
President
(Principal Operating Officer)


NEOLI MAE L. KHO
Treasurer
(Principal Financial Officer)


NELILEEN S. BAXA
Corporate Secretary


SUTHARSHAN KANDIAH
Chief Financial Officer


ALDEE CELIS
Financial Controller
(Principal Accounting Officer)

SUBSCRIBED AND SWORN to before me this MAR 24 2023 day of March 2023, affiants exhibiting to me their Tax Identification Numbers, as follows:

NAMES	TIN NO.
Neoli Mae L. Kho	214-488-163
Nelileen S. Baxa	221-930-818
Aldee Celis	900-024-802

Doc No.: 134
Page No.: 28
Book No.: IV
Series of 2023


MARIA FRANCES M. MARFIL
Appointment No. M-018
Notary Public for Makati City
Until December 31, 2023
23rd Floor, Century Diamond Tower, Century City,
Kalayaan Avenue corner Salamanca Street,
Barangay Poblacion, Makati City
MCLE Compliance No. VI-0026221, 05.23.2019
PTR No. MKT 8853290, 01.03.2022 / Makati City
Roll No. 61721 / BPN No. 173082 01 05 2022 / Manila III

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 _____, on this ____ day of March 2023.

SUNTRUST RESORT HOLDINGS, INC.

By:



LOKAI BONG
Chairman
(Principal Executive Officer)

CHUA MING HUAT
President
(Principal Operating Officer)

NEOLI MAE L. KHO
Treasurer
(Principal Financial Officer)

NELILEEN S. BAXA
Corporate Secretary

SUTHARSHAN KANDIAH
Chief Financial Officer

ALDEE CELIS
Financial Controller
(Principal Accounting Officer)

SUBSCRIBED AND SWORN to before me this ____ day of March 2023, affiants exhibiting to me their Tax Identification Numbers, as follows:

NAMES	TIN NO.
Neoli Mae L. Kho	214-488-163
Nelileen S. Baxa	221-930-818
Aldee Celis	900-024-802



SUNTRUST
RESORT HOLDINGS, INC.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Suntrust Resort Holdings, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 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 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 consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan and Araullo, the independent auditors appointed by the stockholders, has audited the consolidated 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.

Lo Kai Bong
Chairman

Chua Ming Huat
President and Chief Executive Officer

Neoli Mae Kho
Treasurer

Signed this 24 March 2023.



SUNTRUST
RESORT HOLDINGS, INC.

SUBSCRIBED AND SWORN to before me this MAR 24 2023 at makati city,
Philippines, affiant exhibiting to me her competent evidence of identity TIN ID No. 221-930-818.

Doc No. : 132
Page No.: 28
Book No.: IV
Series of 2023

MARIA FRANCES M. MARFIL
Appointment No. M-018
Notary Public for Makati City
Until December 31, 2023
23rd Floor, Century Diamond Tower, Century City,
Kalayaan Avenue corner Salamanca Street,
Barangay Poblacion, Makati City
MCLE Compliance No. VI-0026221, 05.23.2019
PTR No. MKT 8853290, 01.03.2022 / Makati City
Roll No. 61721 / IBP No. 172082, 01.05.2022 / Manila III



SUNTRUST
RESORT HOLDINGS, INC.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Suntrust Resort Holdings, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Punongbayan and Araullo, the independent auditors appointed by the stockholders, has audited the consolidated 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.



Lo Kai Bong
Chairman

Chua Ming Huat
President and Chief Executive Officer

Neoli Mae Kho
Treasurer

Signed this 24 March 2023.



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Suntrust Resort Holdings, Inc. and Subsidiaries

December 31, 2022, 2021 and 2020



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 Resort Holdings, Inc. and Subsidiaries
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)**

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

Opinion

We have audited the consolidated financial statements of Suntrust Resort Holdings, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.

Emphasis of Matter

We draw attention to Note 16 to the consolidated financial statements, which indicates that the Group is in a deficit position as of December 31, 2022 due to losses incurred in current and previous years. As stated in Note 16, management believes that this does not raise material uncertainty related to going concern as the Group expects to generate revenues in the foreseeable future upon completion of its 5-star hotel and casino complex (Main Hotel Casino). Further, management is currently in discussion with financial institutions that shall enable the Group to obtain financing for the completion of the construction of the Main Hotel Casino. 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.

Capitalization of Construction Costs of Main Hotel Casino***Description of the Matter***

As of December 31, 2022, the Group's construction of its Main Hotel Casino remains in progress. In 2022, the Group incurred and capitalized P6.4 billion of project costs in relation to the construction activities. This includes capitalized borrowing cost amounting to P2.2 billion. Additions to construction in progress are recorded as part of Property and Equipment account in the consolidated statement of financial position.

In our view, the capitalization of costs related to the construction and development activities is significant to our audit due to the volume of transactions and as the amounts involved are material to the Group's consolidated financial statements.

The Group's accounting policy and related information are disclosed in Notes 2, 3, 7, 8, 10 and 14 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- Updating our understanding of the procurement, disbursement and financial reporting procedures and controls over the recognition and measurement of various expenditures, including those that are capitalizable costs under the Group's construction activities;
- Testing the recognition and measurement of capitalizable costs by tracing a sample of transactions throughout the current period to source documents to verify the nature of expenditures and accuracy of amount capitalized; and,
- Recomputing and challenging the reasonableness of capitalized borrowing costs.

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, 2022, 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, 2022 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 matter 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. 9566641, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until financial period 2023)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-037-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash	5	P 1,291,609,422	P 6,154,842,856
Prepayments and other current assets	6	<u>1,136,039,632</u>	<u>673,992,735</u>
Total Current Assets		<u>2,427,649,054</u>	<u>6,828,835,591</u>
NON-CURRENT ASSETS			
Prepayments and deposits for property and equipment	6	1,694,043,407	1,320,975,774
Property and equipment - net	7	15,294,448,533	8,854,531,816
Right-of-use asset - net	8	<u>12,105,169,586</u>	<u>13,681,077,372</u>
Total Non-current Assets		<u>29,093,661,526</u>	<u>23,856,584,962</u>
TOTAL ASSETS		P <u>31,521,310,580</u>	P <u>30,685,420,553</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	9	P 608,940,215	P 791,998,618
Due to related parties	14	710,239,648	552,744,754
Loan from a related party	14	-	6,092,880,000
Lease liabilities	8	<u>-</u>	<u>22,261,174</u>
Total Current Liabilities		<u>1,319,179,863</u>	<u>7,459,884,546</u>
NON-CURRENT LIABILITIES			
Convertible bonds payable	10, 14	15,115,499,086	8,929,584,003
Lease liabilities	8	6,150,461,454	6,173,242,668
Retention payable	9	<u>421,175,899</u>	<u>233,873,773</u>
Total Non-current Liabilities		<u>21,687,136,439</u>	<u>15,336,700,444</u>
Total Liabilities		<u>23,006,316,302</u>	<u>22,796,584,990</u>
EQUITY			
Capital stock	16	5,862,500,010	5,862,500,010
Convertible bonds equity reserve	10	5,752,006,144	4,592,867,070
Exchange reserve	2	95,056,256	70,984,578
Deficit	16	<u>(3,194,568,132)</u>	<u>(2,637,516,095)</u>
Total Equity		<u>8,514,994,278</u>	<u>7,888,835,563</u>
TOTAL LIABILITIES AND EQUITY		P <u>31,521,310,580</u>	P <u>30,685,420,553</u>

See Notes to Consolidated Financial Statements.

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES AND INCOME				
Finance and other income	5	P 13,196	P 358,988	P 2,613,480
Gain on sale of investment in an associate	1	-	3,236,142	-
Equity in net earnings of an associate	1	-	-	12,583,562
		13,196	3,595,130	15,197,042
COSTS AND EXPENSES				
Foreign exchange loss - net	11	440,013,800	340,138,642	26,738,937
Operating expenses	11	116,474,417	139,014,470	82,349,275
Equity in net losses of an associate	1	-	3,236,142	-
Finance costs	11	-	1,201,576	117,132,893
Tax expense	13	577,016	24,882,384	521,205
		557,065,233	508,473,214	226,742,310
NET LOSS		(P 557,052,037)	(P 504,878,084)	(P 211,545,268)
Loss Per Share –	15			
Basic and Diluted		(P 0.077)	(P 0.070)	(P 0.029)

See Notes to Consolidated Financial Statements.

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	2022	2021	2020
NET LOSS		(P 557,052,037)	(P 504,878,084)	(P 211,545,268)
OTHER COMPREHENSIVE INCOME				
Item that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	2	<u>24,071,678</u>	<u>66,647,702</u>	<u>4,336,876</u>
TOTAL COMPREHENSIVE LOSS		(<u>P 532,980,359</u>)	(<u>P 438,230,382</u>)	(<u>P 207,208,392</u>)

See Notes to Consolidated Financial Statements.

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Capital Stock (see Note 16)	Convertible Bonds Equity Reserve (see Note 10)	Exchange Reserve (see Note 2)	Revaluation Reserve (see Note 1)	Deficit	Total Equity
Balance at January 1, 2022	P 5,862,500,010	P 4,592,867,070	P 70,984,578	P -	(P 2,637,516,095)	P 7,888,835,563
Recognition of conversion options	-	1,159,139,074	-	-	-	1,159,139,074
Total comprehensive loss for the year	-	-	24,071,678	-	(557,052,037)	(532,980,359)
Balance at December 31, 2022	<u>P 5,862,500,010</u>	<u>P 5,752,006,144</u>	<u>P 95,056,256</u>	<u>P -</u>	<u>(P 3,194,568,132)</u>	<u>P 8,514,994,278</u>
Balance at January 1, 2021	P 5,862,500,010	P 4,592,867,070	P 4,336,876	P 460,033	(P 2,133,098,044)	P 8,327,065,945
Transfer of reserve upon disposal of an associate	-	-	-	(460,033)	460,033	-
Total comprehensive loss for the year	-	-	66,647,702	-	(504,878,084)	(438,230,382)
Balance at December 31, 2021	<u>P 5,862,500,010</u>	<u>P 4,592,867,070</u>	<u>P 70,984,578</u>	<u>P -</u>	<u>(P 2,637,516,095)</u>	<u>P 7,888,835,563</u>
Balance at January 1, 2020	P 3,312,500,000	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	-	-	4,336,876	-	(211,545,268)	(207,208,392)
Balance at December 31, 2020	<u>P 5,862,500,010</u>	<u>P 4,592,867,070</u>	<u>P 4,336,876</u>	<u>P 460,033</u>	<u>(P 2,133,098,044)</u>	<u>P 8,327,065,945</u>

See Notes to Consolidated Financial Statements.

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 556,475,021)	(P 479,995,700)	(P 211,024,063)
Adjustments for:				
Unrealized foreign exchange losses	11	438,024,353	391,239,823	-
Depreciation and amortization	11	730,329	28,317,197	876,477
Loss on lease termination	8	129,528	-	-
Finance income	5	13,196	(358,988)	(2,613,480)
Equity in net losses (earnings) of an associate	1	-	3,236,142	(12,583,562)
Interest expense	11	-	1,201,576	117,132,893
Gain on sale of investment in an associate	1	-	(3,236,142)	-
Operating loss before working capital changes		(117,577,615)	(59,596,092)	(108,211,735)
Decrease in due from related parties		-	27,382,014	-
Increase in other current assets		(414,248,621)	(583,167,789)	(27,268,802)
Increase (decrease) in trade and other payables		(729,773,955)	(127,364,608)	118,069,643
Cash used in operations		(1,261,600,191)	(742,746,475)	(17,410,894)
Interest received		4,483,885	358,988	2,613,480
Cash paid for taxes		(577,016)	(1,469,494)	(521,205)
Net Cash Used in Operating Activities		(1,257,693,322)	(743,856,981)	(15,318,619)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	7	(2,353,059,560)	(3,091,148,898)	(934,282,447)
Additions to prepayments and deposits for property and equipment	6, 17	(1,020,291,578)	(1,946,752,128)	(9,853,728,852)
Proceeds from sale of investment in an associate	1	-	153,728,294	-
Net Cash Used in Investing Activities		(3,373,351,138)	(4,884,172,732)	(10,788,011,299)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	14	(628,469,468)	(29,497,169)	-
Proceeds from borrowings	14	-	5,738,640,000	5,400,741,962
Repayments of lease liabilities	8	-	(27,214,056)	-
Receipts from (payments to) related parties	14	-	(58,378,962)	58,378,962
Net proceeds from issuance of convertible bonds	10	-	-	7,389,479,038
Cash received from subscription of capital stock	16	-	-	2,550,000,010
Net Cash From (Used in) Financing Activities		(628,469,468)	5,623,549,813	15,398,599,972
NET INCREASE (DECREASE) IN CASH		(5,259,513,928)	(4,479,900)	4,595,270,054
CASH AT BEGINNING OF YEAR		6,154,842,856	5,877,616,276	1,278,214,939
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH		396,280,494	281,706,480	4,131,283
CASH AT END OF YEAR		P 1,291,609,422	P 6,154,842,856	P 5,877,616,276

Supplemental Information in Non-cash Financing and Investing Activities is disclosed in Note 22 to the Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Company Background

Suntrust Resort Holdings, Inc., formerly known as Suntrust Home Developers, Inc., (the Parent Company or Suntrust) was incorporated in the Philippines on January 18, 1956 (extended for another 50 years starting January 18, 2006) to primarily engage in real estate development. The Parent Company is a publicly listed entity in the Philippines. On October 25, 2019 and December 17, 2019, respectively, the Board of Directors (BOD) and stockholders approved the amendment of the Parent Company's primary and secondary purposes, as presented in the Articles of Incorporation, to allow the Company to focus on tourism-related businesses. This change was subsequently approved by the Philippine Securities and Exchange Commission (SEC) on June 17, 2020. Further amendments were made in 2021 to increase the authorized capital stock and change the corporate name to align with the business objectives (see Note 1.4).

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 initial cost of construction of a 5-star hotel and casino complex (Main Hotel Casino). The payment has been initially treated as refundable deposit until the completion of commitments from both entities at which time the amount was allocated between construction in progress (CIP) and right-of-use asset (ROUA).

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune Noble) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune Noble became the parent company of Suntrust and its subsidiaries (the Group). Fortune Noble is incorporated in the British Virgin Islands (the "BVI") and is a subsidiary of LET Group Holdings Limited, formerly known as Suncity Group Holdings Limited, (the intermediate parent company or LET Group), a publicly listed company in Hong Kong. Major Success Group Limited (Major Success), a company incorporated in the BVI is the ultimate holding company of LET Group.

The principal activity of Major Success is investment holding. LET Group and its subsidiaries are principally engaged in (i) through Suntrust and its subsidiaries, the development and operation of the Main Hotel Casino; (ii) through Summit Ascent Holdings Limited and its subsidiaries, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation; (iii) property development in Japan; and (iv) management and operation of malls in the People's Republic of China.

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

The registered office and principal place of business of Fortune Noble is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. LET Group's registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205, Cayman Islands and its principal place of business is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Major Success' registered office and principal place of business is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

1.2 Subsidiaries

Suntrust holds ownership interests in the following subsidiaries:

	Explanatory Notes	Percentage of Ownership	
		2022	2021
Subsidiaries:			
SWC Project Management Limited (SWCPML)	(a)	100.00%	100.00%
WC Project Management Limited (WCPML)	(b)	100.00%	100.00%
Suncity WC Hotel Inc. (Suncity WC)	(c)	100.00%	100.00%

Explanatory Notes:

- (a) Incorporated in Hong Kong on January 20, 2020 to engage in provision of project management services.
- (b) Incorporated in Macau on February 17, 2020 to engage in provision of project management services.
- (c) Incorporated in the Philippines on January 4, 2021 to engage 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.

1.3 Sale of Investment in an Associate

The Parent Company previously held a 24.27% interest over First Oceanic Property Management, Inc. (FOPMI). On March 25, 2021, an agreement for sale and purchase (FOPMI SP Agreement) was entered into between the Parent Company and Asian E-Commerce, Inc. (Asian E-Commerce), which is 50%-owned by a non-controlling shareholder of Suntrust. Pursuant to the FOPMI SP Agreement, the Parent Company agreed to sell and Asian E-Commerce agreed to purchase the Parent Company's interest over FOPMI and its subsidiary, for a consideration of P153.7 million.

On April 16, 2021, the Parent Company and Asian E-Commerce executed the relevant deed of absolute sale of shares in relation to the Parent Company's 24.27% equity interest in FOPMI. The sale of shares in FOPMI resulted to the derecognition of the Group's investment in an associate. Total gain on sale of investment in an associate amounted to P3.2 million.

Prior to sale, the Parent Company recognized its equity in net results of FOPMI amounting to P3.2 million (loss) in 2021 and P12.6 million (gain) in 2020 in its consolidated statements of income.

1.4 Amendments to the Parent Company's Articles of Incorporation and By-Laws

On September 1, 2021, the Parent Company's BOD approved the amendment to the Articles of Incorporation to increase the Parent Company's authorized capital stock from P23,000,000,000 divided into 23,000,000,000 common shares to P50,000,000,000 divided into 50,000,000,000 common shares.

On September 6, 2021, the Parent Company's BOD also approved the amendment to the Articles of Incorporation and By-Laws to change the Parent Company's corporate name to "Suntrust Resort Holdings, Inc." On October 26, 2021, the Parent Company's shareholders approved the aforementioned amendments to the Parent Company's Articles of Incorporation and By-Laws. On June 10, 2022, the SEC approved the aforementioned amendments to the Parent Company's Articles of Incorporation and By-Laws.

1.5 Continuing 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. As at December 31, 2022, the construction of structural work up to Level 6 have been completed whereas the façade works were in progress. The major mechanical, electrical, and plumbing equipment has been delivered to construction site. Management aims to commence the operation of the Main Hotel Casino in 2024.

1.6 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 (including the comparative consolidated financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Parent Company's BOD on March 24, 2023.

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.

(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 2022 that are Relevant to the Group*

The Group opted to early adopt the application of the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. 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. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments are responses to feedback received from the post-implementation review of IFRS 3. The amendment clarify the minimum attributes that the acquired set of activities and assets must have to be considered a business. To meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs. The amendments removed the assessment of whether market participants are able to replace missing inputs or processes and continue to produce outputs. The amendments introduced an optional test ('the concentration test') that allows the acquirer to carry out a simple assessment to determine whether the acquired set of activities and assets is not a business. The entity can choose whether to apply the concentration test for each transaction it makes. These amendments have no significant impact to the Group's consolidated financial statements.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that is not Relevant to the Group*

Among the improvements to PFRS 2018-2020 Cycle, the following amendments, which are effective from January 1, 2022, are not relevant to the Group:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) 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)

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 or Losses 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 Current versus Non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.5 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 Refundable deposits under the Prepayment and Other Assets account.

(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, 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 party. 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.

2.6 Prepayments and Other Assets

Prepayments and 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.

Deposits for property and equipment pertain to advance payments to contractors and suppliers made by the Group, which are subsequently amortized as the performance obligation is performed.

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 or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 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:

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.

CIP 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.

2.8 Financial Liabilities

The financial liabilities of the Group include trade and other payables (excluding tax-related payables), loan from a related party, financial liability component of convertible bonds, due to related parties and lease liabilities. 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(d)].

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, loan from a related party, lease liabilities 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 derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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

The Group has not presented any revenues and income in any of the relevant years in its consolidated statements of income, except for interest income [see Note 2.5(a)], and equity in net earnings of an associate and gain on sale of investment in associate [see Note 2.3(b)].

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.

In obtaining customer contracts, the Group incurs 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 of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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 incremental borrowing rate (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 and equipment and other liabilities, respectively.

(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 employee benefits are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) 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, which consists of interest and other costs that the Group incurs in connection with borrowing of funds, 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; and, (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.

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 consolidated 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.

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(d)]. This will eventually be closed to additional paid-in capital upon settlement of the convertible bonds.

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

2.22 Loss Per Share

Basic loss per share is computed by dividing net 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 loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. The Group has potential dilutive 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 15).

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

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.

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 8).

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

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) *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 17.

(d) *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 17.1). Based on management's judgment, the payment is assessed as a directly attributable cost and hence is allocated between 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 8.

(e) *Determination of Direct Relationship between a Borrowing and a Qualifying Asset*

Management exercised judgment in determining the relationship between a borrowing and a qualifying asset. Management considers the usage of funds and whether the asset acquired is not yet readily available for its intended use. Based on management's assessment, the borrowing related to the construction of the Group's Main Hotel Casino are considered specific borrowings (see Notes 8.2, 10, and 14.4).

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) Determination of Timing of Lease Payments

As disclosed in Note 8, the Group's lease over a property requires annual rentals starting from the latter of the first day of commencement of the operation of the Main Hotel Casino or other dates that may mutually agreed upon by the Group and the lessor.

In 2022, management determined that the estimated commencement of operation shall be in 2024 and hence determined the start of payment to be at such year. Also, in 2022, management remeasured its lease liability to reflect the change in timing of the estimated date of operations, consistent to the original provisions of the lease agreement.

Details of such remeasurement is disclosed in Note 8.

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

The assessment of ECL on financial assets at amortized cost requires the use of assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparty defaulting and the resulting losses) and involves correlation between historical observed default rates, forecast economic conditions. Such ECL assessment 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. No ECL is assessed on existing financial assets at amortized cost as at December 31, 2022 and 2021. The Group's accounting policy with respect to ECL is described in Note 2.5(b).

(d) 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 consolidated statements of financial position. The financial liability is subsequently measured at amortized cost.

(e) *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 8, respectively. Based on management's assessment as at December 31, 2022 and 2021, 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.

(f) *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 unrealized foreign exchange losses as at December 31, 2022 and 2021 may not be utilized within the prescribed periods required by law. The unrecognized deferred tax assets as of those dates is disclosed in Note 13.

(g) *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 2022 and 2021.

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 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 – was 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. This segment is no longer applicable since April 1, 2021 after the sale of FOPMI.

The segment results 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, prepayments, property and equipment and right of use asset. Segment liabilities include all operating liabilities and consist principally of trade and other payables, due to related parties, convertible bonds payable, loan from a related party, and lease liabilities.

The business segment information of the Group as of and for the years ended December 31, 2022, 2021 and 2020 follows:

	<u>Tourism- related Business</u>	<u>Property Management and Rental</u>	<u>Total</u>
<u>2022:</u>			
Finance costs	(P 440,013,800)	P -	(P 440,013,800)
Expenses	(116,474,417)	-	(116,474,417)
Finance and other income	<u>13,196</u>	<u>-</u>	<u>13,196</u>
Loss before tax	(556,475,021)	-	(556,475,021)
Tax expense	<u>(577,016)</u>	<u>-</u>	<u>(577,016)</u>
Net loss	<u>(P 557,052,037)</u>	<u>P -</u>	<u>(P 557,052,037)</u>
Segment assets	<u>P 31,521,310,580</u>	<u>P -</u>	<u>P 31,521,310,580</u>
Segment liabilities	<u>P 23,006,316,302</u>	<u>P -</u>	<u>P 23,006,316,302</u>

	<u>Tourism- related Business</u>	<u>Property Management and Rental</u>	<u>Total</u>
<u>2021:</u>			
Revenues and income:			
Gain on sale of investment in associate	P -	P 3,236,142	P 3,236,142
Finance and other income	<u>358,988</u>	<u>-</u>	<u>358,988</u>
	358,988	3,236,142	3,595,130
Finance costs	(341,340,218)	-	(341,340,218)
Expenses	(139,014,470)	-	(139,014,470)
Equity in net losses of an associate	<u>-</u>	<u>(3,236,142)</u>	<u>(3,236,142)</u>
Loss before tax	(479,995,700)	-	(479,995,700)
Tax expense	<u>(24,882,384)</u>	<u>-</u>	<u>(24,882,384)</u>
Net loss	<u>(P 504,878,084)</u>	<u>P -</u>	<u>(P 504,878,084)</u>
Segment assets	<u>P 30,685,420,553</u>	<u>P -</u>	<u>P 30,685,420,553</u>
Segment liabilities	<u>P 22,796,584,990</u>	<u>P -</u>	<u>P 22,796,584,990</u>
<u>2020:</u>			
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
Finance costs	(143,871,830)	-	(143,871,830)
Expenses	<u>(82,349,275)</u>	<u>-</u>	<u>(82,349,275)</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)	<u>(P 224,128,830)</u>	<u>P 12,583,562</u>	<u>(P 211,545,268)</u>
Segment assets	<u>P 22,312,855,315</u>	<u>P 181,110,308</u>	<u>P 22,493,965,623</u>
Segment liabilities	<u>P 14,166,899,678</u>	<u>P -</u>	<u>P 14,166,899,678</u>

5. CASH

Cash pertains to cash in banks which generally earn interest based on daily bank deposit rates.

In previous years, the Parent Company holds short-term placements which were made for varying periods from 30 to 90 days and earned effective interest of 0.50% in 2021 and 0.50% to 2.83% in 2020. In December 2021, the Parent Company did not renew the short-term placements and reclassified the balance as part of cash in banks.

Interest earned from cash in banks and short-term placements is presented as part of Finance and Other Income account in the consolidated statements of income.

Total realized foreign exchange gain earned from cash in 2022 and 2021 are presented as part of Foreign Exchange Loss - net in the 2022 and 2021 consolidated statements of income (see Note 11.2).

6. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

	Notes	<u>2022</u>	<u>2021</u>
Current:			
Input value-added tax (VAT)		P 958,122,124	P 534,326,972
Deferred input VAT		47,177,516	68,767,858
Prepaid insurance and other costs		130,649,770	54,227,756
Refundable deposits	8	<u>90,222</u>	<u>16,670,149</u>
		<u>1,136,039,632</u>	<u>673,992,735</u>
Non-current:			
Deposits for property and equipment	2.6	1,667,606,256	1,254,445,986
Prepaid insurance and other costs		<u>26,437,151</u>	<u>66,529,788</u>
		<u>1,694,043,407</u>	<u>1,320,975,774</u>
		<u>P2,830,083,039</u>	<u>P1,994,968,509</u>

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>Office and Communications Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvement</u>	<u>CIP</u>	<u>Total</u>
December 31, 2022					
Cost	P 4,242,760	P -	P -	P15,292,440,822	P15,296,683,582
Accumulated depreciation and amortization	(<u>2,235,049</u>)	-	-	-	(<u>2,235,049</u>)
Net carrying amount	<u>P 2,007,711</u>	<u>P -</u>	<u>P -</u>	<u>P15,292,440,822</u>	<u>P15,294,448,533</u>
December 31, 2021					
Cost	P 3,726,291	P 2,249,228	P 1,746,377	P8,830,347,867	P 8,838,069,763
Accumulated depreciation and amortization	(<u>1,775,095</u>)	(<u>311,347</u>)	(<u>871,851</u>)	-	(<u>2,958,293</u>)
Exchange difference	<u>108,635</u>	<u>71,112</u>	<u>30,892</u>	<u>19,209,707</u>	<u>19,420,346</u>
Net carrying amount	<u>P 2,059,831</u>	<u>P 2,008,993</u>	<u>P 905,418</u>	<u>P8,849,557,574</u>	<u>P 8,854,531,816</u>
January 1, 2021					
Cost	P 2,464,044	P 439,406	P 444,992	P1,973,631,399	P 1,976,979,841
Accumulated depreciation and amortization	(<u>505,546</u>)	(<u>51,191</u>)	(<u>319,740</u>)	-	(<u>876,477</u>)
Net carrying amount	<u>P 1,958,498</u>	<u>P 388,215</u>	<u>P 125,252</u>	<u>P1,973,631,399</u>	<u>P 1,976,103,364</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and the reporting periods of 2022 and 2021 is shown in the succeeding page.

	<u>Office and Communications Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvement</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 2,059,831	P 2,008,993	P 905,418	P8,849,557,574	P 8,854,531,816
Additions	2,128,749	-	-	6,442,883,248	6,445,011,997
Disposal	(1,720,915)	(1,875,937)	(768,099)	-	(4,364,951)
Depreciation and amortization charges for the year	(459,954)	(133,056)	(137,319)	-	(730,329)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 2,007,711</u>	<u>P -</u>	<u>P -</u>	<u>P15,292,440,822</u>	<u>P15,294,448,533</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 1,958,498	P 388,215	P 125,252	P1,973,631,399	P 1,976,103,364
Additions	1,302,103	1,809,822	1,301,385	6,856,716,468	6,861,129,778
Disposal	(39,856)	-	-	-	(39,856)
Depreciation and amortization charges for the year	(1,269,549)	(260,156)	(552,111)	-	(2,081,816)
Exchange difference	108,635	71,112	30,892	19,209,707	19,420,346
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 2,059,831</u>	<u>P 2,008,993</u>	<u>P 905,418</u>	<u>P8,849,557,574</u>	<u>P 8,854,531,816</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	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 1,958,498</u>	<u>P 388,215</u>	<u>P 125,252</u>	<u>P1,973,631,399</u>	<u>P 1,976,103,364</u>

CIP 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 14.7). In 2020, costs incurred totaling to P1,973.6 million comprised of the amount of deposit capitalized as reimbursement for the cost of the project, after fulfilling certain conditions (see Note 17.1), and other costs such as piling, engineering, architectural and other consultancy fees related to the design and development of the Main Hotel Casino.

Total borrowing costs capitalized as CIP in 2022 and 2021 amounted to P2,174.7 million (net of P4.5 million interest income) and P1,551.9 million (net of P7.3 million interest income), respectively (see Notes 8, 10, 11.2 and 14.5). Capitalization rates used in determining the amount of interest charges for capitalization of specific borrowings ranges from 6% to 14% in 2022 and 2021.

The amount of depreciation and amortization is presented as part of Operating Expenses account in the consolidated statements of income (see Note 11.1).

8. 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 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 14.7) or such other dates as may be mutually agreed upon by both parties.

In 2022, management remeasured its lease liabilities and made a corresponding adjustment to its ROUA amounting to P825.2 million to reflect the change in the timing of the estimated date of operations of the Main Hotel Casino, consistent to the original provisions of the lease agreement [see Note 3.2(b)].

As of December 31, 2022 and 2021, the lease agreements are reflected in the consolidated statements of financial position as ROUA and lease liabilities in accordance with PFRS 16.

8.1 ROUA

The carrying amount of the Group's ROUA as at December 31, 2022 and 2021 and the movements during the year are shown below.

	<u>2022</u>	<u>2021</u>
Cost		
Balance at beginning of year	P 14,480,332,310	P 14,429,698,406
Remeasurement	(825,199,087)	-
Termination	(50,633,904)	-
Additions	-	50,633,904
Balance at end of year	<u>13,604,499,319</u>	<u>14,480,332,310</u>
Accumulated amortization		
Balance at beginning of year	799,254,938	-
Amortization	726,310,175	799,254,938
Termination	(26,235,380)	-
Balance at end of year	<u>1,499,329,733</u>	<u>799,254,938</u>
	<u>P 12,105,169,586</u>	<u>P 13,681,077,372</u>

In 2021, SWCPML and WCPML entered into certain lease agreements for two rental offices. However, in 2022, these were terminated; no penalties were incurred on such lease termination. Consequently, the subsidiaries derecognized the related ROUA amounting to P24.4 million and lease liability amounting to P24.3 million (see Note 8.2) in the 2022 consolidated statement of financial position and recognized loss on termination of leases amounting to P0.1 million as part of Other expenses under Operating Expenses in the 2022 consolidated statement of income. The related refundable deposits were recovered from the lessor at date of termination (see Note 6).

The Group capitalized the amortization of ROUA that is directly attributable to the completion of the Main Hotel Casino amounting to P726.3 million and P773.0 million in 2022 and 2021, respectively, as part of CIP under Property and Equipment account in the consolidated statements of financial position (see Note 7).

8.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Current	P -	P 22,261,174
Non-current	<u>6,150,461,454</u>	<u>6,173,242,668</u>
	<u>P6,150,461,454</u>	<u>P6,195,503,842</u>

The carrying amounts of the Group's lease liabilities as at December 31, 2022 and 2021 is presented below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 6,195,503,842	P 5,618,666,948
Remeasurement		(825,199,087)	-
Exchange difference	11.2	569,015,087	317,155,095
Interest expense	8.4, 11.2	235,410,607	237,294,382
Termination		(24,268,995)	-
Addition		-	49,601,473
Payment		<u>-</u>	<u>(27,214,056)</u>
Balance at end of year		<u>P 6,150,461,454</u>	<u>P 6,195,503,842</u>

The undiscounted maturity analysis of lease liability at December 31 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>
2022								
Lease payments	P -	P -	P 594,872,000	P 594,872,000	P 594,872,000	P 2,974,360,000	P 3,965,813,334	P 8,724,789,334
Finance charges	<u>(251,414,562)</u>	<u>(261,691,722)</u>	<u>(254,212,281)</u>	<u>(240,287,014)</u>	<u>(225,792,520)</u>	<u>(889,939,042)</u>	<u>(450,990,739)</u>	<u>(2,574,327,880)</u>
Net present value	<u>(P 251,414,562)</u>	<u>(261,691,722)</u>	<u>P 340,659,719</u>	<u>P 354,584,986</u>	<u>P 369,079,480</u>	<u>P 2,084,420,958</u>	<u>P 3,514,822,595</u>	<u>P 6,150,461,454</u>
2021								
Lease payments	P 27,214,056	P 540,587,359	P 538,204,400	P 538,204,400	P 538,204,400	P 2,691,022,000	P 3,935,527,517	P 8,808,964,132
Finance charges	<u>(4,952,882)</u>	<u>(62,496,754)</u>	<u>(62,746,952)</u>	<u>(63,378,583)</u>	<u>(64,016,572)</u>	<u>(780,780,486)</u>	<u>(1,575,088,061)</u>	<u>(2,613,460,290)</u>
Net present value	<u>P 22,261,174</u>	<u>P 478,090,605</u>	<u>P 475,457,448</u>	<u>P 457,825,817</u>	<u>P 474,187,828</u>	<u>P 1,910,241,514</u>	<u>P 2,360,439,456</u>	<u>P 6,195,503,842</u>

8.3 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 P1.1 million and P11.5 million in 2021 and 2020, respectively, and is presented as Rentals under Operating Expenses in the 2021 and 2020 consolidated statements of income (see Note 11.1). There was no similar transaction in 2022.

There was no commitment to short-term leases as of December 31, 2022 and 2021.

8.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P27.2 million in 2021. No similar payment was made in 2022 and 2020.

Certain interest expense incurred on lease amounting to P235.4 million in 2022 and P237.3 million in 2021 is capitalized as part of CIP under Property and Equipment account in the consolidated statements of financial position [see Notes 3.1(e) and 7].

Total unrealized foreign exchange loss incurred in relation to the lease is presented as part of Foreign Exchange Loss - net in the 2022 and 2021 consolidated statements of income (see Note 11.2).

9. TRADE AND OTHER PAYABLES

The details of this account are as follows:

	<u>2022</u>	<u>2021</u>
Current:		
Construction costs payable	P 501,064,607	P 631,404,087
Government payables	75,478,434	94,032,700
Accrued expenses	8,984,284	43,148,941
Others	<u>23,412,890</u>	<u>23,412,890</u>
	608,940,215	791,998,618
Non-current :		
Retention payable	<u>421,175,899</u>	<u>233,873,773</u>
	<u>P 1,030,116,114</u>	<u>P1,025,872,391</u>

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

Retention payables represent portions of progress billings received from contractors for the construction work performed which are retained by the Group to bind contractors in completing the agreed tasks.

10. CONVERTIBLE BONDS PAYABLE

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

On June 1, 2020, the Parent Company also entered into a subscription agreement with Summit Ascent Investments Limited (SA Investments), a wholly-owned subsidiary of Summit Ascent Holdings Limited and a fellow subsidiary of the Parent Company, 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 SA Investments, upon request of the Parent Company, be extended up to 2030.

On September 20, 2021, the Parent Company entered into another subscription agreement with Summit Ascent Investments Limited (SA Investments) for the issuance of 6.0% convertible bonds at a total subscription price of P6,400.0 million. The convertible bonds were issued on June 10, 2022 and is convertible into 3,878,787,878 shares at the conversion price of P1.65 per share, subject to antidilutive adjustments. The convertible bond is payable up to 2025, which maybe subject to agreement by SA Investments, upon request of the Parent Company, be extended up to 2028.

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 are presented below.

	Fortune Noble - P7.3B CB	SA Investments - P5.6B CB	SA Investments - P6.4B CB	Total
Face value of the bonds				
issued in 2020	P 7,300,000,000	P 5,600,000,000	P -	P12,900,000,000
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 January 1, 2021	4,306,781,001	3,890,572,929	-	8,197,353,930
Amortized interest for the year				
ended December 31, 2021	<u>479,374,480</u>	<u>252,855,593</u>	<u>-</u>	<u>732,230,073</u>
Carrying amount of liability				
at December 31, 2021	<u>P 4,786,155,481</u>	<u>P 4,143,428,522</u>	<u>P -</u>	<u>P 8,929,584,003</u>
Balance at beginning of year	<u>P 4,786,155,481</u>	<u>P 4,143,428,522</u>	<u>P -</u>	<u>P 8,929,584,003</u>
Face value of the bonds				
issued in 2022	-	-	6,400,000,000	6,400,000,000
Bond issue costs	-	-	(54,464,000)	(54,464,000)
Net proceeds	-	-	6,345,536,000	6,345,536,000
Amount classified as equity	-	-	(1,159,139,074)	(1,159,139,074)
Amortized interest for the year				
ended December 31, 2022	<u>532,732,172</u>	<u>291,126,417</u>	<u>175,659,568</u>	<u>999,518,157</u>
Carrying amount of liability				
at December 31, 2022	<u>P 5,318,887,653</u>	<u>P 4,434,554,939</u>	<u>P 5,362,056,494</u>	<u>P 15,115,499,086</u>

The financial liability components is carried at amortized cost using the effective interest method. The effective interest rates of the Fortune Noble P7.3B Convertible Bond, SA Investments P5.6B Convertible Bond, SA Investments P6.4B Convertible Bond are 10.60%, 14.18%, and 13.09%, respectively.

In 2022 and 2021, the Group capitalized the interest expense as part of CIP under Property and Equipment account in the consolidated statements of financial position [see Notes 3.1(e), 7, and 11.2]. Outstanding interest payables amounting to P710.2 million and P545.2 million as of December 31, 2022 and 2021 are recorded as part of Due to Related Parties accounts in the consolidated statements of financial position (see Note 14.4). There were no interest expense recognized in 2020 as management deemed that such is 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 P5,752.0 million and P4,592.9 million as of December 31, 2022 and 2021, respectively, is presented as Convertible Bonds Equity Reserve under the Equity section of the consolidated statements of financial position.

The fair values of the convertible bonds were 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 were as follows:

	Fortune Noble - <u>P7.3B CB</u>	SA Investments - <u>P5.6B CB</u>	SA Investments - <u>P6.4B CB</u>
Enterprise value (in thousands)	P 26,477.50	P 26,477.50	P 26,477.50
Conversion price	1.10	1.80	1.65
Expected option life	3 years	3 years	2.4 years
Risk-free rate	6.3%	6.3%	6.3%
Volatility	54.9%	54.9%	54.9%

11. REVENUES, COSTS AND EXPENSES

11.1 Operating Expenses

The details of operating expenses are shown below.

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Outsourced services	14.8	P 50,322,418	P 35,002,605	P -
Salaries and employee benefits	12	35,322,418	41,804,028	17,812,792
Professional fees		10,771,634	22,041,468	7,081,984
Representation and entertainment		7,932,796	86,145	121,498
Transportation and travel		4,665,733	197,717	180,725
Depreciation and amortization	7, 8.1	730,329	28,317,197	876,477
Utilities and supplies		719,403	4,682,528	1,532,916
Taxes, licenses and other fees		181,040	888,112	40,042,311
Trainings and conferences		166,997	158,392	193,860
Rentals	8.3, 14.5	-	1,114,929	11,498,337
Others		5,973,179	4,721,349	3,008,375
		<u>P116,474,417</u>	<u>P139,014,470</u>	<u>P 82,349,275</u>

11.2 Finance Costs and Foreign Exchange Loss – Net

The details of finance costs and foreign exchange loss – net are shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest on:				
Convertible bonds	10	P 999,518,157	P 732,230,073	P -
Coupon CBs	10	616,533,333	336,000,000	-
Short-term borrowings	14.5	259,667,284	225,451,726	-
Lease liabilities	8.2, 8.4	235,410,607	237,294,382	-
Shareholder's loan	14.6	-	-	117,132,893
Other financing costs		<u>63,568,581</u>	<u>29,497,170</u>	<u>-</u>
		<u>2,174,697,963</u>	<u>1,560,473,351</u>	<u>117,132,893</u>
Less: Capitalized interest	7	(<u>2,174,697,963</u>)	(<u>1,559,271,775</u>)	<u>-</u>
		<u>P -</u>	<u>P 1,201,576</u>	<u>P 117,132,893</u>
Foreign exchange loss – net:				
Unrealized foreign exchange loss	8.4, 14.5	P 438,024,353	P 391,239,823	P -
Realized foreign exchange loss	14.5	289,408,920	3,798,319	26,738,937
Realized foreign exchange gain	5	(<u>287,419,473</u>)	(<u>54,899,500</u>)	<u>-</u>
		<u>P 440,013,800</u>	<u>P 340,138,642</u>	<u>P 26,738,937</u>

12. EMPLOYEE BENEFITS

Expenses recognized as salaries and employee benefits are presented below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits		P 34,948,364	P 40,325,729	P 17,188,461
Mandatory provident fund (MPF)		<u>62,524</u>	<u>1,478,299</u>	<u>624,331</u>
	11.1	<u>P 35,010,888</u>	<u>P 41,804,028</u>	<u>P 17,812,792</u>

Salaries and employee benefits amounting to P1.2 million and P52.9 million were capitalized in 2022 and 2021 as part of CIP under Property and Equipment account in the consolidated statements of financial position.

The Parent Company and its subsidiaries, WCPML and Suncity WC, have not yet established a formal post-employment benefit plan and do not accrue post-employment benefits for its employees due to insignificance of the amount.

SWCPML operates MPF Schemes, a compulsory pension fund for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of SWCPML. The cost charge to the statements of income represent contributions payable to the funds by SWCPML at rates specified in the rules of the schemes.

13. TAXES

The components of tax expense relating to profit or loss is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current tax expense:			
Final Tax	P 577,016	P 1,469,494	P 521,205
Capital gains tax	<u>-</u>	<u>23,412,890</u>	<u>-</u>
	<u>P 577,016</u>	<u>P 24,882,384</u>	<u>P 521,205</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax loss	(P 167,175,207)	(P 94,579,490)	(P 66,872,409)
Adjustment for income subjected to lower income tax rates	574,655	19,580,836	(262,805)
Tax effects of:			
Non-taxable income and non-deductible expenses	1,177,010	-	44,190,187
Unrecognized deferred tax assets	<u>166,000,558</u>	<u>99,881,038</u>	<u>23,466,232</u>
	<u>P 577,016</u>	<u>P 24,882,384</u>	<u>P 521,205</u>

The Parent Company is subject to MCIT while its local subsidiary is not yet subject to MCIT as it was only incorporated in 2021. It is computed at 1% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The Parent Company and Suncity WC did not report MCIT or RCIT in 2022, 2021 and 2020 as they are in a gross loss position during the taxable years.

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 and its local subsidiary did not recognize deferred tax assets arising from NOLCO and unrealized foreign exchange loss amounting to P187.5 million and P143.1 million, as of December 31, 2022 and 2021, respectively, since management has assessed that they may not be able to realize their related tax benefits.

The details of unrecognized NOLCO incurred by the Parent Company and its local subsidiary which can be claimed as deduction from its respective future taxable income within three years from the year the taxable loss was incurred are shown in the succeeding page. Pursuant to Section 4 (bbb) of Republic Act (R.A.) 11494, *Bayanihan to Recover as One* (Bayanihan II), the NOLCO for taxable years 2021 and 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>
2022	P102,752,370	P -	P102,752,370	2025
2021	7,968,032	-	7,968,032	2026
2020	78,220,772	-	78,220,772	2025
2019	<u>94,834,032</u>	<u>(94,834,032)</u>	<u>-</u>	
	<u>P283,775,206</u>	<u>(P 94,834,032)</u>	<u>P188,941,174</u>	

14. RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, which include stockholders, and related parties by common ownership, and the Group's key management 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022</u>	<u>2021</u>
Stockholders:						
Issuance of convertible bonds	10, 14.1	P -	P -	P 4,306,781,001	(P5,318,887,653)	(P 4,786,155,481)
Shareholder's interest	14.6	-	-	117,132,893	(93,706,314)	(93,706,314)
Interest on convertible bonds	10	532,732,172	479,374,480	-	-	-
Payment of excess proceeds	14.4	-	(18,741,962)	18,741,962	-	-
Receipt from sale of investment property	14.3	-	27,382,014	-	-	-
Subscription of shares	14.2	-	-	2,550,000,010	-	-
Related Parties Under Common Ownership:						
Issuance of convertible bonds	10, 14.1	5,186,396,926	-	3,890,572,929	(9,796,611,433)	(4,143,428,522)
Interest on convertible bonds	14.1, 14.4	1,083,319,318	588,855,593	-	(616,533,334)	(451,486,243)
Loan from a related party	14.5	6,353,400,000	6,092,880,000	-	-	(6,092,880,000)
Interest on short-term loan	14.5	259,667,284	225,451,726	-	-	-
Outsourced services	14.8	-	25,529,797	-	-	(7,552,196)
Payment of excess proceeds	14.4	-	(39,637,000)	39,637,000	-	-
Key Management Personnel –						
Compensation	14.9	54,518,713	6,403,410	-	-	-

14.1 Issuance of Convertible Bonds

In 2020, the Parent Company entered into separate subscription agreements whereby Fortune Noble and SA Investments agreed to subscribe in the aggregate principal amount of P7,300.0 million and P5,600.0 million convertible bonds.

On September 20, 2021, the Parent Company and SA Investments entered into a Convertible Bond Subscription Agreement (CB Subscription Agreement), where the Parent Company agreed to issue to SA Investments and SA Investments agreed to subscribe to the Convertible Bond (CB) in the principal sum of up to a maximum of up to P6,400.0 million (Loan Indebtedness).

On June 10, 2022, the Parent Company issued the CB upon completion of all conditions precedents and secured regulatory approval from a related party (see Note 10). As at such date, the loan from a related party has been effectively fully paid including the balance of the accrued interest in excess of the maximum amount of CB approved for issuance amounting to US\$6.8 million.

The amortized amount of the convertible bonds are presented as Convertible Bonds Payable in the consolidated statements of financial position.

14.2 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. 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 (see Note 16).

14.3 Sale of Investment Property

In 2019, the Parent Company sold its investment property to a stockholder. The balance from such sale amounting to P27.4 million was collected in 2021. There is no outstanding obligation relating to said transaction as at December 31, 2022 and 2021.

14.4 Due to Related Parties

The Group's Due to Related Parties account consists of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Accrued interest	10	P 710,239,648	P 545,192,558
Others	14.8	<u>-</u>	<u>7,552,196</u>
Balance at end of year		<u>P 710,239,648</u>	<u>P 552,744,754</u>

The movements in due to related parties during the years ended December 31 are as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 552,744,754	P 152,085,276
Accrual of interest	10	793,516,558	480,983,413
Payment of interest		(628,469,468)	(29,497,169)
Payment of accrued expenses		(7,552,196)	-
Payment of excess proceeds from bond issuance		-	(58,378,962)
Accrued expenses	14.8	<u>-</u>	<u>7,552,196</u>
Balance at end of year		<u>P 710,239,648</u>	<u>P 552,744,754</u>

In 2020, the Parent Company received excess proceeds from the issuance of the convertible bonds which were remitted back to the bond holders in 2021.

14.5 Loan Agreement with SA Investments

On February 23, 2021, the Parent Company, as borrower, entered into a Loan Agreement for the principal sum of up to US\$120.0 million at the interest rate of 6.00% per annum, payable three months after the date of drawing, with SA Investments. On May 18, 2021, the Parent Company drew the entire principal sum of US\$120.0 million. The proceeds of the loan is planned to be utilized for the construction of the Main Hotel Casino. The loan has been renewed on a monthly basis and the maturity date has been extended up to July 18, 2022.

The proceeds of the CB was set off against the amount of the Loan Indebtedness, plus the accrued interest up to the expected completion date of the CB Subscription Agreement which is on or before July 31, 2022 or such later date as agreed by the Parent Company and SA Investments. The issuance of the CB under the CB Subscription Agreement equivalent to the Loan Indebtedness shall be subject to the completion of certain conditions precedent under the CB Subscription Agreement. The CB was issued on June 10, 2022 (see Note 14.1).

Prior to offsetting, the outstanding balance of the loan as of December 31, 2021 amounted to P6,092.9 million and is presented as Loan from a Related Party in the 2021 consolidated statement of financial position. Total finance cost capitalized as of December 31, 2022 and 2021 amounting to P279.0 million and P254.9 million, respectively, are capitalized as part of CIP under Property and Equipment account in the consolidated statement of financial position (see Note 7).

Total realized foreign exchange loss incurred in 2022 and unrealized foreign exchange loss in 2021 are presented as part of Foreign Exchange Loss - net in the 2022 and 2021 consolidated statements of income (see Note 11.2).

14.6 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 set off 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 as of December 31, 2022 and 2021 of the interest payable amounted to P93.7 million, net of final withholding taxes is presented as part of Due to Related Parties in the consolidated statements of financial position (see Note 14).

14.7 Co-Development Agreement

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 8).

- (ii) *Suntrust shall Finance the Development and Construction of the Main Hotel Casino.*

The Parent Company shall finance the development and construction of a the main Hotel Casino on the leased area. The Parent Company 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 17.1).

- (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 the Main 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 17.2).

14.8 Services and Consultancy Agreement with a Related Party Under Common Ownership

On August 1, 2021, the Parent Company entered into a Service and Consultancy Agreement with a related party under common ownership, whereby the related party shall provide assistance to the Parent Company. Total service fees incurred amounted to P25.5 million and presented as part of Outsourced services under the Operating Expenses in the 2021 consolidated statement of income. Outstanding payable is presented as part of Due to Related Parties account in the 2021 consolidated statement of financial position. The balance was fully settled in 2022 (see Note 14.4).

14.9 Key Management Personnel Compensation

Total key management compensation including those arising from service arrangements with key management personnel of the Parent Company amounted to P54.5 million in 2022 and P6.4 million in 2021. There are no unpaid compensation to members of key management as of December 31, 2022 and 2021.

15. LOSS PER SHARE

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net loss	(P557,052,037)	(P 504,878,084)	(P 211,545,268)
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>7,250,000,000</u>	<u>7,250,000,000</u>
Basic and diluted EPS	(P <u>0.077</u>)	(P <u>0.070</u>)	(P <u>0.029</u>)

On December 30, 2020, the Parent Company issued convertible bonds to Fortune Noble and SA Investments, which are convertible to 6,636,363,636 and 3,111,111,111 shares, respectively. On June 10, 2022, SA Investments issued additional convertible bonds, which are convertible to 3,878,787,878 shares (see Note 10).

The computation of diluted loss per share did not assume the conversion of the outstanding convertible bonds of the Parent Company since the conversion of the outstanding convertible bonds would result in decrease in diluted loss per share.

16. EQUITY

16.1 Capital Stock

The details of the Parent Company's capital stock as of December 31, 2022 and 2021 are as follows:

	<u>Shares</u>	<u>Amount</u>
Common shares – P1.00 par value		
Authorized	<u>23,000,000,000</u>	<u>P23,000,000,000</u>
Subscribed	<u>7,250,000,000</u>	P 7,250,000,000
Subscription receivable		(<u>1,387,499,990</u>)
		<u>P 5,862,500,010</u>

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 Parent 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, 2022, and 2021, there are 1,580 and 1,580 holders of the listed shares, respectively, which closed at P0.99 and P1.12 per share, respectively.

16.2 Status of Operations

The Group incurred net losses from its operations in prior years which resulted in a deficit of P3,194.6 million and P2,637.5 million as of December 31, 2022 and 2021, respectively. Management believes that this does not raise material uncertainty related to going concern as the Group expects to generate revenues in the foreseeable future upon completion of its Main Hotel Casino. Further, management is in discussion with financial institutions that shall enable the Parent Company to obtain financing for the completion of the construction of the Main Hotel Casino.

17. COMMITMENTS AND CONTINGENCIES

17.1 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 had 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 8).

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

The related annual rental is set at US\$10.6 million which is payable starting from the latter of the first day of commencement of the operation of the Main Hotel Casino and the fulfilment of the conditions precedent or such other dates as may mutually agreed upon by both parties. Management estimated that the operation shall commence in 2024 (see Note 8).

17.2 Operation and Management Agreement with a Related Party Under Common Ownership

On May 4, 2020, the Parent Company entered into an Operation and Management Agreement with a related party under common ownership whereby the Parent Company shall operate and manage the Main Hotel Casino (which is expected to commence operation in 2024). 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 14.7).

17.3 Capital Commitments

As of December 31, 2022 and 2021, the Group has commitments of approximately P28,955.0 million and P23,383.0 million, respectively, for the construction of the Main Hotel Casino.

17.4 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.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

18.1 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 (US\$), and Hong Kong Dollar (HKD).

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

Foreign currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate as of December 31 are as follows:

	US\$	PHP Equivalent	HKD	PHP Equivalent
2022				
Financial assets	\$ 19,570,958	P 1,098,322,163	\$ 984,840	P 7,091,508
Financial liabilities	(109,594,823)	(6,150,461,467)	-	-
	(\$ 90,023,865)	(P 5,052,139,304)	\$ 984,840	P 7,091,508
2021				
Financial assets	\$ 100,454,376	P 5,100,470,469	\$ 22,746,484	P 148,081,882
Financial liabilities	(241,694,237)	(12,271,783,206)	-	-
	(\$ 141,239,861)	(P 7,171,312,737)	\$ 22,746,484	P 148,081,882

The following table illustrates the sensitivity of the Group's loss before tax with respect to changes in Philippine peso against U.S. and HK dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	2022			2021		
	Reasonably possible change in rate	Effect in loss before tax	Effect in equity after tax	Reasonably possible change in rate	Effect in loss before tax	Effect in equity after tax
PhP – US\$	15.94%	(P 805,348,820)	(P 604,011,615)	11.30%	(P 810,358,339)	(P 607,768,754)
PhP – HKD	15.93%	<u>1,129,939</u>	<u>847,454</u>	11.34%	<u>16,792,485</u>	<u>(12,594,364)</u>
		<u>(P 804,218,881)</u>	<u>(P 603,164,161)</u>		<u>(P 793,565,854)</u>	<u>(P 595,174,390)</u>

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.

18.2 Interest Rate Risk

As at December 31, 2022 and 2021, the Group is exposed to changes in market interest rates through its cash which are subject to variable interest rates (see Note 5). All other financial assets and financial liabilities have fixed rates or are non-interest bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's consolidated financial statements since the interest rates have shown insignificant changes during the years and the Group's interest income amounts only to P4.5 million, P7.7 million and P2.6 million in 2022, 2021 and 2020, respectively. In 2022 and 2021, interest income amounting to P4.5 million and P7.3 million, respectively, was deducted from the capitalized borrowing cost as it serves as an investment income on the temporary investment of those borrowings.

18.3 Credit Risk

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

The 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.

	Notes	2022	2021
Cash	5	P1,291,609,422	P6,154,842,856
Refundable deposits	6	<u>90,222</u>	<u>16,670,149</u>
		<u>P1,291,699,644</u>	<u>P6,171,513,005</u>

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

(a) *Cash*

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 R.A. 9302, *Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

(b) *Refundable Deposits*

Management deemed that refundable deposits are subject to minimal exposure of credit risk as these can be applied against future rentals and/or to be recovered through refund at the end of the lease term.

18.4 *Liquidity Risk*

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

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

The table below summarizes the maturity profile of the Parent Company's financial liabilities except tax related liabilities and lease liability (see Note 8.2)] 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
2022:				
Trade and other payables	9	P 533,461,782	P -	P 421,175,899
Due to related parties	14.4	710,239,648	-	-
Convertible bonds	10	-	-	21,246,666,667
		P 1,243,701,430	P -	P21,667,842,566
2021:				
Trade and other payables	9	P 697,965,918	P -	P 233,873,773
Due to related parties	14.4	552,744,754	-	-
Loan from a related party	14.5	-	6,318,331,726	-
Convertible bonds	10	-	-	14,244,000,000
		P 1,250,710,672	P 6,318,331,726	P14,477,873,773

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

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 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	2022		2021	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Financial assets at amortized cost:					
Cash	5	P 1,291,609,422	P 1,291,609,422	P 6,154,842,856	P 6,154,842,856
Refundable deposits	6	<u>90,222</u>	<u>90,222</u>	<u>16,670,149</u>	<u>16,670,149</u>
		<u>P 1,291,699,644</u>	<u>P 1,291,699,644</u>	<u>P 6,171,513,005</u>	<u>P 6,171,513,005</u>
Financial liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	9	P 954,637,681	P 954,637,681	P 931,839,691	P 931,839,691
Due to related parties	14.4	<u>710,239,648</u>	<u>710,239,648</u>	<u>552,744,754</u>	<u>552,744,754</u>
Lease liabilities	8	<u>6,150,461,454</u>	<u>6,150,461,454</u>	<u>6,195,503,842</u>	<u>6,195,503,842</u>
Convertible bonds	10	<u>15,115,499,086</u>	<u>19,409,147,706</u>	<u>8,929,584,003</u>	<u>10,461,950,963</u>
Loan from a related party	14.5	<u>-</u>	<u>-</u>	<u>6,092,880,000</u>	<u>6,092,880,000</u>
		<u>P22,930,837,869</u>	<u>P27,224,486,489</u>	<u>P 22,702,552,290</u>	<u>P24,234,919,250</u>

See Notes 2.5 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 18.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements, except as disclosed in Note 14. 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 14 can be potentially offset to the extent of their corresponding outstanding balances.

20. FAIR VALUE MEASUREMENT AND DISCLOSURES

20.1 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.

20.2 Financial Instruments Measurement at Amortized Cost for which Fair Value is Disclosed

Except for cash which are under Level 1, all of the Group's financial assets and financial liabilities are classified under Level 3. For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3 above, which are not traded in an active market, is determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. There were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

20.3 Financial Instruments at Initial Recognition - Convertible Bonds

In relation to its convertible bonds, the fair value is determined closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fair value of convertible bonds at initial recognition is determined based on option pricing method whereby the enterprise value, conversion price, expected option life, risk-free rate, and volatility were considered as principal inputs [see Notes 3.2(d) and 10].

21. 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.

22. SUPPLEMENTAL INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES

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

(a) **2022**

- The Parent Company issued a P6.4 billion convertible bond to a related party and set off such to the loan indebtedness to the same related party (see Notes 10 and 14.5).
- The Parent Company's management revised its previous estimate as to the commencement of operation of its Main Hotel Casino. This resulted to a remeasurement in the related lease liability and ROUA amounting to P825.2 million (see Note 8).
- SWCPML terminated its existing lease and derecognized the related ROUA and lease liabilities amounting to P24.4 million and P24.3 million, respectively (see Note 8).
- The Parent Company's capitalized borrowing costs arising specific borrowings as part of CIP from finance charges of convertible bonds, loan from a related party and lease liabilities amounting to P2.2 billion, net of P4.5 million interest income (see Notes 7, 8, 10 and 14).
- The Parent Company has unpaid capitalized construction costs amounting to P494.3 million as of December 31, 2022 (see Notes 7 and 9).

(b) **2021**

- SWCPML recognized ROUA and lease liabilities amounting to P50.0 million and P49.6 million, respectively (see Note 8).
- The Parent Company capitalized borrowing costs arising specific borrowings as part of CIP from finance charges of convertible bonds, loan from a related party and lease liabilities amounting to P1.6 million, net of P7.3 million interest income (see Notes 7, 8, 10 and 14).
- The Parent Company has unpaid capitalized construction costs amounting to P631.4 million as of December 31, 2021 (see Notes 7 and 9).
- The Parent Company has unrealized foreign exchange loss from short-term borrowings amounting to P259.7 million (see Note 14.5).

(c) **2020**

- The Parent Company recognized ROUA and lease liabilities amounting to P14,429.7 million and P5,618.7 million, respectively (see Note 8). Portion of the deposit amounting to P8,811.0 million was capitalized to ROUA (see Notes 8 and 17.1).
- 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 18.1).
- In 2020, the Parent Company issued convertible bonds portion of which P4,592.9 million was classified as Convertible Bonds Equity Reserve (see Note 10). 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 amounting to P58.4 million was set-off against the total proceeds from the issuance of the convertible bonds (see Note 14.6).
- 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 14.6).



P&A
Grant Thornton

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



Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

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

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Resort Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated March 24, 2023. 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. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2022

<u>Schedule</u>	<u>Contents</u>	<u>Page No.</u>
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets	N/A
B	Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	N/A
C	Amounts Receivable/ Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	1
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
Other Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	
	Map Showing the Relationship Between the Company and its Related Entities	

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated
During the Consolidation of Financial Statements
December 31, 2022

Name	Beginning Balance	Additions	Deductions	Ending Balance		Total
				Current	Not Current	
Parent Company						
WC Project Management Limited	P 1,230,730,169	P -	(P 132,988,796)	P 1,097,741,373	P -	P 1,097,741,373
SWC Project Management Limited	<u>32,547,353</u>	<u>5,284,661</u>	<u>-</u>	<u>37,832,014</u>	<u>-</u>	<u>37,832,014</u>
	<u>P 1,263,277,522</u>	<u>P 5,284,661</u>	<u>(P 132,988,796)</u>	<u>P 1,135,573,387</u>	<u>P -</u>	<u>P 1,135,573,387</u>
Subsidiary - WC Project Management Limited						
SWC Project Management Limited	<u>P 1,499,088,587</u>	<u>P -</u>	<u>P -</u>	<u>P 1,499,088,587</u>	<u>P -</u>	<u>P 1,499,088,587</u>

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Indebtedness to Related Parties
December 31, 2022

<i>Name of related party</i>	<i>Balance at the beginning of year</i>	<i>Balance at the end of year</i>
Convertible bonds		
Fortune Noble Limited	P 4,786,155,481	P 5,318,887,653
Summit Ascent Investments Limited	<u>4,143,428,522</u>	<u>9,796,611,433</u>
	<u>P 8,929,584,003</u>	<u>P 15,115,499,086</u>

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
Schedule G - Capital Stock
December 31, 2022

<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>
Common	23,000,000,000	7,250,000,000	-	6,211,193,998	6	1,038,805,996

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, 2022.

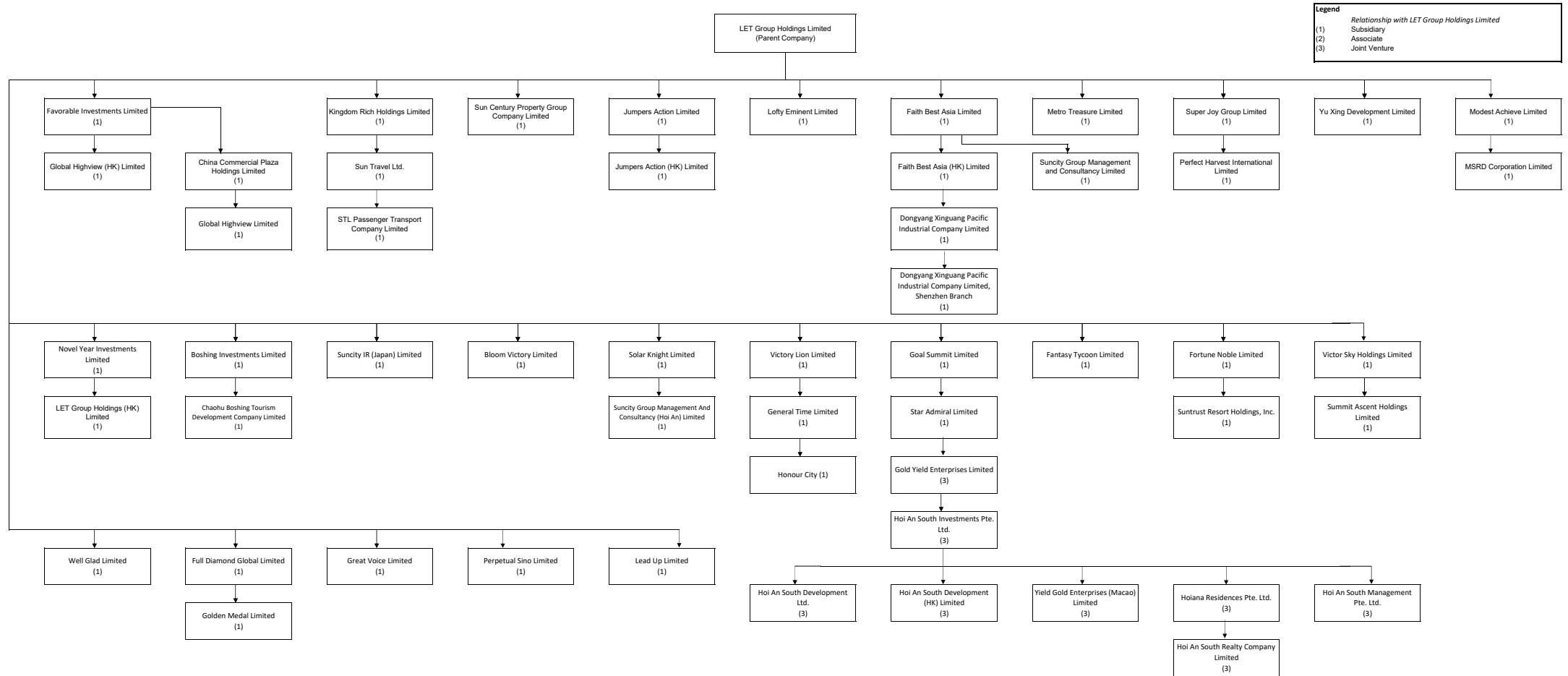
SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES

**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022**

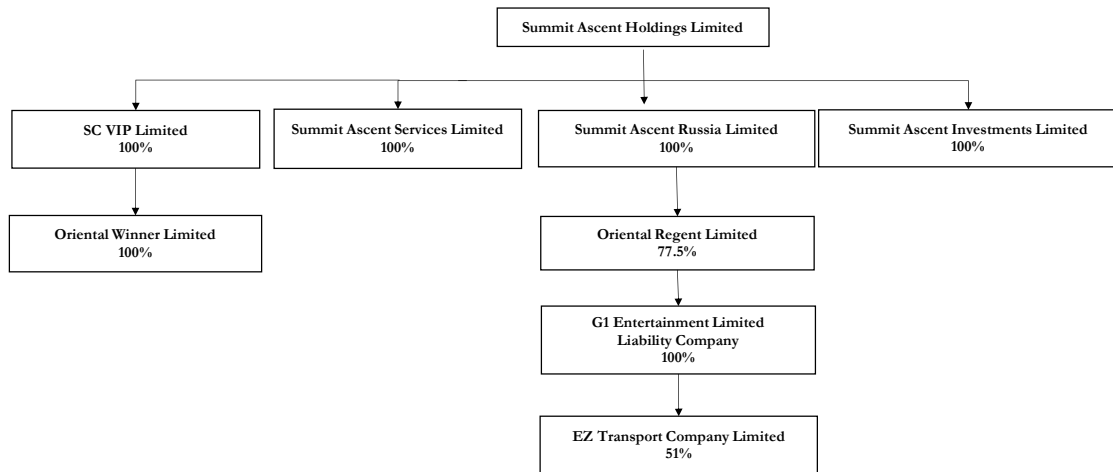
Deficit, at beginning of year	(P 2,525,464,325)
Net Loss Realized during the Year	
Net loss per audited financial statements	(<u> 668,918,753 </u>)
Deficit, at end of year	(P <u> 3,194,383,078 </u>)

LET GROUP HOLDINGS LIMITED

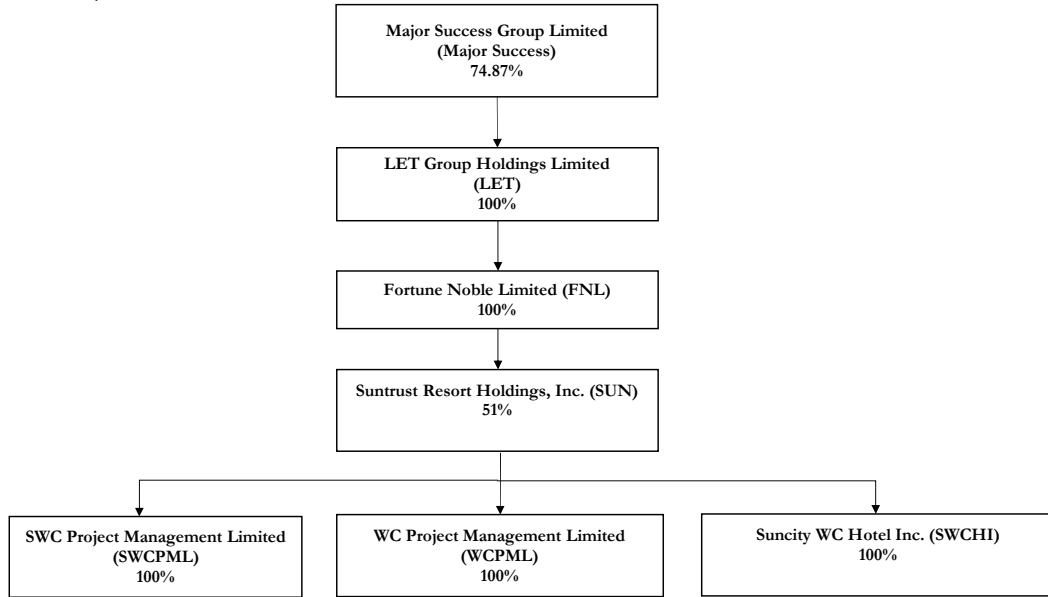
Map Showing the Relationship Between Suncity Group Holdings Limited and its related parties
December 31, 2022



Suntrust Resort Holdings, Inc.
Mapping of Related Parties
December 31, 2022



Suntrust Resort Holdings, Inc.
Mapping of Related Parties
December 31, 2022



LET is a subsidiary of FSL. FNL is a subsidiary of LET.
SUN is considered as FNL's subsidiary while SWCPML, WCPML and SWCHI are subsidiaries of SHDI.



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
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T +63 2 8988 2288

The Board of Directors and Stockholders
Suntrust Resort Holdings, Inc. and Subsidiaries
(Formerly Suntrust Home Developers, Inc.)
(A Subsidiary of Fortune Noble Limited)
26th Floor, Alliance Global Tower
36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Resort Holdings, Inc. and Subsidiaries (the Group) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 24, 2023. 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, 2022 and 2021 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. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES
ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2022 and 2021

Ratio	Formula	December 31, 2022	December 31, 2021
Current ratio	Current assets / Current liabilities	1.84	0.92
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	0.98	0.83
Solvency ratio	Total liabilities / Total assets	0.73	0.74
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	2.70	2.89
Asset-to-equity ratio	Total assets / Total stockholders' equity	3.70	3.89
Interest rate coverage ratio	EBIT / Total interest	n/a	n/a
Return on equity	Net loss / Average total equity	-6.79%	-6.23%
Return on assets	Net loss / Average total assets	-1.79%	-1.90%
Net profit margin	Net loss / Total revenues	-	-

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	SUNTRUST RESORT HOLDINGS, INC.
Location of Headquarters	26th Floor Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City
Location of Operations	26th Floor Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Suntrust Resort Holdings, Inc. (the “Company”)
Business Model, including Primary Activities, Brands, Products, and Services	<p>In October 2019, its Board of Directors approved the shift in the Company’s focus to tourism-related businesses.</p> <p>As of December 31, 2022, the Company is in the construction phase of its Main Hotel Casino which is expected to commence operations in 2024.</p>
Reporting Period	FY 2022

**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 construction phase of the Main Hotel Casino in 2022, the Company continues 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 Map¹ 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 activities during the construction phase of the Main Hotel Casino.

The Company generates minor ESG impacts. 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

ENVIRONMENT

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

The Company’s energy and water consumption are generated in connection with the construction of the Main Hotel Casino. The general contractor conducts regular maintenance of generator set to avoid degradation of air quality due to use of generator set.

The Company provides adequate wastewater treatment facility. The Company shall install a rainwater harvesting/cistern storage tank to maximize recycling, distribution and utilization of used water and to store and capture rainwater as additional measures in water resource management. The Company will also undertake planting of native tree species/ornamental plants to mitigate greenhouse gas (GHG) emissions of the project in line with DENR’s thrust for GHG emissions reduction programs and National Greening Program.

¹ See <http://materiality.sasb.org/>.

Environmental impact management

The Company has been granted an Environmental Compliance Certificate by the Department of Environment and Natural Resources (DENR). As part of the construction of the Company's Main Hotel Casino, the Company's general contractor monitors compliance and institutes measures to minimize any adverse impact to the environment.

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 conduct of the Company's activities during the construction phase of the Main Hotel Casino. 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.

The Company shall conform to the applicable provisions of the following environmental laws, and other relevant policies, rules and regulations:

- Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990;
- Philippine Clean Air Act of 1999;
- Ecological Solid Waste Management Act of 2000; and
- Philippine Clean Water Act to 2004.

The Company segregates wastes and provides waste storage facility and composting area. Solid wastes including construction debris are segregated and regularly collected by third party hauler with permit/clearance from local government unit. The Company also provides centralized storage facility for hazardous materials and collected by DENR accredited 3rd party haulers.

SOCIAL

Labor Laws and Human Rights

The Company is committed in 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 Conduct and 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.

The following are the Company's Employee Management Data:

Employee Hiring and Benefits

Disclosure	Quantity	Units
Total number of employees		
a) Number of female employees	5	number
b) Number of male employees	10	number
Attrition rate	0	rate

Employee Training and Development

Disclosure	Quantity	Units
Total training provided to employees		
a) Female employees	24	Hours
b) Male employees	24	Hours
Average training hours provided to employees		
a) Female employees	6	Hours/employee
b) Male employees	6	Hours/employee

In 2022, the Company did not require a significant number of employees for its activities during the construction phase of the Main Hotel Casino. 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 for the Company's employees.

In terms of health and safety requirements in the project site, the following are the reported data by the Company's contractor:

Disclosure	Quantity
Safe man-hours	4,711,664
No. of work-related injuries	6
No. of work-related fatalities	0
No. of work-related ill-health	9
No. of safety drills	43

The Company's contractor identified accidents and injury as one of the risks that might occur during the construction phase of the Main Hotel and Casino. The impact of this, if not properly mitigated, is that it might cause delays on the part of the construction work. There are various processes and procedures implemented to mitigate this risk. This includes requiring daily toolbox time preparation sessions, implementation of the safety management system in the project, and enforcing stop work when imminent danger arises.

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 during the construction phase of the Main Hotel Casino do not require engagements with a significant number of suppliers and currently limited only to the certain contractors and design and engineering consultants. 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 no 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	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.

² The Company is developing a hotel and casino, which is at the construction phase as of 31 December 2022.