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SUNCITY GROUP HOLDINGS LIMITED

太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

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

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

Suntrust Home Developers, Inc., a subsidiary of Suncity Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), published its unaudited quarterly report for the three months ended 30 September 2021 (the “**3rd Quarterly Report**”) on the website of PSE on 15 November 2021. The 3rd Quarterly Report is attached to this announcement for reference.

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

Hong Kong, 15 November 2021

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

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

NELILEEN S. BAXA

Contact Person

(623) 894-6300

Company Telephone Number

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Month Day
Fiscal Year

S	E	C		F	O	R	M		1	7	-	Q	
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FORM TYPE

10	Last Tuesday
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SUNTRUST HOME DEVELOPERS, INC.

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

Title of each Class

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

Common Stock, P1.00 par value

7,250,000,000

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

Yes [X] No []

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

Philippine Stock Exchange

Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

Please see Exhibit 7

Item 3. Aging of Accounts Receivable

Please see Exhibit 8

Item 4. Schedule of Financial Soundness Indicators

Please see Exhibit 9

PART II--OTHER INFORMATION

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

SIGNATURES

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

SUNTRUST HOME DEVELOPERS, INC.

Issuer


By:  **NEEL MAHESH**
Treasurer (Principal Financial Officer
and Duly Authorized Officer)
November 12, 2021

EXHIBIT 1

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

A S S E T S	Notes	Unaudited September 30, 2021	Audited December 31, 2020
CURRENT ASSETS			
Cash and cash equivalents		P 7,669,279,074	P 5,877,616,276
Prepayments and other current assets	6	498,770,007	29,437,269
Due from a related party	7	-	27,382,014
Total Current Assets		<u>8,168,049,081</u>	<u>5,934,435,559</u>
NON-CURRENT ASSETS			
Right-of-use assets - net	12	13,882,197,878	14,429,698,406
Prepayments and deposits for property and equipment	6	905,577,030	-
Property and equipment - net	5	6,381,761,688	1,976,103,364
Investment in an associate	1	-	153,728,294
Total Non-current Assets		<u>21,169,536,596</u>	<u>16,559,530,064</u>
TOTAL ASSETS		<u>P 29,337,585,677</u>	<u>P 22,493,965,623</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loan from a related party	7	P 6,115,080,000	P -
Accrued expenses and other payables	2	574,647,668	198,793,524
Lease liabilities	12	28,901,900	-
Due to related parties	2, 7	404,674,101	152,085,276
Total Current Liabilities		<u>7,123,303,669</u>	<u>350,878,800</u>
NON-CURRENT LIABILITIES			
Convertible bonds payable	8	8,733,873,155	8,197,353,930
Lease liabilities	12	6,135,316,828	5,618,666,948
Retention payables		265,046,083	-
Total Non-current Liabilities		<u>15,134,236,066</u>	<u>13,816,020,878</u>
Total Liabilities		<u>22,257,539,735</u>	<u>14,166,899,678</u>
EQUITY	11	<u>7,080,045,942</u>	<u>8,327,065,945</u>
TOTAL LIABILITIES AND EQUITY		<u>P 29,337,585,677</u>	<u>P 22,493,965,623</u>

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

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

<u>Notes</u>	2021 Unaudited Jul 1 - Sep 30	2021 Unaudited Jan 1 - Sep 30	2020 Unaudited Jul 1 - Sep 30	2020 Unaudited Jan 1 - Sep 30
COSTS AND EXPENSES				
Operating expenses	P 34,729,356	P 82,370,638	P 26,074,459	P 52,877,432
Finance costs	10 337,638,676	861,711,669	46,442,359	46,442,359
Tax expense	<u>390,980</u>	<u>24,648,064</u>	<u>77,059</u>	<u>496,358</u>
	<u>372,759,012</u>	<u>968,730,371</u>	<u>72,593,877</u>	<u>99,816,149</u>
OTHER INCOME (LOSS)				
Foreign exchange loss - net	(342,725,299)	(410,347,884)	(166,246,085)	(183,923,092)
Finance income	2,113,324	6,407,588	385,341	2,481,881
Gain on sale of investment in an associate	1 -	3,236,142	-	-
Equity in net (loss) earnings of an associate	<u>-</u>	<u>(3,236,142)</u>	<u>465,212</u>	<u>6,297,453</u>
	<u>(340,611,975)</u>	<u>(403,940,296)</u>	<u>(165,395,532)</u>	<u>(175,143,758)</u>
NET LOSS	(P 713,370,987)	(P 1,372,670,667)	(P 237,989,409)	(P 274,959,907)
Loss Per Share –				
Basic and Diluted	9 (P 0.0984)	(P 0.1893)	(P 0.0328)	(P 0.0379)

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

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

	2021 Unaudited Jul 1 - Sep 30	2021 Unaudited Jan 1 - Sep 30	2020 Unaudited Jul 1 - Sep 30	2020 Unaudited Jan 1 - Sep 30
NET LOSS	(P 713,370,987)	(P 1,372,670,667)	(P 237,989,409)	(P 274,959,907)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	<u>100,628,615</u>	<u>125,650,664</u>	(<u>14,229,445</u>)	(<u>14,460,915</u>)
TOTAL COMPREHENSIVE LOSS	(<u>P 612,742,372</u>)	(<u>P 1,247,020,003</u>)	(<u>P 252,218,854</u>)	(<u>P 289,420,822</u>)

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

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

	<u>Capital Stock</u>	<u>Convertible Bonds Equity Reserve</u>	<u>Exchange Reserve</u>	<u>Revaluation Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2021 (Audited)	P 5,862,500,010	P 4,592,867,070	P 4,336,876	P 460,033	(P 2,133,098,044)	P 8,327,065,945
Total comprehensive income (loss) for the period	-	-	125,650,664	-	(1,372,670,667)	(1,247,020,003)
Reclassification of equity in other comprehensive income of an associate	-	-	-	(460,033)	460,033	-
Balance at September 30, 2021 (Unaudited)	<u>P 5,862,500,010</u>	<u>P 4,592,867,070</u>	<u>P 129,987,540</u>	<u>P -</u>	<u>(P 3,505,308,678)</u>	<u>P 7,080,045,942</u>
Balance at January 1, 2020 (Audited)	P 3,312,500,000	P -	P -	P 460,033	(P 1,921,552,776)	P 1,391,407,257
Total comprehensive loss for the period	-	-	(14,460,915)	-	(274,959,907)	(289,420,822)
Collection of subscriptions receivable	2,550,000,000	-	-	-	-	2,550,000,000
Balance at September 30, 2020 (Unaudited)	<u>P 5,862,500,000</u>	<u>P -</u>	<u>(P 14,460,915)</u>	<u>P 460,033</u>	<u>(P 2,196,512,683)</u>	<u>P 3,651,986,435</u>

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

EXHIBIT 5

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

	Notes	Unaudited September 30, 2021	Unaudited September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(P 1,348,022,603)	(P 274,463,549)
Adjustments for:			
Finance costs		861,711,669	46,442,359
Unrealized foreign exchange loss		408,328,623	183,923,092
Depreciation and amortization	5, 12	19,702,713	442,889
Finance income		(6,407,588)	(2,481,881)
Gain on sale of investment in an associate	1	(3,236,142)	-
Equity in net loss (earnings) of an associate		3,236,142	(6,297,453)
Operating loss before working capital changes		(64,687,186)	(52,434,543)
Increase in prepayments and other current assets		(427,867,447)	(20,769,229)
Decrease in due from a related party		27,382,014	-
Decrease in accrued expenses and other payables		(156,448,346)	(53,905,074)
Cash used in operations		(621,620,965)	(127,108,846)
Interest received		6,407,588	2,532,388
Cash paid for taxes		(1,235,174)	(496,358)
Net Cash Used in Operating Activities		(616,448,551)	(125,072,816)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment - net		(2,397,726,235)	(3,204,866)
Placement for prepayments and deposits for property and equipment		(1,316,786,282)	(7,974,770,904)
Proceeds from sale of investment in an associate	1	153,728,294	-
Net Cash Used in Investing Activities		(3,560,784,223)	(7,977,975,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan from a related party	7	5,738,640,000	5,400,741,962
Payment of due to related parties		(58,378,962)	-
Payments of lease liabilities (including interest)	12	(18,997,524)	-
Borrowing costs paid		(48,557,032)	-
Proceeds from stock subscriptions		-	2,550,000,000
Net Cash From Financing Activities		5,612,706,482	7,950,741,962
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,435,473,708	(152,306,624)
EFFECTS ON FOREIGN EXCHANGE RATE CHANGES		356,189,090	(10,316,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		5,877,616,276	1,278,214,939
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		P 7,669,279,074	P 1,115,591,780

Supplemental Information on Non-cash Investing Activities:

- 1) The Group acquired property and equipment amounting to P4,344.0 million, P558.6 million of which remain unpaid as of September 30, 2021 (see Note 5).
- 2) In 2021, the Group capitalized depreciation of right-of-use assets and borrowing costs amounting to P579.8 million and P254.2 million, respectively, in relation to the construction of the Main Hotel Casino (see Note 5).

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

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

1. CORPORATE INFORMATION

1.1 Company Background

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

In line with the change in business plans to enter into tourism-related businesses, a co-development agreement (CDA) was entered into by the Parent Company and Westside City Resorts World, Inc. (Westside), a related party under common ownership to continue the latter's development, construction, operation and management of casino and related businesses. Subject to the completion of commitments from both sides, which were satisfied in December 2020, the Parent Company paid US\$200 million for the 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. Fortune Noble is incorporated in the British Virgin Islands and is a subsidiary of Suncity Group Holdings Limited (Suncity), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged (i) through Summit Ascent Holdings Limited and its subsidiaries, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation; (ii) provision of travel related products and services and aircraft chartering services; (iii) provision of hotel and integrated resort general consultancy services; (iv) property development in the People's Republic of China (PRC) and Japan; and (v) property leasing and management and operation of malls in the PRC. The ultimate parent company is Fame Select Limited (Fame Select), a private company incorporated in the British Virgin Islands and is primarily engaged in investment holding.

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

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

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

Suntrust holds ownership interests in the following subsidiaries and associate (Group):

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

Explanatory Notes:

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

1.2 Sale of Investment in an Associate

On March 25, 2021, an agreement for sale and purchase (FOPM SP Agreement) was entered into between the Parent Company and Asian E-Commerce, Inc. (Asian E-Commerce), which is 50%-owned by a non-controlling shareholder of Suntrust. Pursuant to the FOPM SP Agreement, the Parent Company agreed to sell and Asian E-Commerce agreed to purchase the Parent Company's remaining 24.27% equity interest in FOPM and its subsidiary, Citylink Coach Services, Inc. (Citylink, together with FOPM as FOPM Group) at 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 FOPM. The sale of shares in FOPM resulted to the derecognition of the Group's investment in an associate for FOPM Group. Total gain on sale of investment in an associate amounted to P3.2 million.

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

On September 1, 2021, the Parent Company's Board of Directors 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 Board of Directors 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's Articles of Incorporation and By-Laws. As of the report date, the SEC has yet to approve the aforementioned amendments to the Parent Company's Articles of Incorporation and By-Laws.

1.4 COVID-19 Outbreak

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

2. BASIS OF PREPARATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

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

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

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

2.2 Adoption of New and Amended PFRS

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

2.3 Reclassification of accounts

The Group reclassified interest payable amounting to P93.7 million as of December 31, 2020 from Accrued Expenses and Other Payables account to Due to Related Parties account. This reclassification is to correct the presentation in the 2020 consolidated statement of financial position and has no impact on the Group's previously reported profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

4. SEGMENT REPORTING

4.1 Business Segments

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

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

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

4.2 Segment Assets and Liabilities

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

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

Period ended September 30, 2021 (Unaudited)

	Tourism- related Business	Property Management and Rental	Total
Income:			
Finance and other income	P 6,407,588	P -	P 6,407,588
Gain on sale of interest of an associate	-	3,236,142	3,236,142
	6,407,588	3,236,142	9,643,730
Expenses	(82,370,638)	-	(82,370,638)
Equity in net loss of an associate	-	(3,236,142)	(3,236,142)
Foreign exchange loss - net	(410,347,884)	-	(410,347,884)
Finance costs	(861,711,669)	-	(861,711,669)
Loss before tax	(1,348,022,603)	-	(1,348,022,603)
Tax expense	(24,648,064)	-	(24,648,064)
Net loss	<u>(P 1,372,670,667)</u>	<u>P -</u>	<u>(P 1,372,670,667)</u>

As at September 30, 2021 (Unaudited)

Segment assets	<u>P29,337,585,677</u>	<u>P -</u>	<u>P29,337,585,677</u>
Segment liabilities	<u>P22,257,539,735</u>	<u>P -</u>	<u>P22,257,539,735</u>

Period ended September 30, 2020 (Unaudited)

Income:			
Equity in net earnings of an associate	P -	P 6,297,453	P 6,297,453
Finance and other income	2,481,881	-	2,481,881
	2,481,881	6,297,453	8,779,334
Expenses	(52,877,432)	-	(52,877,432)
Foreign exchange loss - net	(183,923,092)	-	(183,923,092)
Finance costs	(46,442,359)	-	(46,442,359)
Profit (loss) before tax	(280,761,002)	6,297,453	(274,463,549)
Tax expense	(496,358)	-	(496,358)
Net profit (loss)	<u>(P 281,257,360)</u>	<u>P 6,297,453</u>	<u>(P 274,959,907)</u>

As at December 31, 2020 (Audited)

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. PROPERTY AND EQUIPMENT

Details of property and equipment as at September 30, 2021 (Unaudited) and December 31, 2020 (Audited) are as follows:

	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	P 2,464,044	P 439,406	P 444,992	P1,973,631,401	P1,976,979,843
Additions during the period	823,080	548,296	1,291,754	4,341,348,975	4,344,012,105
Disposal during the period	(44,073)	-	-	-	(44,073)
Exchange difference	166,362	45,741	75,087	62,738,903	63,026,093
Balance at September 30, 2021	<u>P 3,409,413</u>	<u>P 1,033,443</u>	<u>P 1,811,833</u>	<u>P6,377,719,279</u>	<u>P6,383,973,968</u>
Accumulated Depreciation:					
Balance at January 1, 2021	P 505,547	P 51,190	P 319,742	P -	P 876,479
Depreciation during the period	900,124	174,701	168,454	-	1,243,279
Disposal during the period	(4,217)	-	-	-	(4,217)
Exchange difference	62,801	9,657	24,281	-	96,739
Balance at September 30, 2021	<u>P 1,464,255</u>	<u>P 235,548</u>	<u>P 512,477</u>	<u>P -</u>	<u>P 2,212,280</u>
Net book values					
September 30, 2021 (Unaudited)	<u>P 1,945,158</u>	<u>P 797,895</u>	<u>P 1,299,356</u>	<u>P6,377,719,279</u>	<u>P6,381,761,688</u>
December 31, 2020 (Audited)	<u>P 1,958,497</u>	<u>P 388,216</u>	<u>P 125,250</u>	<u>P1,973,631,401</u>	<u>P1,976,103,364</u>

Total borrowing costs and depreciation of ROUA capitalized as CIP for the period ended September 30, 2021 amounted P254.2 million and P579.8 million, respectively (nil in 2020). The capitalization rate used was based on effective interest rates of applicable general borrowings ranging from 6% to 14%.

6. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

	<u>September 30, 2021 (Unaudited)</u>	<u>December 31, 2020 (Audited)</u>
Current:		
Input value-added tax (VAT)	P 396,840,835	P 26,349,478
Deferred input VAT	49,710,735	1,433,838
Prepaid insurance	34,301,616	-
Refundable deposits	16,714,246	624,996
Others	<u>1,202,575</u>	<u>1,028,957</u>
	<u>498,770,007</u>	<u>29,437,269</u>
Non-current:		
Deposits for property and equipment	857,013,277	-
Prepaid insurance and other costs	<u>48,563,753</u>	<u>-</u>
	<u>905,577,030</u>	<u>-</u>
	<u>P 1,404,347,037</u>	<u>P 29,437,269</u>

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

7. RELATED PARTY TRANSACTIONS

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

Notes	Amount of Transactions		Receivable (Payable)	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Stockholders:				
Issuance of convertible bonds	8 P -	P -	(P 4,661,528,022)	(P 4,306,781,001)
Short-term borrowing	7.4 -	5,400,741,962	-	-
Shareholder's interest	7.4 -	46,442,359	(93,706,314)	(93,706,314)
Payment of excess proceeds	7.1 (18,741,962)	-	-	(18,741,962)
Receipt from the sale of investment property	7.2 (27,382,014)	-	-	27,382,014
Subscription of shares	7.3 -	-	1,387,499,990	1,387,499,990
Advances obtained	7.1 -	22,813,608	-	-
Payment of advances	7.1 -	(22,813,608)	-	-
Related Parties Under Common Ownership:				
Issuance of convertible bonds	8 -	-	(4,072,345,133)	(3,890,572,929)
Short-term borrowing	7.5 5,738,640,000	-	(6,115,080,000)	-
Interest on short-term loan	7.5 133,496,798	-	(109,367,298)	-
Payment of excess proceeds	7.1 (39,637,000)	-	-	(39,637,000)
Interest on convertible bonds	8 252,000,000	-	(201,600,000)	-
Service fees	7.6 10,189,796	-	-	-

7.1 Due to Related Parties

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

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

7.2 Due from a Related Party

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

7.3 Subscription Receivable

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

7.4 Shareholder's Loan Agreement with Fortune Noble

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

Interest payable in connection with the loan amounting to P93.7 million which remained unpaid as of September 30, 2021 is presented as part of Due to Related Parties account in the interim condensed consolidated statement of financial position.

7.5 *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 (3) months after the date of drawing, with Summit Ascent Investments Limited (SA Investments), a related party under common ownership. On May 18, 2021, the Parent Company drew the entire principal sum of US\$120.0 million. The proceeds of the loan is currently being 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 November 18, 2021. As of September 30, 2021, the outstanding balance of the loan amounted to P6,115.1 million and is presented as Loan from a Related Party in the interim condensed consolidated statement of financial position. Total interest expense and unrealized foreign exchange loss incurred during the period amounted to P133.5 million and P376.4 million, respectively and is presented as part of Finance costs and Foreign exchange loss - net, respectively, in the interim condensed consolidated statement of income.

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 Php6,400.0 million (Loan Indebtedness). The proceeds of the CB will set off the amount of the Loan Indebtedness. The Loan Indebtedness is equivalent to US\$120.0 million, the loan amount covered by the Loan Agreement previously executed by the Parent Company and SA Investments dated February 23, 2021, 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. As of September 30, 2021, the conditions precedent are not yet fulfilled.

7.6 *Services and Consultancy Agreement with a Related Party Under Common Ownership*

On August 1, 2021, the 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 in relation to the management of its Main Hotel Casino. Total service fees for the period ended September 30, 2021 amounted to Php10.2 million and presented as part of Operating expenses in the 2021 interim condensed consolidated statement of income.

8. CONVERTIBLE BONDS PAYABLE

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

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

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

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

	<u>Fortune Noble</u>	<u>SA Investments</u>	<u>Total</u>
Face value of the bonds issued	P 7,300,000,000	P 5,600,000,000	P 12,900,000,000
Bond issue costs	(62,123,000)	(47,656,000)	(109,779,000)
Net proceeds	7,237,877,000	5,552,344,000	12,790,221,000
Amount classified as equity	(2,931,095,999)	(1,661,771,071)	(4,592,867,070)
Carrying amount of liability at December 31, 2020 (Audited)	4,306,781,001	3,890,572,929	8,197,353,930
Amortized interest for the period	354,747,021	181,772,204	536,519,225
Carrying amount of liabilities at September 30, 2021 (Unaudited)	P 4,661,528,022	P 4,072,345,133	P 8,733,873,155

For the period ended September 30, 2021, the Parent Company accrued P252.0 million interest related to SA Investments's convertible bonds and included as part of Due to related parties in the interim condensed consolidated statement of financial position.

9. LOSS PER SHARE

Loss per share amounts were computed as follows:

	<u>Period ended September 30, 2021 (Unaudited)</u>	<u>Period ended September 30, 2020 (Unaudited)</u>
Net loss	(P 1,372,670,667)	(P 274,959,907)
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>7,250,000,000</u>
Basic and diluted loss per share	<u>(P 0.1893)</u>	<u>(P 0.0379)</u>

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

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

10. FINANCE COSTS

The details of this account as of September 30, 2021 and September 30, 2020 are as follows:

	<u>September 30, 2021</u> <u>(Unaudited)</u>	September 30, 2020 <u>(Unaudited)</u>
Interests on convertible bonds payable	P 788,519,225	P -
Interest on lease liabilities	175,650,134	-
Interest on loan from related parties	133,496,797	46,422,359
Other borrowing costs	<u>18,200,777</u>	<u>-</u>
	1,115,866,933	46,422,359
Interest capitalized for qualifying assets	<u>(254,155,264)</u>	<u>-</u>
	<u>P 861,711,669</u>	<u>P 46,422,359</u>

11. EQUITY

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

	<u>September 30, 2021</u> <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Capital stock	P 5,862,500,010	P 5,862,500,010
Convertible bonds equity reserve	4,592,867,070	4,592,867,070
Exchange reserve	129,987,540	4,336,876
Revaluation reserve	-	460,033
Deficit	<u>(3,505,308,678)</u>	<u>(2,133,098,044)</u>
	<u>P 7,080,045,942</u>	<u>P 8,327,065,945</u>

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

	<u>Note</u>	Period ended September 30, 2021 (Unaudited)	Year ended December 31, 2020 (Audited)
Balance at beginning of period/year		P 14,429,698,406	P -
Additions		49,510,817	14,429,698,406
Depreciation capitalized as construction in progress	5	(579,764,668)	-
Depreciation charged to profit or loss		(18,459,434)	-
Exchange difference		1,212,757	-
		<u>P 13,882,197,878</u>	<u>P 14,429,698,406</u>

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

		Period ended September 30, 2021 (Unaudited)	Year ended December 31, 2020 (Audited)
Balance at beginning of period/year		P 5,618,666,948	P -
Leases entered during the period/year		49,080,590	5,618,666,948
Interest during the period/year		175,650,134	-
Payment during the period/year		(18,997,524)	-
Exchange difference		339,818,580	-

P 6,164,218,728 P 5,618,666,948

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current	P 28,901,900	P -
Non-current	6,135,316,828	5,618,666,948
	<u>P 6,164,218,728</u>	<u>P 5,618,666,948</u>

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

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

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

12.3 Capital Commitments

As of September 30, 2021, the Group has commitments of about P25,121.7 million for the construction of the Main Hotel Casino.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

13.1 Foreign Currency Risk

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

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

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

	US\$	Php Equivalent	HKD	Php Equivalent
Financial assets	98,396,489	5,014,186,686	142,381,247	932,582,926
Financial liabilities	(240,331,909)	(12,247,073,737)	(10,426,321)	(68,291,357)
	<u>(141,935,420)</u>	<u>(7,232,887,051)</u>	<u>131,954,926</u>	<u>864,291,569</u>

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

If the Philippine peso had strengthened against the US\$, with all other variables held constant, consolidated loss before tax would have decreased by P688.6 million. If the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated loss before tax would have increased by P83.9 million.

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

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

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

13.2 Interest Rate Risk

As at September 30, 2021 and December 31, 2020, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are non-interest bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's interim condensed consolidated financial statements since the interest rates have shown insignificant changes during the periods and the Group's interest income from cash and cash equivalents amounts only to P6.41 million and P2.48 million for the period ended September 30, 2021 and 2020, respectively.

13.3 Credit Risk

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

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

13.4 Liquidity Risk

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

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

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

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 19 Years
September 30, 2021 (Unaudited)			
Accrued expenses and other payables	P 556,510,007	P -	P -
Loan from a related party	6,224,447,787	-	-
Due to related parties	404,674,101	-	-
Lease liabilities	15,861,496	15,861,496	8,812,504,823
Retention payables	-	-	265,156,066
Convertible bonds payable	-	-	14,580,000,000
	P 7,201,493,391	P 15,861,496	P 23,657,660,889
December 31, 2020 (Audited)			
Accrued expenses and other payables	P 93,966,419	P -	P -
Due to related parties	152,085,276	-	-
Lease liabilities	-	-	8,320,012,591
Convertible bonds payable	-	-	14,580,000,000
	P 246,051,695	P -	P 22,900,012,591

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

14. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

14.1 Carrying Amounts and Fair Values by Category

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

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents	P 7,669,279,074	P 7,669,279,074	P 5,877,616,276	P 5,877,616,276
Due from related parties	-	-	27,382,014	27,382,014
Other current assets	840,993	840,993	93	93
	<u>P 7,670,120,067</u>	<u>P 7,670,120,067</u>	<u>P 5,904,998,383</u>	<u>P 5,904,998,383</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Accrued expenses and other payables	P 556,510,007	P 556,510,007	P 93,966,419	P 93,966,419
Due to related parties	404,674,101	404,674,101	152,085,276	152,085,276
Retention payables	265,156,066	265,156,066	-	-
Loan from a related party	6,115,080,000	6,115,080,000	-	-
Lease liabilities	6,164,218,728	6,164,218,728	5,618,666,948	5,618,666,948
Convertible bonds payable	8,733,873,155	10,057,868,711	8,197,353,930	8,197,353,930
	<u>P 22,239,512,057</u>	<u>P 23,563,507,613</u>	<u>P 14,062,072,573</u>	<u>P 14,062,072,573</u>

14.2 Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

15. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Review of period ended September 30, 2021 versus period ended September 30, 2020

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

On January 19, 2021, the SEC approved the incorporation of Suncity WC Hotel Inc. (WC Hotel), a new wholly owned subsidiary in the Philippines. The subsidiary 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. As of September 30, 2021, WC Hotel is still in pre-operating stage and has not commenced commercial operations.

The Group's total finance income exhibited an increase of Php3.93 million or 158.47% from Php2.48 million in 2020 to Php6.41 million in 2021 of the same period.

Operating expenses exhibited an increase of Php29.49 million or 55.77% from Php52.88 million in 2020 to Php82.37 million in 2021.

Finance costs increased by Php815.27 million or 1,755.53% from Php46.44 million in 2020 to Php861.71 million in 2021.

Foreign exchange loss exhibited an increase of Php226.43 million or 123.11% from Php183.92 million in 2020 to Php410.35 million in 2021 of the same period.

The Group's incurred a net loss in 2021 amounting to Php1,372.67 million from the previous period's net loss of Php274.96 million or Php1,097.71 million increase.

FINANCIAL CONDITION

As of September 30, 2021 versus December 31, 2020

The Group's total resources amounted to Php29,337.59 million in 2021 from Php22,493.97 million in 2020. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets increased by Php2,233.61 million or 37.64% from Php5,934.44 million in 2020 to Php8,168.05 million in 2021. Cash and cash equivalents increased by Php1,791.66 million or 30.48% from Php5,877.62 million in 2020 to Php7,669.28 million in 2021. Due from a related parties decreased by Php27.38 million or 100% from Php27.38 million in 2020 to nil in 2021. Prepayments and other current assets increased by Php469.33 million or 1,594.19% from Php29.44 million in 2020 to Php498.77 million in 2021.

Non-current assets increased by Php4,610.01 million or 27.84% from Php16,559.53 million in 2020 to Php21,169.54 million in 2021. Investment in an associate decreased by Php153.73 million or 100.00% from Php153.73 million in 2020 to nil in 2021. Property and equipment increased by Php4,405.66 million or 222.95% in 2021 from Php1,976.10 million in 2020 to Php6,381.76 million in 2021. Prepayments and deposits for property and equipment increased by Php905.58 million in 2021 from nil in 2020.

The Group's total liabilities amounted to Php22,257.54 million in 2021 from Php14,166.90 million in 2020 or an increase of Php8,090.64 million or 57.11%.

Current liabilities increased by Php6,772.42 million or 1,930.12% from Php350.88 million in 2020 to Php7,123.30 million in 2021. Accrued expenses and other payables exhibited an increase of Php375.86 million or 189.07% from Php198.79 million in 2020 to Php574.65 million in 2021. Loan from a related party increased by Php6,115.08 million in 2021 from nil in 2020. Due to related parties increased by Php252.58 million or 166.07% from Php152.09 million in 2020 to Php404.67 million in 2021.

Convertible bonds payable increased by Php536.52 million or 6.55% from Php8,197.35 million in 2020 to Php8,733.87 million in 2021. Retention payables increased by Php265.05 million in 2021 from nil in 2020. Lease liabilities exhibited an increase of Php545.55 million or 9.71% from Php5,618.67 million in 2020 to Php6,164.22 million in 2021.

Equity decreased by Php1,247.02 million or 14.98% from Php8,327.07 million in 2020 to Php7,080.05 million in 2021.

Material Changes in the Financial Statements Items:

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

Statements of Financial Position

30.48% increase in cash and cash equivalents

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.

1,594.19% increase in prepayments and other current assets

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

100.00% increase in prepayments and deposits for property and equipment

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

222.95% increase in property and equipment

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

100.00% decrease in investment in an associate

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

189.07% increase in accrued expenses and other payables

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

100.00% increase in loan from a related party

Due to the proceeds from a loan obtained from SA Investments.

100.00% increase in retention payables

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

166.07% increase in due to related parties

Due to recognition of accrued interest from loan obtained from and convertible bonds subscribed from SA Investments.

Increase/Decrease of 5% or more versus period ended September 30, 2020

Statements of Income

158.47% increase in finance and other income

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

123.11% increase in foreign exchange loss, net

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

55.77% increase in operating expenses

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

1,755.53% increase in finance costs

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

4,830.00% increase in tax expense

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

KEY PERFORMANCE INDICATORS

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

	September 30, 2021	December 31, 2020
Current Ratio *1	1.15 : 1.00	16.91 : 1.00
Quick Ratio *2	1.08 : 1.00	16.83 : 1.00
Debt to Equity Ratio *3	3.14 : 1.00	1.70 : 1.00
		September 30, 2020
Return on Assets *4	-5.30%	-5.17%
Return on Equity *5	-17.82%	-10.90%

*1 – *Current Assets / Current Liabilities*

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

*3 – *Total Liabilities / Equity*

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

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

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

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

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has material commitments for capital expenditures amounting to Php25,121.7 million as of September 30, 2021 in relation to the construction of the Main Hotel Casino.

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

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

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

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

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

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

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES

(A Subsidiary of Fortune Noble Limited)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

September 30, 2021 and December 31, 2020

EXHIBIT 9

Ratio	Formula	September 30, 2021	December 31, 2020
Current ratio	Current assets / Current liabilities	1.15	16.91
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	1.08	16.83
Solvency ratio	Total liabilities / Total assets	0.76	0.63
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	3.14	1.70
Asset-to-equity ratio	Total assets / Total stockholders' equity	4.14	2.70
Interest rate coverage ratio	EBIT / Total interest	-0.56	-0.80
Return on equity	Net loss / Average total equity	-0.18	-0.04
Return on assets	Net loss / Average total assets	-0.05	-0.02
Net profit margin	Net loss / Total revenues	-	-