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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., an overseas listed subsidiary of Suncity Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), has published its annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) on the website of PSE on 25 March 2022. For details, please refer to the attached Annual Report.

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

Hong Kong, 25 March 2022

*As at the date of this announcement, the executive Directors are 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.*

**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 2021**
2. SEC Identification Number: **10683**
3. BIR Tax Identification No.: **000-141-166-000**
4. **SUNTRUST HOME DEVELOPERS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **26th Floor Alliance Global Tower  
36th Street cor. 11th Avenue, Uptown Bonifacio  
Taguig City, Philippines 1634**  
Address of principal office
8. **(632) 8894-6300**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

**Yes [x] No [ ]**

**Philippine Stock Exchange    Common Shares**

11. Check whether the issuer:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.  
**Yes [x] No [ ]**
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
**Yes [x] No [ ]**
12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of close of 28 February 2022

**Php1,080,358,235 based on the closing price of Php1.04 per share on 28 February 2022.**

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) Business Development

##### History

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

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

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

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

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

In July 2002, the Company acquired from an affiliate, Empire East Land Holdings, Inc. (EELHI), all of the latter's shareholdings in Empire East Properties, Inc. ("EEPI"). As a result, it was presented in the third quarter of 2002. Prior to such acquisition, EEPI was a wholly-owned subsidiary of EELHI engaged in the development of socialized or low-cost housing projects. In March 2004, the Company's percentage of ownership in EEPI was reduced from 100% to 60% upon the subscription by EELHI to additional shares of stock of EEPI. On 8 July 2008, EEPI changed its name to Suntrust Properties, Inc. ("SPI") and increased its authorized capital stock, with EELHI subscribing to such increase. As a result, the Company's ownership interest in SPI decreased from 60% to 20% and the Company's control over SPI ceased and, as such, SPI became an associate of the Company. In June 2013, the Company has sold all its remaining shares in SPI.

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

On 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 approval by the Board of Directors on 23 September 2014 and the stockholders on 18 November 2014, to increase the Corporation's ACS.

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

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 December 31, 2021.

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 1 September 2021, the Company's Board of Directors approved the amendment to the Articles of Incorporation to increase the 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 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. As of the report date, the SEC has yet to approve 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 fifty (450) 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 auspice of Philippine Amusement and Gaming Corporation ("PAGCOR"). PAGCOR is a government owned and controlled corporation responsible for the licensing and monitoring of casinos in the Philippines and enforcement of relevant laws affecting gaming operations. Every casino licensee has to be licensed by PAGCOR and obtain a valid license from PAGCOR for the operation of their gaming activities.

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

Under Republic Act No. 10927, casinos have been included as among the covered persons under Republic Act No. 9160 (Anti Money Laundering Act), as amended. The Casino Implementing Rules and Regulations was also issued by the Anti-Money Laundering Council ("AMLC") and Appropriate

Government Agencies (“AGA”) in October 2017. Under the Casino Implementing Rules and Regulations, casinos should report to the AMLC all suspicious transactions as defined by law and single casino cash transaction involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currencies within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof. Casinos had also been required to submit covered and suspicious transactions to the AMLC following the effectivity of AMLC’s Registration and Reporting Guidelines for Casinos in August 2018. Casinos were likewise required to conduct customer due diligence (CDD) in accordance with PAGCOR’s CDD Guidelines for Land-Based Casinos since November 2018.

### **Research and Development**

The Company has not devoted a significant percentage of revenues for research and development activities in the past three (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 17 employees as at 31 December 2021. None of the Company’s employees are represented by a labor union or are subject to collective bargaining agreements. Nor is the Group and its employees involved in any labor dispute.

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

## Major Business Risks

The Company is exposed to a variety of financial risks in relation to financial instruments that it holds under its investment portfolio. The Company's risk management is coordinated with its Board of Directors and it focuses on actively securing short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Company's no financial investments as of 31 December 2021.

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

### *No direct operating history*

The Main Hotel Casino is currently in the construction 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 and 2021. 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 would be constructed and developed on the Project Site.

The Lease Agreement provides for an original term of until 19 August 2039, renewable automatically for another twenty-five (25) years, subject to applicable laws and renewal of the lease between Westside and Nayong Pilipino Foundation. Further renewal or extension may be agreed upon by the Parties. After the commencement of the operations of the Main Hotel Casino, the annual rental will be in the amount of US\$10,600,000, exclusive of the applicable value-added tax, payable in two instalments or on a semi-annual basis (or every six (6) months basis). In the event of non-payment of the Annual Rental on the due date, the Lessee will be liable to pay an interest penalty equivalent to one percent (1%) per month plus surcharge equivalent to one percent (1%) per month of the unpaid amount. The Lessee may assign or transfer its rights under the Lease Agreement and sub-lease all or any part of the Project Site, with the prior approval of the Lessor (except that notice to the Lessor shall be sufficient if the assignee, transferee, or sub-lessee is a subsidiary of the Lessee), and will have the right of first refusal, subject to relevant laws, in the event Lessor acquires the Project Site and decides to sell it.

**Item 3. Legal Proceedings**

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

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

On 26 October 2021, the stockholders of the Company ratified and approved the following matters in the agenda:

- i. Minutes of Annual Stockholders' Meeting held on 27 October 2020;
- ii. Annual Management Report for 2020;
- 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, Neoli Mae L. Kho, and Antonio C. Pacis 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 2021;
- vi. Listing of 2,450,000,000 Additional Shares Issued Pursuant to the Increase in Authorized Capital Stock Approved by the Securities and Exchange Commission on 20 December 2019;

- vii. Waiver of a Rights Offering Requirement of The Philippine Stock Exchange, Inc. (“PSE”) Listing Rules of the 5,000,000,000 Shares Issued Pursuant to the Increase in Authorized Capital Stock Approved on 20 December 2019;
- viii. Increase in Authorized Capital Stock from P23,000,000,000 to P50,000,000,000; and
- ix. Amendment of the Amended Article of Incorporation and By-Laws to Change Corporate Name to “Suntrust Resort Holdings, Inc.”

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 26 October 2021 were previously reported by the Company in its duly submitted SEC Form 17-C dated 26 October 2021.

## 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
2020	High	2.15	1.34	1.43	1.88
	Low	0.92	1.12	1.07	1.15
2021	High	2.60	1.87	1.84	1.55
	Low	1.39	1.38	1.45	1.07
Closing price as of 21 March 2022 is 1.01.					

#### Holdings

As of 31 December 2021, 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 pending listing approval of the 2,550,000,000 shares owned by Fortune Noble Limited and full payment of the balance of 2,700,000,000 shares. Below is a list of the top twenty (20) holders of the Company’s shares of common stock as of 31 December 2021.

	Name of Shareholder	Number of Shares Held	Percent of Total Outstanding Shares
1.	FORTUNE NOBLE LIMITED	3,697,500,000	51.00%
2.	MEGAWORLD CORPORATION	2,465,000,000	34.00%
3.	PCD NOMINEE CORP. (FILIPINO)	707,075,134	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)	18,850,999	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	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 P7,300,000,000.00 pursuant to the Subscription Agreement dated 29 May 2020 is exempt from the registration requirement under Section 8 of the SRC.

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

On 30 December 2020, the Company also issued a Php5,600,000,000 6% Convertible Bonds (the "SA Investments Convertible Bond") 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 which may, subject to agreement by the holder of the SA Investments Convertible Bond 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 (the "SA Investments CB Maturity Date"). The SA Investments Convertible Bond 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 Maturity Date.

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

No shares will be issued at this point and conversion of the SA Investments Convertible Bond 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 becomes a debt payable under the terms of the SA Investments Convertible Bond Subscription Agreement.

The foregoing issuance of the SA Investments 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 SA Investments Convertible Bonds up to a maximum principal amount of P5,600,000,000 pursuant to the subscription agreement dated 1 June 2020 is exempt from the registration requirement under Section 8 of the SRC.

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

On 20 September 2021, the Company and SA Investments entered into a CB Subscription Agreement, where the Company agreed to issue to SA Investments and SA Investments agreed to subscribe to the Convertible Bonds ("CB") in the principal sum of an amount up to a maximum of P6,400,000,000 ("Loan Indebtedness"). The Loan Indebtedness is an amount equivalent to US\$120,000,000, the loan amount covered by the loan agreement previously executed by the Company and SA Investments dated 23 February 2021 ("Loan Agreement"), plus the accrued interest up to the expected completion date of the CB Subscription Agreement. This CB will be 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 maturity date.

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, including, among others, the fulfillment of the following conditions:

(a) the Loan Maturity Date Extension is subject to the approval by the independent shareholders of SA Investments and compliance by SA Investments with the other applicable requirements under the HK Listing Rules in respect of the same; and

(b) the Loan Set-Off is subject to the approval by the independent shareholders of SA Investments, the fulfillment of the Conditions Precedent provided above, and compliance by SA Investments with the other applicable requirements under the HK Listing Rules in respect of the same.

(c) the Company must obtain the necessary consent, approval and waiver from Securities and Exchange Commission ("SEC"), including (if necessary) the obtaining of the prior approval of the SEC confirming that the issue of the Convertible Bond is exempt under Rule 10.1 of the Securities Regulation Code ("SRC"). The Company expects to file an application before the SEC for the confirmation of exemption under Rule 10.1 of the SRC of the Philippines confirming that the issuance of the CB is exempt from the registration requirement for the offer and sale of securities (SEC Confirmation of Exemption), and secure such confirmation on or before 31 July 2022, or such later date as the Company and SA Investments agree in writing (the "Long Stop Date"). Only upon receiving the SEC Confirmation of Exemption shall the CB be issued by the Company to SA Investments.

On 16 November 2021, the independent shareholders of Summit Ascent Holdings Limited, holding company of SA Investments, approved the Loan Maturity Date Extension and the Loan Set-Off under the CB Subscription Agreement. As of report date, the SEC Confirmation of Exemption is pending approval by the SEC.

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

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

Below are the major changes on the Company's results of operation and financial condition.

### RESULTS OF OPERATIONS

#### Year ended 31 December 2021 compared to Year 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 Php293.33 million from the previous year's net loss of Php211.55 million or Php504.88 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 consolidated 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 during the year.

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

Other current assets increased by P644.56 million or 2,189.59% mainly due to input VAT recognized in relation to the payments of construction costs of the Main Hotel Casino during the year.

Investment in an associate decreased by 100% to nil after the sale of the 24.27% interest in FOPM Group in April 2022.

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. Aside from the capital commitments disclosed in Note 18.3 of the consolidated financial statements, the Group has other 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.

## RESULTS OF OPERATIONS

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

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

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

## FINANCIAL CONDITION

### As of 31 December 2020, and 31 December 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## KEY PERFORMANCE INDICATORS

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

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

\*1 – *Current Assets / Current Liabilities*

\*2 – *Quick Assets (Current Assets less Other Current Assets)/ Current Liabilities*

\*3 – *Total Liabilities / Equity*

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

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

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

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

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. Aside from the capital commitments disclosed in Note 18.3 of the consolidated financial statements, the Group has other no material commitments for capital expenditures.

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

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

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

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

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the year 2020.

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 2021 and 2020 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 2021. 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 Php1,173,000 in 2021 and Php1,056,160 in 2020 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 2021 and 2020 amounted to Php836,600 and Php386,400, respectively. Except as disclosed above, no other services were rendered or fees billed by the external auditor of the Company for 2021 and 2020. All the above services have been approved by the Audit Committee through its internal policies and procedures of approval.

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers<sup>1</sup>

The overall management and supervision of the Company is undertaken by the Board of Directors. Currently, the Board of Directors consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 26 October 2021 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, 42 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. Mr. Lo joined Suncity, 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.

**Chua Ming Huat.** Mr. Chua, 59 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 the Chairman 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.

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<sup>1</sup> Age of Directors and Officers as of 28 February 2022.

**Ferdinand B. Masi.** Mr. Masi, 60 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 Agricornp, 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, 37 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.

**Antonio C. Pacis.** Mr. Pacis, 81 years old, Filipino, serves as a Managing Partner in the Pacis & Reyes Law Firm since 1976, where he is involved in counseling clients who are in banking, investments securities, trusts, manufacturing, real estate, construction, exports, insurance, mall operation, telecoms and education. He is concurrently the Director of Banco de Oro Universal Bank and Alliance Select Foods International, Inc., and a Trustee of Central Colleges of the Philippines. He is previously the Corporate Secretary of Security Bank Corporation and a Lecturer on Corporate Law at Ateneo Law School. He obtained his Bachelor of Laws degree from Ateneo de Manila University, while his Master of Laws degree at Harvard Law School.

**Jesus B. Varela.** Mr. Varela, 65 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, 52 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, 43 years old, Filipino, is currently a Senior Accounting Manager of Megaworld Corporation. She is a Certified Public Accountant with over eighteen (18) years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc., and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

**Maria Cristina D. Gonzales.** Ms. Gonzales, 58 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, 45 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
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 President and the four (4) most highly compensated executive officers, as well as the aggregate compensation paid to all directors and officers as a group for the years 2019, 2021 and 2021.

Name and Principal Position	Year	Salary	Bonuses	Others	Total
The Chairman, President and four (4) executive officers are as follows:  1. Lo Kai Bong - Chairman 2. Chua Ming Huat - President 3. Neoli Mae L. Kho - Treasurer 4. Nelileen S. Baxa - Corporate Secretary and Corporate Information Officer 5. Maria Carla T. Uykim - Asst. Corporate Secretary and Asst. Corporate Information Officer 6. Maria Cristina D. Gonzales - Compliance Officer	2019	-	-	-	-
	2020	-	-	-	-
	2021	-	-	Php4,925,700	Php4,925,700
All Other Executive Officers and Directors, as a group unnamed	2019	-	-	-	
	2020	-	-		
	2021	-	-		



Standard Arrangement

Aside from the compensation arising from service arrangements with certain directors amounting to Php4,925,700 in 2021 and nil in 2020, 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 2021 and 2020 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 Php333,333 in 2021 and Php66,667 in 2020, 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)	
	2021	2020
Per diem to the Board of Directors as a group	333,333.00	66,667.00

Warrants and Options Outstanding

No warrants or stock options are held by the Company's Chairman, President, executive officers or directors for years 2021 and 2020 nor are there plans for extending warrants or options for the ensuing year.

**Item 11. Security Ownership of Certain Record and Beneficial Owners and Management<sup>2</sup>**

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

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	%
Common	FORTUNE NOBLE LIMITED Vista Corporate Services Centre, Wickhams Cay II, Road Town , Tortola, VG1110, British Virgin Islands	Suncity Group Holdings Limited, parent company of Fortune Noble Limited	Non-Filipino	2,550,000,000	39.31%
Common	MEGAWORLD CORPORATION 30/F Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation <sup>3</sup> (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	Fortune Noble Limited, a wholly-owned subsidiary of Suncity Group Holdings Limited	Non-Filipino	1,147,500,000 <sup>4</sup>	15.83%

<sup>2</sup> As of 28 February 2022.

<sup>3</sup> Mr. Andrew L. Tan has the power to direct the voting and disposition of the shares held by Megaworld Corporation in the Company

<sup>4</sup> Out of 1,166,174,999 shares registered under PCD Nominee Corporation (Non-Filipino), 1,147,500,000 shares are beneficially owned by Fortune Noble which, together with the 2,850,000,000 shares held in its name, gives Fortune Noble 51% of the Company.

*Security Ownership of Management*

<b>Title of Class</b>	<b>Name of Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
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	Antonio C. Pacis	1 (direct)	Filipino	0.00%
Common	Nelileen S. Baxa	0	Filipino	N/A
Common	Maria Carla T. Uykim	0	Filipino	N/A
Common	Maria Cristina D. Gonzales	0	Filipino	N/A
Common	All directors and executive officers	7 (direct)		0.00%

*Voting Trust Holders of 5% or More*

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

*Change in Control*

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

**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**

<b>Exhibit No.</b>	<b>Description of Exhibits</b>
1	Consolidated Audited Financial Statements for the Year Ended 31 December 2021 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**

<b>Date</b>	<b>Disclosures</b>
1 September 2021	Amendment of the Articles of Incorporation of the Corporation to increase the Corporation's Authorized Capital Stock from Twenty-Three Billion Pesos (Php 23,000,000,000.00) to Fifty Billion Pesos (Php 50,000,000,000.00)
1 September 2021	Setting of the 2021 Annual Stockholder's Meeting and Other Relevant Dates.
7 September 2021	Amendment of the Articles of Incorporation and By-Laws of the Corporation to change the Corporation's Corporate Name from Suntrust Home Developers, Inc. to Suntrust Resort Holdings, Inc.
7 September 2021	Amendment of the title of the Corporation's By-laws to change the corporate name from "Suntrust Home Developers, Inc." to "Suntrust Resort Holdings, Inc."
8 September 2021	Setting of the 2021 Annual Stockholder's Meeting and Other Relevant Dates
21 September 2021	Comprehensive Corporate Disclosure of Suntrust Home Developers, Inc. in relation to the Subscription Agreement between SUN and Summit Ascent Investments Limited
6 October 2021	Comprehensive Corporate Disclosure ("CCD") of Suntrust Home Developers, Inc. ("SUN") in relation to the Subscription Agreement ("CB Subscription Agreement") between SUN and Summit Ascent Investments Limited ("SA Investments")
26 October 2021	Results of the Annual Stockholders' Meeting
26 October 2021	Approval of the Stockholders of the Amendment of the Articles of Incorporation of the Corporation to increase the Corporation's Authorized Capital Stock from Twenty-Three Billion Pesos (Php 23,000,000,000.00) to Fifty Billion Pesos (Php 50,000,000,000.00)
26 October 2021	Results of the Organizational Meeting
26 October 2021	Amendment of the Articles of Incorporation and By-Laws of the Corporation to change the Corporation's Corporate Name from Suntrust Home Developers, Inc. to Suntrust Resort Holdings, Inc.
18 November 2021	Update on the Convertible Bond ("CB") Subscription Agreement between Suntrust Home Developers, Inc. ("SUN") and Summit Ascent Investments Limited ("SA Investments") entered on 20 September 2021
25 November 2021	Supplemental Agreement No. 2 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))

1 December 2021	Disclosure of Suntrust Home Developers, Inc. in relation to the voluntary trading suspension of Suncity Group Holdings Ltd ("Suncity") and Summit Ascent Holdings Limited ("SA Holdings")
1 December 2021	Disclosure of Suntrust Home Developers, Inc. in relation to the voluntary trading suspension of Suncity Group Holdings Ltd ("Suncity") and Summit Ascent Holdings Limited ("SA Holdings")
1 December 2021	Update on the Disclosure of Suntrust Home Developers, Inc. in relation to the voluntary trading suspension of Suncity Group Holdings Ltd ("Suncity") and Summit Ascent Holdings Limited ("SA Holdings")
2 December 2021	Clarification of news article entitled "Biz Buzz: Dark clouds over Suncity"
2 December 2021	Supplemental Disclosure on the disclosures made by Suntrust Home Developers, Inc. ("SUN") on 30 November 2021 in relation to the arrest of Mr. Chau Cheek Wa
2 December 2021	Clarification of an article entitled "Alvin Chau to exit from Suncity, but his arrest could impact funding of \$1B Philippine casino project"
3 December 2021	Disclosure of Suntrust Home Developers, Inc. ("SUN") in relation to the voluntary trading suspension of Suncity Group Holdings Ltd. ("Suncity Holdings") on 1 December 2021 based on additional information announcement and the resignation of Mr. Chau Cheek Wa ("Mr. Chau") as Chairman and Executive Director
21 December 2021	Disclosure of Suntrust Home Developers, Inc. ("SUN") in relation to the information received by Suncity Group Holdings Ltd ("Suncity Holdings") and Summit Ascent Holdings Limited ("SA Holdings") on a possible loan default by a company wholly-owned by Mr. Chau Cheek Wa ("Mr. Chau")

**(c) Reports on SEC Form 17-Q until 31 December 2021**

<b>Date</b>	<b>Subject</b>
14 May 2021	First Quarter Results
16 August 2021	Second Quarter Results
15 November 2021	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 \_\_\_\_\_, on this \_\_\_\_ day of March 2022.

**SUNTRUST HOME DEVELOPERS, 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

**ALDEE CELIS**  
Financial Controller  
(Principal Accounting Officer)

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of March 2022, 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

**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 MANDALUYONG CITY, on this MAR 24 day of March 2022.

**SUNTRUST HOME DEVELOPERS, 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

  
**ALDEE CELIS**  
Financial Controller  
(Principal Accounting Officer)

**MAR 24 2022**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of March 2022, 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. 187;  
Page No. 39;  
Book No. 9;  
Series of 2022

**JOVEN G. SEVILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
ROLL NO. 53970  
PTR NO. 4864924; 1-3-22; MANDALUYONG  
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025  
UG03 CITYLAND SHAW TOWER,  
SHAW BLVD. MANDALUYONG CITY



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

**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**Suntrust Home Developers, Inc. and Subsidiaries**

December 31, 2021, 2020 and 2019





## Report of Independent Auditors

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**Punongbayan & Araullo**

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

T +63 2 8988 2288

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

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

### **Opinion**

We have audited the consolidated financial statements of Suntrust Home Developers, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 17 to the consolidated financial statements, which indicates that the Group is in a deficit position as of December 31, 2021 because of losses incurred in the previous years. As stated in Note 17, management considered the new business plans for the Group including the additional financing received from new shareholders and assessed that this condition does not indicate the existence of material uncertainty related to going concern. Our opinion is not modified in respect of this matter.

***Key Audit Matter***

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

***Determination of Direct Relationship Between a Borrowing and a Qualifying Asset******Description of the Matter***

In 2019, the Group changed its business plan to enter into tourism-related business. In line with this, the Group entered into a co-development agreement with its related party under common ownership for the development, construction, operation and management of an integrated hotel and resort complex. As part of the agreement, the Group is to complete the construction of a 5-star hotel and casino complex (Main Hotel Casino). In order to complete the Main Hotel Casino, the Group obtained various types of borrowings in the form of short-term loans, convertible bonds and operating lease agreements.

Management determined that the borrowings the Group obtained are directly attributable to a qualifying asset as they are needed to finance the construction of its Main Hotel Casino. As a result of the assessment, the Group capitalized the borrowing costs and amortization of the right-of-use asset amounting to P1,551.9 million and P773.0 million, respectively, as part of the construction-in progress in the Property and Equipment account.

Because the amounts recognized are material to the Group's consolidated financial statements, as well as the significant management judgment involved relative to the determination of the direct relationship between a borrowing and a qualifying asset, we considered this as a key audit matter.

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 main audit responses included, among others, the following:

- Analyzed the Group's usage of proceeds from its borrowings and assess whether these are directly attributable to the acquisition, construction, or production of a qualifying asset;
- Inspected agreements to assess whether an asset is readily available for management's intended use; and,

- Tested the accuracy and appropriateness of the recognition and measurement of capitalized borrowing costs and determined the adequacy of related financial statement disclosures, including bases of judgments and estimates in accordance with the requirements of PAS 23, *Borrowing Cost*, and PAS 16, *Property, Plant and Equipment*.

### ***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, 2021, 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, 2021 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. 8852342, January 3, 2022, Makati City

SEC Group A Accreditation

Partner - No. 107805-SEC (until Dec. 31, 2023)

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

BIR AN 08-002511-037-2019 (until Sept. 4, 2022)

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

March 18, 2022

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u> (As Restated - see Note 2)
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	<b>P 6,154,842,856</b>	P 5,877,616,276
Due from a related party	14	-	27,382,014
Prepayments and other current assets	6	<u>673,992,735</u>	<u>29,437,269</u>
Total Current Assets		<u>6,828,835,591</u>	<u>5,934,435,559</u>
<b>NON-CURRENT ASSETS</b>			
Prepayments and deposits for property and equipment	6	1,320,975,774	-
Investment in an associate	1, 15	-	153,728,294
Property and equipment - net	7	8,854,531,816	1,976,103,364
Right-of-use asset - net	8	<u>13,681,077,372</u>	<u>14,429,698,406</u>
Total Non-current Assets		<u>23,856,584,962</u>	<u>16,559,530,064</u>
<b>TOTAL ASSETS</b>		<b><u>P 30,685,420,553</u></b>	<b><u>P 22,493,965,623</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Loan from a related party	14	<b>P 6,092,880,000</b>	P -
Trade and other payables	2, 9	791,998,618	198,793,524
Due to related parties	2, 14	552,744,754	152,085,276
Lease liabilities	8	<u>22,261,174</u>	<u>-</u>
Total Current Liabilities		<u>7,459,884,546</u>	<u>350,878,800</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds payable	10, 14	8,929,584,003	8,197,353,930
Lease liabilities	8	6,173,242,668	5,618,666,948
Other payables	9	<u>233,873,773</u>	<u>-</u>
Total Non-current Liabilities		<u>15,336,700,444</u>	<u>13,816,020,878</u>
Total Liabilities		<u>22,796,584,990</u>	<u>14,166,899,678</u>
<b>EQUITY</b>			
Capital stock	17	5,862,500,010	5,862,500,010
Convertible bonds equity reserve	10	4,592,867,070	4,592,867,070
Revaluation reserve		-	460,033
Exchange reserve		70,984,578	4,336,876
Deficit	17	( <u>2,637,516,095</u> )	( <u>2,133,098,044</u> )
Total Equity		<u>7,888,835,563</u>	<u>8,327,065,945</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 30,685,420,553</u></b>	<b><u>P 22,493,965,623</u></b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES AND INCOME</b>				
Gain on sale of investment in an associate	1, 15	P 3,236,142	P -	P -
Finance and other income	5, 14	358,988	2,613,480	23,169,121
Equity in net earnings of an associate	15	-	12,583,562	7,810,256
Management fees	4, 11	-	-	500,983,740
Rental income	14	-	-	32,715,976
Service income	4, 11	-	-	18,277,177
		<u>3,595,130</u>	<u>15,197,042</u>	<u>582,956,270</u>
<b>COSTS AND EXPENSES</b>				
Operating expenses	11	139,014,470	82,349,275	273,128,138
Foreign exchange loss - net	11	340,138,642	26,738,937	-
Equity in net losses of an associate	15	3,236,142	-	-
Finance costs	11	1,201,576	117,132,893	4,382,206
Cost of services	11	-	-	333,252,958
Loss on deconsolidation	1	-	-	264,692,670
Tax expense	13	24,882,384	521,205	22,280,033
		<u>508,473,214</u>	<u>226,742,310</u>	<u>897,736,005</u>
<b>NET LOSS</b>		<b>( P 504,878,084 )</b>	<b>( P 211,545,268 )</b>	<b>( P 314,779,735 )</b>
<b>Loss Per Share –</b>	16			
Basic and Diluted		<b>( P 0.070 )</b>	<b>( P 0.029 )</b>	<b>( P 0.131 )</b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>NET LOSS</b>		<b>( P 504,878,084 )</b>	<b>( P 211,545,268 )</b>	<b>( P 314,779,735 )</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will be reclassified subsequently to profit or loss</b>				
Exchange difference on translating foreign operations	2	<u>66,647,702</u>	<u>4,336,876</u>	<u>-</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of retirement benefit plan	12	-	-	( 13,845,875 )
Equity in other comprehensive income of an associate	15	-	-	460,033
Tax income	13	<u>-</u>	<u>-</u>	<u>4,153,763</u>
		<u>-</u>	<u>-</u>	( <u>9,232,079</u> )
		<u>66,647,702</u>	<u>4,336,876</u>	( <u>9,232,079</u> )
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>( P 438,230,382 )</b>	<b>( P 207,208,392 )</b>	<b>( P 324,011,814 )</b>

*See Notes to Consolidated Financial Statements.*



**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> <small>(see Note 17)</small>	<u>Convertible Bonds Equity Reserve</u> <small>(see Note 10)</small>	<u>Deposit for Future Stock Subscription</u> <small>(see Note 1)</small>	<u>Exchange Reserve</u> <small>(see Note 2)</small>	<u>Revaluation Reserve</u> <small>(see Note 1)</small>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2021	P 5,862,500,010	P 4,592,867,070	P -	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 )
<b>Balance at December 31, 2021</b>	<b><u>P 5,862,500,010</u></b>	<b><u>P 4,592,867,070</u></b>	<b><u>P -</u></b>	<b><u>P 70,984,578</u></b>	<b><u>P -</u></b>	<b><u>( P 2,637,516,095 )</u></b>	<b><u>P 7,888,835,563</u></b>
Balance at January 1, 2020	P 3,312,500,000	P -	P -	P -	P 460,033	( P 1,921,552,776 )	P 1,391,407,257
Collection of subscriptions receivable	2,550,000,010	-	-	-	-	-	2,550,000,010
Recognition of conversion options	-	4,592,867,070	-	-	-	-	4,592,867,070
Total comprehensive loss for the year	-	-	-	4,336,876	-	( 211,545,268 )	( 207,208,392 )
<b>Balance at December 31, 2020</b>	<b><u>P 5,862,500,010</u></b>	<b><u>P 4,592,867,070</u></b>	<b><u>P -</u></b>	<b><u>P 4,336,876</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 2,133,098,044 )</u></b>	<b><u>P 8,327,065,945</u></b>
Balance at January 1, 2019	P 2,062,500,000	p -	P -	P -	P 49,048,367	( P 1,646,129,296 )	P 465,419,071
Collection of subscriptions receivable	1,250,000,000	-	-	-	-	-	1,250,000,000
Contribution of new investor	-	-	150,000,000	-	-	-	150,000,000
Deconsolidation of subsidiary	-	-	( 150,000,000 )	-	( 39,356,255 )	39,356,255	( 150,000,000 )
Total comprehensive loss for the year	-	-	-	-	( 9,232,079 )	( 314,779,735 )	( 324,011,814 )
<b>Balance at December 31, 2019</b>	<b><u>P 3,312,500,000</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 1,921,552,776 )</u></b>	<b><u>P 1,391,407,257</u></b>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax		( P 479,995,700 )	( P 211,024,063 )	( P 292,499,702 )
Adjustments for:				
Unrealized foreign exchange loss	11	391,239,823	-	-
Depreciation and amortization	11	28,317,197	876,477	27,345,468
Equity in net losses (earnings) of an associate	15	3,236,142	( 12,583,562 )	( 7,810,256 )
Interest expense	11	1,201,576	117,132,893	4,382,206
Finance income	5	( 358,988 )	( 2,613,480 )	( 15,322,751 )
Gain on sale of investment in an associate	15	( 3,236,142 )	-	-
Loss on deconsolidation	1	-	-	264,692,670
Impairment loss on trade and other receivables		-	-	21,074,810
Gain on sale of investment property	14	-	-	( 2,375,520 )
Operating loss before working capital changes		( 59,596,092 )	( 108,211,735 )	( 513,075 )
Increase in trade and other receivables		-	-	( 2,415,537 )
Decrease (increase) in due from related parties		27,382,014	-	( 47,655,033 )
Increase in other current assets		( 583,167,789 )	( 27,268,802 )	( 26,745,621 )
Increase in other non-current assets		-	-	( 1,959,595 )
Increase (decrease) in trade and other payables		( 127,364,608 )	118,069,643	162,379,180
Increase in retirement benefit obligation		-	-	9,612,004
Cash generated from (used in) operations		( 742,746,475 )	( 17,410,894 )	92,702,323
Interest received		358,988	2,613,480	15,476,261
Cash paid for taxes		( 1,469,494 )	( 521,205 )	( 41,939,243 )
Net Cash From (Used in) Operating Activities		( 743,856,981 )	( 15,318,619 )	66,239,341
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	7	( 3,091,148,898 )	( 934,282,447 )	( 3,903,245 )
Additions to prepayments and deposits for property and equipment	6, 18	( 1,946,752,128 )	( 9,853,728,852 )	-
Proceeds from sale of investment in an associate	15	153,728,294	-	-
Proceeds from disposal of property and equipment	7	-	-	169,451
Net Cash Used in Investing Activities		( 4,884,172,732 )	( 10,788,011,299 )	( 3,733,794 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	14	5,738,640,000	5,400,741,962	-
Repayments of lease liabilities	8	( 27,214,056 )	-	( 11,167,957 )
Interest paid		( 29,497,169 )	-	( 762,662 )
Receipts from (payments to) related parties	14	( 58,378,962 )	58,378,962	( 5,107,312 )
Net proceeds from issuance of convertible bonds	10	-	7,389,479,038	-
Cash received from subscription of capital stock	17	-	2,550,000,010	1,250,000,000
Cash received from an investor of a previously owned subsidiary	1, 15	-	-	150,000,000
Net Cash From Financing Activities		5,623,549,813	15,398,599,972	1,382,962,069
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		( 4,479,900 )	4,595,270,054	1,445,467,616
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		5,877,616,276	1,278,214,939	256,844,016
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>		281,706,480	4,131,283	-
<b>EFFECT OF DECONSOLIDATION</b>	1	-	-	( 424,096,693 )
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>P 6,154,842,856</u>	<u>P 5,877,616,276</u>	<u>P 1,278,214,939</u>

*Supplemental Information in Non-cash Financing and Investing Activities is disclosed in Note 23 to the Consolidated Financial Statements.*

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Company Background***

Suntrust Home Developers, Inc. (Parent Company or Suntrust) was incorporated in the Philippines on January 18, 1956 to primarily engage in real estate development. The Parent Company is a publicly listed entity in the Philippines. On October 25, 2019 and December 17, 2019, respectively, the Board of Directors (BOD) and stockholders approved the amendment of the 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 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 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) (see Notes 7, 8, 14.7 and 18.1).

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune Noble) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune Noble became the parent company of Suntrust Home Developers, Inc. and its subsidiaries (the Group). Fortune Noble is incorporated in the British Virgin Islands and is a subsidiary of Suncity Group Holdings Limited (the intermediate parent company or Suncity), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged (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 address and principal place of business is 26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

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

## 1.2 Subsidiaries and Deconsolidation

Suntrust holds ownership interests in the following subsidiaries and associate:

	Explanatory Notes	Percentage of Ownership	
		2021	2020
<b>Subsidiaries:</b>			
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%	-
<b>Associate:</b>			
First Oceanic Property Management, Inc. (FOPMI)	(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 4, 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.

The Parent Company previously held 100.00% ownership interest in FOPMI, a domestic corporation engaged primarily in the management of real estate properties. On November 28, 2019, FOPMI received cash from another minority shareholder representing deposit for stock subscription. Subsequent to the SEC's approval of FOPMI's application for increase in authorized capital stock, the related shares were issued on December 10, 2019, which resulted into the dilution of the Parent Company's ownership interest over FOPMI to 24.27% and loss of control. Subsequently, the Parent Company no longer considered FOPMI as a subsidiary but treated the latter as an associate since the Parent Company retained significant influence up until March 2021.

The 2019 consolidated statement of income and 2019 consolidated statement of comprehensive income includes the results of operations of the Parent Company for the year ended December 31, 2019 and the results of operations of FOPMI and its subsidiary, Citylink Coach Services, Inc. (Citylink), from January 1, 2019 until the date of loss of control. FOPMI holds 100.00% ownership interest over Citylink, a domestic company primarily engaged in providing transportation services. FOPMI and Citylink were incorporated and have their principal place of business in the Philippines.

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 remaining 24.27% equity interest in 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 (see Note 15).

### ***1.3 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. As of the date of issuance of the consolidated financial statements, the SEC has yet to approve the aforementioned amendments to the Parent Company's Articles of Incorporation and By-Laws.

### ***1.4 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 of December 31, 2021, the construction work of pile cap has been completed while the construction works of the basement and ground floor of the Main Hotel Casino have been substantially completed. Management aims to commence the operation of the Main Hotel Casino in 2024.

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

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 (including the comparative consolidated financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on March 18, 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of Preparation of Consolidated Financial Statements

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

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

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

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

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

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

In 2021, the Group made a prior period adjustment which resulted in retrospective restatements of certain amounts in the December 31, 2020 consolidated statement of financial position. The Group restated the consolidated statement of financial position to align with the current year presentation of its liability with its related parties that was previously recorded as part of Trade and Other payables account. The restatement did not have an effect on the information in the consolidated statement of comprehensive income and consolidated statement of cash flow for the year ended December 31, 2020. It also did not have any effect on the 2019 financial statements as the transaction happened in 2020; thus, a third consolidated statement of financial position is not presented.

The effects of the restatement on the consolidated statement of financial position as of December 31, 2020 are summarized below.

	<u>As Previously Reported</u>	<u>Effects of Restatement</u>	<u>As Restated</u>
<i>Changes in liabilities:</i>			
<i>Current liabilities:</i>			
Trade and other payables	P 292,499,838	(P 93,706,314)	P 198,793,524
Due to related parties	58,378,962	<u>93,706,314</u>	152,085,276
Net effect on net assets		<u>P -</u>	

(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 2021 that are Relevant to the Group*

The Group opted to early adopt the application of the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7, PFRS 9 and PFRS 16 (Amendments)	:	Financial Instruments: Disclosures, Financial Instruments and Leases – Interest Rate Benchmark Reform Phase 2
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

- (i) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 (Amendments), *Financial Instruments*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative reference rate. The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates (see Note 10). Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

- (ii) PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2021, 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 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
  - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (vi) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (vii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (viii) 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 2.9).

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 *Financial Assets***

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

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

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

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

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

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

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

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

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

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

(b) *Impairment of Financial Assets*

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

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

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

The Group applies a general approach in relation to due from a related party. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of due from a related party, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related party's highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related 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.

## **2.5 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 Company 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.

## **2.6 Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

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 2.15).

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

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

## **2.7 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(c)].

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

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

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

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

## **2.8 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.

## **2.9 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.

## **2.10 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.

### ***2.11 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.

### ***2.12 Revenue and Expense Recognition***

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

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

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

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

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



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

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

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

Prior to the acquisition of the 51% interest of the Parent Company by Fortune Noble in 2019, the Group often entered into property management contracts wherein the Group provided property management services to residential properties, malls and offices. The Group also entered into rental and other service contracts. There is no significant judgement involved in determining the transaction price since it usually pertains to only one performance obligation based on the nature of contracts with customers. The performance obligation is satisfied over time and the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

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

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

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

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

### 2.13 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 2.15).

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.

**2.14 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.

### **2.15 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.

### **2.16 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.

### **2.17 Borrowing Costs**

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

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

## ***2.18 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.

### ***2.19 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 financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

### ***2.20 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 2.7 and 3.2(c)]. This will eventually be closed to additional paid-in capital upon settlement of the convertible bonds.

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

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

### **2.21 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 16).

### **2.22 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.

In 2020, management assessed that the renewal period on the Parent Company's lease for its land should not be included in the lease term as the head lease agreement of the lessor does not have such similar arrangement (see Note 8).

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

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

(c) *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 2.11 and disclosures on relevant provisions and contingencies are presented in Note 18.

(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 18.1). Based on management's judgment, the payment is treated as a directly attributable cost CIP and ROUA. Amount allocated to CIP was based on the value determined by a team of independent valuation experts engaged by the Group to estimate the costs incurred on the project site. Residual amount was assigned to ROUA as incremental cost of obtaining the lease described in Note 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 14.5).

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

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

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

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



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

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparty defaulting and the resulting losses). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the counterparties' actual default in the future. The Group's accounting policy with respect to ECL is described in Note 2.4(b). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 19.2.

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

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

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

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

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

The carrying amounts of property and equipment, and ROUA are analyzed in Notes 7 and 8, respectively. Based on management's assessment as at December 31, 2021 and 2020, there are no changes in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Based on management's assessment, the Group has assessed that the unrecognized deferred tax assets arising from net operating loss carry over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) as at December 31, 2021 and 2020 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.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.15). 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 2021, 2020 and 2019.

## 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 in 2019, and in 2020 and 2021, tourism-related business following the change in the primary purpose of the Parent Company as disclosed in Note 1.1. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

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

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

#### 4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, due from related parties, prepayments, investment in an associate, 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, 2021, 2020 and 2019 follows:

	<b>Tourism- related Business</b>	<b>Property Management and Rental</b>	<b>Total</b>
<b><u>2021:</u></b>			
Revenues and income:			
Gain on sale of investment in associate	P -	P 3,236,142	P 3,236,142
Equity in net earnings of an associate	-	-	-
Finance and other income	<u>358,988</u>	<u>-</u>	<u>358,988</u>
	358,988	3,236,142	3,595,130
Equity in net losses of an associate	-	( 3,236,142)	( 3,236,142)
Expenses	( 139,014,470)	-	( 139,014,470)
Finance costs	( 341,340,218)	-	( 341,340,218)
Loss before tax	( 479,995,700)	-	( 479,995,700)
Tax expense	( 24,882,384)	-	( 24,882,384)
Net loss	<b><u>(P 504,878,084)</u></b>	<b><u>P -</u></b>	<b><u>(P 504,878,084)</u></b>
Segment assets	<b><u>P30,685,420,553</u></b>	<b><u>P -</u></b>	<b><u>P30,685,420,553</u></b>
Segment liabilities	<b><u>P22,796,584,990</u></b>	<b><u>P -</u></b>	<b><u>P22,796,584,990</u></b>
<b><u>2020:</u></b>			
Revenues and income:			
Equity in net earnings of an associate	P -	P 12,583,562	P 12,583,562
Finance and other income	<u>2,613,480</u>	<u>-</u>	<u>2,613,480</u>
	2,613,480	12,583,562	15,197,042
Expenses	( 82,349,275)	-	( 82,349,275)
Finance costs	( 143,871,830)	-	( 143,871,830)
Profit (loss) before tax	( 223,607,625)	12,583,562	( 211,024,063)
Tax expense	( 521,205)	-	( 521,205)
Net profit (loss)	<b><u>(P 224,128,830)</u></b>	<b><u>P 12,583,562</u></b>	<b><u>(P 211,545,268)</u></b>
Segment assets	<b><u>P 22,312,855,315</u></b>	<b><u>P 181,110,308</u></b>	<b><u>P 22,493,965,623</u></b>
Segment liabilities	<b><u>P 14,166,899,678</u></b>	<b><u>P -</u></b>	<b><u>P 14,166,899,678</u></b>

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
<u>2019:</u>			
Revenues and income:			
Management fees	P 500,983,740	P -	P 500,983,740
Rental income	-	32,715,976	32,715,976
Service income	-	18,277,177	18,277,177
Equity in net earnings (losses) of an associate	8,235,440	( 425,184)	7,810,256
Finance and other income	<u>15,469,353</u>	<u>7,699,768</u>	<u>23,169,121</u>
	524,688,533	58,267,737	582,956,270
Cost and expenses	( 450,329,404)	( 156,051,692)	( 606,381,096)
Loss on deconsolidation	( 264,692,670)	-	( 264,692,670)
Finance costs	<u>( 3,619,544)</u>	<u>( 762,662)</u>	<u>( 4,382,206)</u>
Loss before tax	( 193,953,085)	( 98,546,617)	( 292,499,702)
Tax expense	<u>( 19,643,252)</u>	<u>( 2,636,781)</u>	<u>( 22,280,033)</u>
Net loss	<u>(P 213,596,337)</u>	<u>(P 101,183,398)</u>	<u>(P 314,779,735)</u>
Segment assets	<u>P -</u>	<u>P 1,448,910,152</u>	<u>P 1,448,910,152</u>
Segment liabilities	<u>P -</u>	<u>P 57,502,895</u>	<u>P 57,502,895</u>

## 5. CASH AND CASH EQUIVALENTS

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

	<u>2021</u>	<u>2020</u>
Cash on hand and in banks	<b>P 6,154,842,856</b>	P 5,809,682,477
Short-term placements	<u>-</u>	<u>67,933,799</u>
	<b><u>P 6,154,842,856</u></b>	<b><u>P 5,877,616,276</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods from 30 to 90 days and earn effective interest of 0.50% in 2021, 0.50% to 2.83% in 2020 and 3.00% to 6.63% in 2019. In December 2021, the Company did not renew the short-term placements and reclassified the balance as part of cash in banks. Interest earned is presented as part of Finance and Other Income account in the consolidated statements of income.

## 6. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

	<u>2021</u>	<u>2020</u>
Current:		
Input value-added tax (VAT)	<b>P 534,326,972</b>	P 26,349,478
Deferred input VAT	<b>68,767,858</b>	1,433,838
Prepaid insurance	<b>53,660,892</b>	-
Refundable deposits	<b>16,670,149</b>	624,996
Tax credits	<b>1,190</b>	1,190
Others	<b><u>565,674</u></b>	<u>1,027,767</u>
	<b><u>673,992,735</u></b>	<u>29,437,269</u>
Non-current:		
Deposits for property and equipment	<b>1,254,445,986</b>	-
Prepaid insurance and other costs	<b><u>66,529,788</u></b>	<u>-</u>
	<b><u>1,320,975,774</u></b>	<u>-</u>
	<b><u>P1,994,968,509</u></b>	<u>P 29,437,269</u>

## 7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2021 and 2020 are shown below.

	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>CIP</u>	<u>Total</u>
December 31, 2021					
Cost	P 3,726,291	P 2,249,228	P 1,746,377	P 8,830,347,867	P 8,838,069,763
Exchange difference	108,635	71,112	30,892	19,209,707	19,420,346
Accumulated depreciation and amortization	( 1,775,095)	( 311,347)	( 871,851)	-	( 2,958,293)
Net carrying amount	<b><u>P 2,059,831</u></b>	<b><u>P 2,008,993</u></b>	<b><u>P 905,418</u></b>	<b><u>P 8,849,557,574</u></b>	<b><u>P 8,854,531,816</u></b>
December 31, 2020					
Cost	P 2,464,044	P 439,406	P 444,992	P 1,973,631,399	P 1,976,979,841
Accumulated depreciation and amortization	( 505,546)	( 51,191)	( 319,740)	-	( 876,477)
Net carrying amount	<b><u>P 1,958,498</u></b>	<b><u>P 388,215</u></b>	<b><u>P 125,252</u></b>	<b><u>P 1,973,631,399</u></b>	<b><u>P 1,976,103,364</u></b>
January 1, 2020					
Cost	P -	P -	P -	P -	P -
Accumulated depreciation and amortization	-	-	-	-	-
Net carrying amount	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 is shown below.

	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 1,958,498	P 388,215	P 125,252	P 1,973,631,399	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)
Exchange difference	108,635	71,112	30,892	19,209,707	19,420,346
Depreciation and amortization charges for the year	( 1,269,549)	( 260,156)	( 552,111)	-	( 2,081,816)
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>P 8,849,557,574</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>P 1,973,631,399</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 18.1), and other costs such as piling, engineering, architectural and other consultancy fees related to the design and development of the Main Hotel Casino.

In 2021, the additions includes capitalized borrowing costs amounting to P1,551.9 million, net of P7.3 million interest income (see Notes 8, 10 and 14.5). Capitalization rates used in determining the amount of interest charges for capitalization of specific borrowings ranges from 6.00% to 14.18%.

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 of until August 19, 2039 (19 years) and is renewable automatically for another 25 years subject to applicable laws and upon agreement by both parties.

The related annual rental is set at US\$10.6 million which is payable starting from the latter of the first day of commencement of the operation of the Main Hotel Casino and the fulfilment of the conditions precedent (see Note 14.7) or such other dates as may mutually agreed upon by both parties. Management estimated that its cash flow for the annual rental will start upon commencement of operations of the Main Hotel Casino, hence no payment will be made on the first years of the lease (see Note 8.2).

In 2021, SWCPML entered into lease agreements over two rental offices at 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for two years.

As of December 31, 2021 and 2020, 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, 2021 and 2020 and the movements during the year are shown below.

	<u>2021</u>	<u>2020</u>
Cost		
Balance at beginning of year	<b>P 14,429,698,406</b>	P -
Additions	<u>50,633,904</u>	14,429,698,406
Balance at end of year	<u>14,480,332,310</u>	14,429,698,406
Accumulated amortization		
Balance at beginning of year	-	-
Amortization for the year	<u>799,254,938</u>	-
Balance at end of year	<u>799,254,938</u>	-
Carrying amount at December 31	<u><b>P 13,681,077,372</b></u>	<u>P 14,429,698,406</u>

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

### 8.2 Lease Liabilities

The carrying amounts of the Group's lease liabilities as at December 31, 2021 and 2020 and the movements during the year are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		<b>P 5,618,666,948</b>	P -
Leases entered during the year		<b>49,601,473</b>	5,618,666,948
Payment during the year		<b>( 27,214,056)</b>	-
Interest expense	8.4, 11.2	<b>237,294,382</b>	-
Exchange difference	11.2	<u><b>317,155,095</b></u>	-
Balance at end of year		<u><b>P 6,195,503,842</b></u>	<u>P 5,618,666,948</u>

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

	<u>2021</u>	<u>2020</u>
Current		
Lease liabilities	<b>P 22,261,174</b>	P -
Non-Current		
Lease liabilities	<b><u>6,173,242,668</u></b>	<u>5,618,666,948</u>
	<b><u>P6,195,503,842</u></b>	<u>P5,618,666,948</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>
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	( 4,952,882)	( 62,496,754)	( 62,746,952)	( 63,378,583)	( 64,016,572)	( 780,780,486)	( 1,575,088,061)	( 2,613,460,290)
Net present value	<u>P 22,261,174</u>	<u>P 478,090,605</u>	<u>P 475,457,448</u>	<u>P 474,825,817</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>
2020								
Lease payments	P -	P -	P 510,044,440	P 510,044,440	P 510,044,440	P 2,550,222,200	P 4,239,657,071	P 8,320,012,591
Finance charges	-	-	( 50,125,872)	( 68,187,800)	( 85,540,400)	( 665,054,408)	( 1,832,437,163)	( 2,701,345,643)
Net present value	<u>P -</u>	<u>P -</u>	<u>P 459,918,568</u>	<u>P 441,856,640</u>	<u>P 424,504,040</u>	<u>P 1,885,167,792</u>	<u>P 2,407,219,908</u>	<u>P 5,618,666,948</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, P11.5 million and P6.0 million in 2021, 2020 and 2019, respectively, and is presented as Rentals under Cost of Services and Operating Expenses in the consolidated statements of income (see Note 11.1).

In 2020, the Group is also committed to short-term leases and the total commitment amounted to P1.1 million. There was no commitment to short-term leases as of December 31, 2021.

### ***8.4 Additional Profit or Loss and Cash Flow Information***

In 2019, the Group had leases covering its office facilities with recognized ROUA and lease liabilities prior to deconsolidation. The total cash outflow in respect of leases amounted to P11.2 million in 2019. Interest expense in relation to lease liabilities amounted to P2.2 million and was presented as part of Finance costs in the 2019 consolidated statement of income (see Note 11.2). No interest expense was incurred in 2020 in relation to the lease since the lease liability was only recognized on December 30, 2020.

In 2021, certain interest expense incurred on lease amounting to P236.0 million is capitalized as part of CIP under Property and Equipment account in the 2021 consolidated statement of financial position [see Notes 3.1(e) and 7].



## 9. TRADE AND OTHER PAYABLES

The details of this account are as follows:

	<u>2021</u>	2020 [As Restated – see Note 2.1(b)]
Current:		
Construction costs payable	<b>P 631,404,087</b>	P 84,286,607
Government payables	<b>94,032,700</b>	104,827,105
Accrued expenses	<b>43,148,941</b>	3,532,574
Retention payable	-	6,113,369
Others	<u><b>23,412,890</b></u>	<u>33,869</u>
	<b>791,998,618</b>	198,793,524
Non-current:		
Retention payable	<u><b>233,873,773</b></u>	<u>-</u>
	<b><u>P1,025,872,391</u></b>	<b><u>P 198,793,524</u></b>

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

## 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.

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 in the succeeding page.

	<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	4,306,781,001	3,890,572,929	8,197,353,930
Amortized interest for the year	<u>479,374,480</u>	<u>252,855,593</u>	<u>732,230,073</u>
Carrying amount of liability at December 31, 2021	<b><u>P 4,786,155,481</u></b>	<b><u>P 4,143,428,522</u></b>	<b><u>P 8,929,584,003</u></b>

The financial liability components is carried at amortized cost using the effective interest method. The effective interest of the Fortune Noble Convertible Bond and SA Investments Convertible Bond are 10.60% and 14.18%, respectively. There were no interest expense recognized in 2020 as management considered it not material to the consolidated financial statements. In 2021, the Group capitalized the interest expense as part of CIP under Property and Equipment account in the 2021 consolidated statement of financial position [see Notes 3.1(e) and 7]. Outstanding interest payables are recorded as part of Due to Related Parties accounts in the consolidated 2021 statement of financial position (see Note 14.4).

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

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

## 11. REVENUES, COSTS AND EXPENSES

### 11.1 Operating Expenses by Nature

The details of operating expenses by nature are shown below.

	Notes	2021	2020	2019
Salaries and employee benefits	12.1	<b>P 41,804,028</b>	P 17,812,792	P 325,135,538
Outsourced services	14.9	<b>35,002,605</b>	-	37,082,714
Depreciation and amortization	7, 8.1	<b>28,317,197</b>	876,477	27,345,468
Professional fees		<b>22,041,468</b>	7,081,984	3,133,749
Utilities and supplies		<b>4,682,528</b>	1,532,916	5,588,177
Rentals	8.3, 14.5	<b>1,114,929</b>	11,498,337	6,006,824
Taxes, licenses and registration fees		<b>888,112</b>	40,042,311	96,560,171
Trainings and conferences		<b>158,392</b>	193,860	3,632,739
Representation and entertainment		<b>86,145</b>	121,498	2,915,968
Repairs and maintenance		<b>85,673</b>	30,260	8,718,418
Service costs		-	-	37,267,972
Impairment loss on trade and other receivables		-	-	21,074,810
Others		<b>4,833,393</b>	3,158,840	31,918,548
		<b><u>P 139,014,470</u></b>	<u>P 82,349,275</u>	<u>P 606,381,096</u>

In 2019, prior to deconsolidation, the Group recognized impairment losses on trade and other receivables of FOPMI amounting to P21.1 million.

Depreciation and amortization included the depreciation of computer software of FOPMI amounting to P2.9 million in 2019 and depreciation of investment property amounting to P1.0 million in 2019.

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

	2021	2020	2019
Cost of services	<b>P -</b>	P -	P333,252,958
Operating expenses	<b><u>139,014,470</u></b>	<u>82,349,275</u>	<u>273,128,138</u>
	<b><u>P139,014,470</u></b>	<u>P 82,349,275</u>	<u>P606,381,096</u>

### 11.2 Finance Costs and Foreign Exchange Loss – net

	Notes	2021	2020	2019
Finance costs:				
Interest on convertible bonds	10	P 732,230,073	P -	P -
Coupon interest on convertible bonds	10	336,000,000	-	-
Interest on short-term borrowings	14.5	254,948,896	-	-
Interest on lease liabilities	8.2	237,294,382	-	2,237,191
Interest on shareholder's loan	14.6	-	117,132,893	-
Interest costs on retirement benefit obligation - net	12.2	-	-	1,382,353
Others		-	-	762,662
		<u>1,560,473,351</u>	<u>117,132,893</u>	<u>4,382,206</u>
Less: Interest expense capitalized				
	7	( 1,559,271,775)	-	-
		<u>1,201,576</u>	<u>117,132,893</u>	<u>4,382,206</u>
Foreign exchange loss – net:				
Unrealized foreign exchange loss		391,239,823	-	-
Realized foreign exchange gain		( 54,899,500)	-	-
Realized foreign exchange loss		3,798,319	26,738,937	-
		<u>340,138,642</u>	<u>26,738,937</u>	<u>-</u>
		<u>P 341,340,218</u>	<u>P 143,871,830</u>	<u>P 4,382,206</u>

### 11.3 Disaggregation of Management Fees and Service Income

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

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

The revenues are classified in the 2019 consolidated statement of income as follows:

Management fees	P 500,983,740
Service income	<u>18,277,177</u>
	<u>P 519,260,917</u>

## 12. EMPLOYEE BENEFITS

### 12.1 Salaries and Employee Benefits

Expenses recognized as salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term benefits		<b>P 40,325,729</b>	P 17,188,461	P315,523,534
Mandatory provident fund	12.2	<b>1,478,299</b>	624,331	-
Post-employment benefits	12.2	<u>-</u>	<u>-</u>	<u>9,612,004</u>
	11.1	<b><u>P 41,804,028</u></b>	<b><u>P 17,812,792</u></b>	<b><u>P325,135,538</u></b>

Mandatory Provident Fund (MPF) pertains to compulsory pension fund of SWCPML.

Salaries and employee benefits amounting to P52.9 million and P25.2 million were capitalized in 2021 and 2020 to CIP under Property and Equipment account.

### 12.2 Retirement Benefit Obligation

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

SWCPML operates MPF Schemes for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of SWCPML. The cost charge to the profit or loss represented contributions payable to the funds by SWCPML at rates specified in the rules of the schemes.

The components of amounts recognized in the 2019 consolidated statement of income and 2019 consolidated statement of comprehensive income in respect of the defined benefit post-employment plan were as follows:

<i>Reported in consolidated statements of income:</i>		
Current service costs		P 9,612,004
Net interest costs		<u>1,382,353</u>
		<b><u>P 10,994,357</u></b>
<i>Reported in consolidated statements of comprehensive income –</i>		
<i>Actuarial losses arising from:</i>		
Experience adjustments		P 13,267,047
Remeasurement loss on plan assets		<u>578,828</u>
		<b><u>P 13,845,875</u></b>

The amounts of post-employment benefit expense for the year ended December 31, 2019 were allocated as follows:

Cost of services	P	7,489,291
Operating expenses		<u>2,122,713</u>
	P	<u>9,612,004</u>

The interest expense, net of interest income, was included in Finance Costs in the 2019 consolidated statement of income (see Note 11.2).

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

### 13. TAXES

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
Capital gains tax	<b>P 23,412,890</b>	P -	P -
Final tax	<b>1,469,494</b>	521,205	4,636,532
RCIT	<b>-</b>	<b>-</b>	<b>25,378,142</b>
	<b><u>24,882,384</u></b>	<u>521,205</u>	<u>30,014,674</u>
Deferred tax income relating to origination and reversal of temporary differences	<u>-</u>	<u>-</u>	<u>( 7,734,641)</u>
	<b><u>P 24,882,384</u></b>	<b><u>P 521,205</u></b>	<b><u>P 22,280,033</u></b>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax income relating to origination and reversal of temporary differences	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>(P 4,153,763)</u></b>

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>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit (loss)	<b>(P 101,683,452)</b>	(P 66,872,409)	(P 87,749,911)
Adjustment for income subjected to lower income tax rates	<b>18,954,552</b>	( 262,805)	( 679,158)
Tax effects of:			
Non-taxable income and non-deductible expenses	<b>105,744,760</b>	44,190,187	79,920,812
Unrecognized deferred tax assets	<b>1,866,524</b>	23,466,232	30,615,089
Reversal of previously recognized deferred tax asset	<u>-</u>	<u>-</u>	<u>173,201</u>
Tax expense	<b><u>P 24,882,384</u></b>	<b><u>P 521,205</u></b>	<b><u>P 22,280,033</u></b>

The Parent Company is subject to MCIT while Suncity WC is not yet subject to MCIT as it was only incorporated during the year. 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 2021, 2020 and 2019 as they are in a gross loss position during the taxable years. FOPMI reported RCIT in 2019.

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 Suncity WC did not recognize deferred tax assets arising from NOLCO and unrealized foreign exchange loss amounting to P45.3 million and P52.9 million, as of December 31, 2021 and 2020, 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 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 below. 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>
2021	P 7,968,033	P -	P 7,968,033	2026
2020	78,220,772	-	78,220,772	2025
2019	94,834,032	-	94,834,032	2022
2018	<u>3,124,170</u>	<u>( 3,124,170)</u>	<u>-</u>	
	<b><u>P184,147,007</u></b>	<b><u>(P 3,124,170)</u></b>	<b><u>P181,022,837</u></b>	

The net deferred tax income, pertaining to FOPMI prior to deconsolidation in 2019 related to the following:

	<u>Profit or Loss</u>	<u>Other Comprehensive Income or Loss</u>
Retirement benefit obligation	P 2,525,107	P 4,153,763
Allowance for impairment	6,322,443	-
Unamortized past service costs	( 665,420)	-
Accrued rent – PFRS 16	<u>( 447,489)</u>	<u>-</u>
Net deferred tax income	<b><u>P 7,734,641</u></b>	<b><u>P 4,153,763</u></b>

In 2021, 2020 and 2019, the Group opted to continue claiming itemized deductions in computing for its income tax due.

## 14. RELATED PARTY TRANSACTIONS

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

Related Party Category	Notes	Amount of Transaction			Outstanding Receivable (Payable)	
		2021	2020	2019	2021	2020
<b>Stockholders:</b>						
Issuance of convertible bonds	14.1	P -	P 4,306,781,001	P -	(P 4,786,155,481)	(P 4,306,781,001)
Shareholder's interest	14.6	-	-	-	( 93,706,314)	( 93,706,314)
Interest on convertible bonds	10	479,374,480	-	-	-	-
Payment of excess proceeds	14.4	( 18,741,962)	18,741,962	-	-	( 18,741,962)
Lease of properties	14.3	-	-	11,167,957	-	-
Receipt from sale of investment property	14.3	( 27,382,014)	-	27,382,014	-	27,382,014
Subscription of shares	14.2	-	2,550,000,010	1,250,000,000	-	1,387,499,990
<b>Related Parties Under Common Ownership:</b>						
Issuance of convertible bonds	14.1,14.4	-	3,890,572,929	-	( 4,143,428,522)	( 3,890,572,929)
Payment of excess proceeds	14.4	( 39,637,000)	39,637,000	-	-	( 39,637,000)
Loan from a related party	14.5	6,092,880,000	-	-	( 6,092,880,000)	-
Interest on convertible bonds	14.1, 14.4	588,855,593	-	-	( 451,486,243)	-
Interest on short-term loan	14.5	225,451,726	-	-	-	-
Outsourced services	14.9	25,529,797	-	-	( 7,552,196)	-
<b>Key Management Personnel –</b>						
Compensation	14.8	6,403,410	-	30,672,448	-	-

### 14.1 Issuance of Convertible Bonds

In 2020, the Parent Company entered into 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, respectively subject to fulfilment of certain conditions and regulatory approvals.

The instruments were issued to the subscribers on December 30, 2020 upon the fulfilment of the conditions and regulatory approvals (see Note 10).

### 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 (see Notes 1.1 and 17.1). In 2020, the Parent Company received an amount of P2,550.0 million in relation to the subscription.

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



### **14.3 Due from a Related Party**

The Group's Due from a Related Party pertains to the outstanding receivable from the sale of the Parent Company's investment property to a stockholder in 2019. Gain on sale of investment properties amounting to P2.4 million is presented as part of Finance and Other Income in the 2019 consolidated statement of income. Prior to the sale, rental income from the investment property under operating lease agreement is presented as part of Rental Income under the Income section of the 2019 consolidated statement of income.

Based on management's assessment, no impairment loss is necessary to be recognized in 2020 on this amount. The receivable was fully collected by the Group in 2021.

### **14.4 Due to Related Parties**

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. The outstanding balance are non-interest bearing, unsecured and repayable in cash within 12 months.

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

	<u>Notes</u>	<u>2021</u>	2020 [As Restated – see Note 2.1(b)]
Balance at beginning of year		<b>P 152,085,276</b>	P -
Payment of excess proceeds from bond issuance		<b>( 58,378,962)</b>	58,378,962
Interest accrued	10, 14.6	<b>451,486,244</b>	93,706,314
Accrued expenses	14.9	<b><u>7,552,196</u></b>	<u>-</u>
Balance at end of year		<b><u>P 552,744,754</u></b>	<u>P 152,085,276</u>

### **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. 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). The proceeds of the CB will set off 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. As of December 31, 2021, the conditions precedent are not yet fulfilled.

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 for the year ended December 31, 2021 amounted to P254.9 million and capitalized as part of CIP under Property and Equipment account in the consolidated statement of financial position (see Note 7). Total unrealized foreign exchange loss incurred for the year ended December 31, 2021 is presented as part of Foreign Exchange Loss - net in the 2021 consolidated statement of income.

#### ***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 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 14.4).

#### ***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 a Hotel Casino.*

The Parent Company shall finance the development and construction of a hotel casino on the leased area. Suntrust shall also pay a certain fixed amount to Westside for usage of the properties and reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site (see Note 18.1).

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

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

The operations and management agreement was entered into by the parties on May 4, 2020 (see Note 18.2).

#### **14.8 Key Management Personnel Compensation**

In 2019, salaries and short-term benefits amounting to P28.2 million and retirement benefit amounting to P2.5 million were solely pertained to FOPMI. In 2020, there were no compensation of key management personnel after the deconsolidation of FOPMI as the Parent Company's administrative functions are being handled by Suncity and Megaworld at no cost.

Total key management compensation arising from service arrangements with key management personnel of the Parent Company amounted to P6.4 million for the year ended December 31, 2021.

#### **14.9 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 (see Note 14.4).

### **15. INVESTMENT IN AN ASSOCIATE**

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

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

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 153,728,294</b>	P 141,144,732
Sale of interest in FOMPI	<b>( 150,492,152)</b>	-
Equity in net earnings (loss) of an associate in profit or loss	<b>( 3,236,142)</b>	<u>12,583,562</u>
Balance at end of year	<b><u>P -</u></b>	<u>P 153,728,294</u>

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

Current assets	P 870,598,250
Non-current assets	<u>131,484,496</u>
Total assets	<u>P 1,002,082,746</u>
Current liabilities	P 252,878,908
Non-current liabilities	<u>115,795,128</u>
Total liabilities	<u>P 368,674,036</u>
Revenue	<u>P 575,527,865</u>
Net profit	<u>P 51,848,216</u>
Total comprehensive income for the year	<u>P 51,848,216</u>

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

Net assets of FOPMI	P 633,408,710
Proportion of ownership interest by the Group	<u>24.27%</u>
Carrying amount of investment	<u>P 153,728,294</u>

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

## 16. LOSS PER SHARE

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net loss	<b>(P 504,878,084)</b>	(P 211,545,268)	(P 314,779,735)
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>7,250,000,000</u>	<u>2,400,684,932</u>
Basic and diluted EPS	<b>(P 0.070)</b>	(P 0.029)	(P 0.131)

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 (see Note 10).

For 2021 and 2020, 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 potential dilutive shares as of the end of 2019.

## 17. EQUITY

### 17.1 Capital Stock

The details of the Parent Company's capital stock as of December 31, 2021 and 2020 are as follows:

	Shares		Amount	
	2021	2020	2021	2020
Common shares – P1.00 par value				
Authorized	23,000,000,000	23,000,000,000	<u>P 23,000,000,000</u>	<u>P 23,000,000,000</u>
Subscribed	7,250,000,000	7,250,000,000	<u>P 7,250,000,000</u>	<u>P 7,250,000,000</u>
Subscription receivable:				
Balance at beginning of year			1,387,499,990	3,937,500,000
Collection during the year			<u>-</u>	<u>( 2,550,000,010)</u>
Balance at end of year			<u>1,387,499,990</u>	<u>1,387,499,990</u>
			<u>P 5,862,500,010</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, 2021, and 2020, there are 1,580 and 1,591 holders of the listed shares, respectively, which closed at P1.12 and P1.66 per share, respectively.

### 17.2 Status of Operations

The Group incurred net losses from its operations in prior years which resulted in a deficit of P2,637.5 million and P2,133.1 million as of December 31, 2021 and 2020, respectively. While these conditions may raise doubt about the Group's ability to continue as a going concern, management believes that the Group will be able to continue as a going concern considering that the construction of the Main Hotel Casino is still in progress. In addition, the management plans to obtain financing from financial institutions that will enable the Parent Company to finance the construction of the Main Hotel Casino.

## 18. COMMITMENTS AND CONTINGENCIES

### ***18.1 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).

### ***18.2 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).

### ***18.3 Capital Commitments***

As of December 31, 2021 and 2020, the Group has commitments of approximately P23,383.0 million and P28,518.1 million, respectively, for the construction of the Main Hotel Casino.

### ***18.4 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.

## 19. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### 19.1 Market risk

#### (a) Interest Rate Risk

As at December 31, 2021 and 2020, the Group is exposed to changes in market interest rates through its cash and cash equivalents 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 P7.7 million, P2.6 million and P15.3 million in 2021, 2020 and 2019, respectively. In 2021, interest income amounting to P7.3 million was deducted from the capitalized borrowing cost as it serves as an investment income on the temporary investment of those borrowings

#### (b) Foreign Currency Risk

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

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

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

	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
<b>2021</b>				
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)	-	-
	<b><u>(\$ 141,239,861)</u></b>	<b><u>(P 7,171,312,737)</u></b>	<b><u>\$ 22,746,484</u></b>	<b><u>P 148,081,882</u></b>
<b>2020</b>				
Financial assets	\$ 500	P 24,042	\$ 120,761,436	P 749,481,702
Financial liabilities	( 116,967,836)	( 5,677,045,910)	( 264,930)	( 1,644,233)
	<b><u>(\$ 116,967,336)</u></b>	<b><u>(P 5,677,021,868)</u></b>	<b><u>\$ 120,496,506</u></b>	<b><u>P 747,837,469</u></b>

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.

	2021			2020		
	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 - USD	11.30%	(P 810,358,339)	(P 607,768,754)	9.52%	(P 820,209,392)	(P 615,157,044)
PhP - HKD	11.34%	16,792,485	12,594,364	9.71%	91,643,340	68,732,505
		<u>(P 793,565,854)</u>	<u>(P 595,174,390)</u>		<u>(P 728,566,052)</u>	<u>(P 546,424,539)</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.

## 19.2 Credit Risk

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

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	2021	2020
Cash and cash equivalents	5	<b>P6,154,842,856</b>	P 5,877,616,276
Refundable deposits	6	<b>16,670,149</b>	624,996
Due from a related party	14.3	<u>-</u>	<u>27,382,014</u>
		<b><u>P 6,171,513,005</u></b>	<b><u>P 5,905,623,286</u></b>

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

### (a) Cash and Cash Equivalents

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



(b) *Due from a Related Party*

ECL for Due from a Related Party is measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to pay the advances upon demand at the reporting date taking into consideration the historical defaults from related parties. Based on management's assessment, there is no impairment on Due from a Related Party as of December 31, 2020. The receivable was fully collected in 2021.

**19.3 Liquidity Risk**

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

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

The table below summarizes the maturity profile of the 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
<b>2021:</b>				
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	-	-	13,236,000,000
		<b><u>P 1,250,710,672</u></b>	<b><u>P 6,318,331,726</u></b>	<b><u>P13,469,873,773</u></b>
<b>2020 [As Restated – see Note 2.1(b)]:</b>				
Trade and other payables	9	P 93,966,419	P -	P -
Due to related parties	14.4	152,085,276	-	-
Convertible bonds	10	-	-	13,236,000,000
		<b><u>P 246,051,695</u></b>	<b><u>P -</u></b>	<b><u>P13,236,000,000</u></b>

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

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

### 20.1 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	2021		2020		
	Carrying Values	Fair Values	[As Restated – see Note 2.1(b)] Carrying Values	Fair Values	
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 6,154,842,856	P 6,154,842,856	P 5,877,616,276	P 5,877,616,276
Refundable deposits	6	16,670,149	16,670,149	624,996	624,996
Due from a related party	14.3	-	-	27,382,014	27,382,014
		<u>P 6,171,513,005</u>	<u>P 6,171,513,005</u>	<u>P 5,905,623,286</u>	<u>P 5,905,623,286</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Trade and other payables	9	P 931,839,691	P 931,839,691	P 93,966,419	P 93,966,419
Due to related parties	14.4	552,744,754	552,744,754	152,085,276	152,085,276
Lease liabilities	8	6,195,503,842	6,195,503,842	5,618,666,948	5,618,666,948
Loan from a related party	14.5	6,092,880,000	6,092,880,000	-	-
Convertible bonds	10	8,929,584,003	10,461,950,963	8,197,353,930	8,197,353,930
		<u>P 22,702,552,290</u>	<u>P 24,234,919,250</u>	<u>P 14,062,072,573</u>	<u>P 14,062,072,573</u>

See Notes 2.4 and 2.7 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 19.

### 20.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments in 2021 and 2020 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.

## 21. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 21.1 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.

### ***21.2 Financial Instruments Measurement at Amortized Cost for which Fair Value is Disclosed***

Except for cash and cash equivalents 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. 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. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

## **22. 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.

## 23. SUPPLEMENTAL INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES

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

(a) 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 P1,551.9 million, net of P7.4 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 P354.2 million (see Note 14.5).

(b) 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 18.1).
- 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).

(c) 2019

- In 2019, the Parent Company sold its investment property to a related party on account (see Note 14.3).
- In 2019, the Parent Company lost control over its former subsidiaries. Accordingly, the cash balance of the subsidiaries were deconsolidated in the 2019 consolidated statement of cash flows (see Note 15).

## SUNTRUST HOME DEVELOPERS, INC.

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio  
Bonifacio Global City, Taguig City  
1634 Metro Manila

The management of **Suntrust Home Developers, Inc. and its Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



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**Lo Kai Bong**  
Chairman



---

**Chua Ming Huat**  
President

---

**Neoli Mae L. Kho**  
Treasurer

Date: *March 18, 2022*

# SUNTRUST HOME DEVELOPERS, INC.

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio  
Bonifacio Global City, Taguig City  
1634 Metro Manila

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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 financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

\_\_\_\_\_  
**Lo Kai Bong**  
Chairman

\_\_\_\_\_  
**Chua Ming Huat**  
President

\_\_\_\_\_  
**Neoli Mae L. Kho**  
Treasurer

Date: **MAR 18 2022**

Doc. No. **189**;  
Page No. **39**;  
Book No. **9**;  
Series of 20 **12**

SUBSCRIBED AND SWORN TO BEFORE ME in the City  
of Mandaluyong this **MAR 24 2022** day of **20**  
affiant exhibiting to me his/her \_\_\_\_\_  
as competent evidence of identity.

**JOVENA SEVILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
ROLL NO. 53970  
PTR NO. 4864924; 1-3-22; MANDALUYONG  
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025  
UG03 CITYLAND SHAW TOWER,  
SHAW BLVD. MANDALUYONG CITY



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

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**Punongbayan & Araullo**

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

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022. 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. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 18, 2022

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**List of Supplementary Information**  
**December 31, 2021**

<u>Schedule</u>	<u>Contents</u>	<u>Page No.</u>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	N/A
B	Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable/ Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	Long-term Debt	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	3
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	4



**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule B - Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders**  
**(Other than Related Parties)**  
**December 31, 2021**

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

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated**  
**During the Consolidation of Financial Statements**  
**December 31, 2021**

<i>Name</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>		<i>Total</i>
				<i>Current</i>	<i>Not Current</i>	
WC Project Management Limited	-	P 1,230,730,169	-	P 1,230,730,169	-	P 1,230,730,169
SWC Project Management Limited	-	32,547,353	-	32,547,353	-	32,547,353
	<u>-</u>	<u>P 1,263,277,522</u>	<u>-</u>	<u>P 1,263,277,522</u>	<u>-</u>	<u>P 1,263,277,522</u>

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule E - Indebtedness to Related Parties**  
**December 31, 2021**

<i>Name of related party</i>	<i>Balance at the beginning of year</i>	<i>Balance at the end of year</i>
<b>Convertible bonds</b>		
Fortune Noble Limited	P 4,306,781,001	P 4,786,155,481
Summit Ascent Invesments Limited	<u>3,890,572,929</u>	<u>4,143,428,522</u>
	<u>8,197,353,930</u>	<u>8,929,584,003</u>
<b>Loan from a related party</b>		
Summit Ascent Invesments Limited	<u>-</u>	<u>6,092,880,000</u>
	<b><u>P 8,197,353,930</u></b>	<b><u>P 15,022,464,003</u></b>

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule G - Capital Stock**  
**December 31, 2021**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
<b>Common</b>	23,000,000,000	7,250,000,000	-	6,211,193,998	7	1,038,805,995

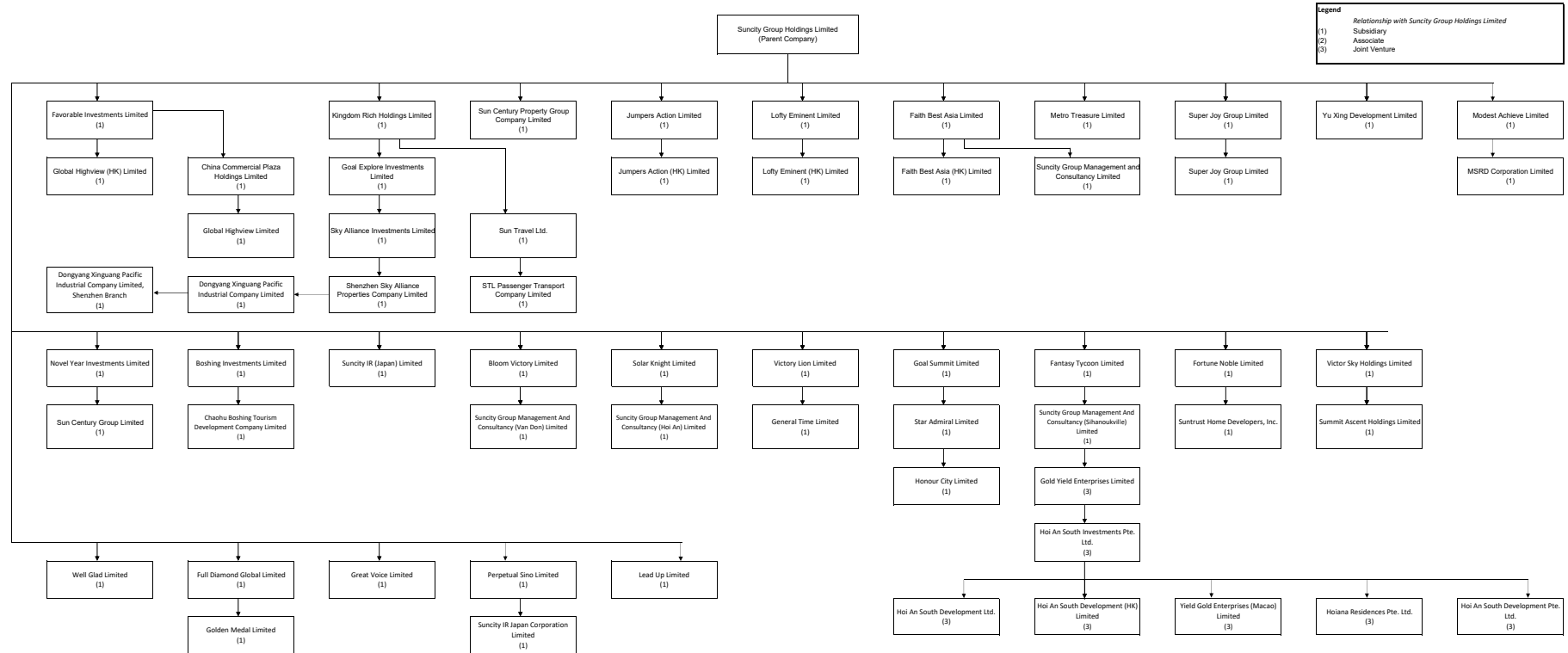
Note: The Company's stockholders subscribed to a total of 7.25 billion shares, 5.86 billion of which was paid as of December 31, 2021.

**SUNTRUST HOME DEVELOPERS, INC.**

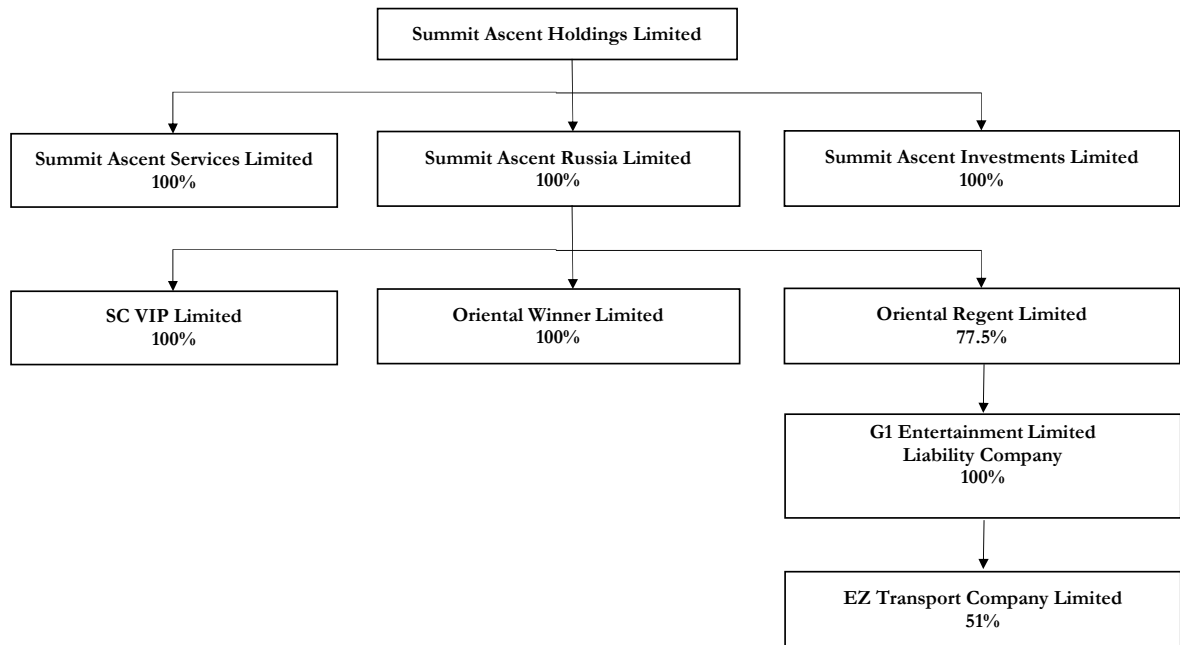
**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the Year Ended December 31, 2021**

<b>Deficit, at beginning of year</b>	( P 2,122,738,920 )
<b>Net Loss Realized during the Year</b>	
Net loss per audited financial statements	( <u>402,725,407</u> )
<b>Deficit, at end of year</b>	( P <u>2,525,464,327</u> )

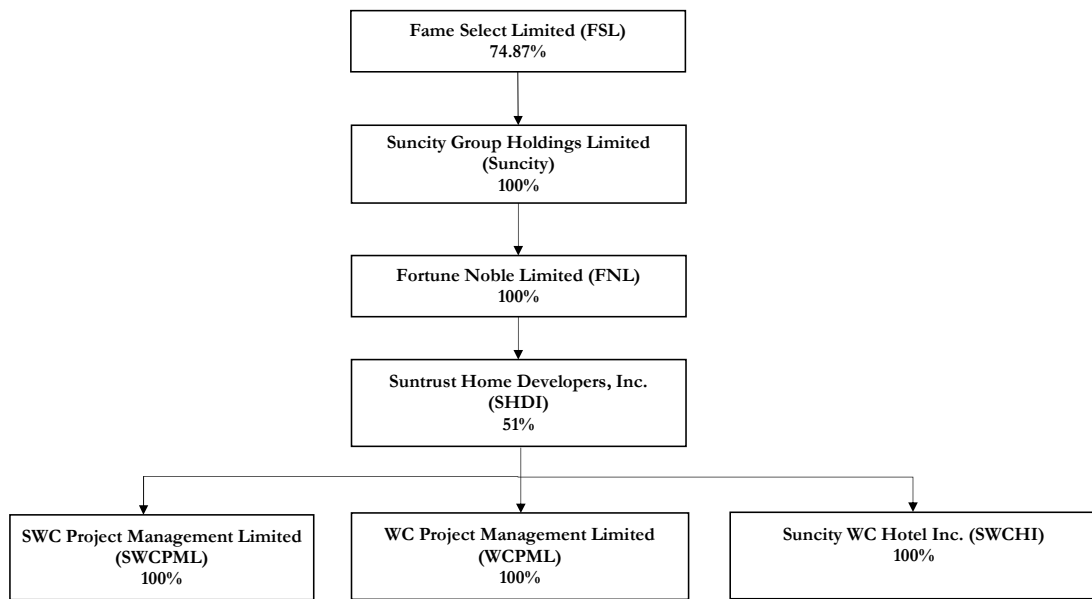
SUNCITY GROUP HOLDINGS LIMITED  
 Map Showing the Relationship Between Suncity Group Holdings Limited and its related parties  
 December 31, 2021



Suntrust Home Developers, Inc.  
Mapping of Related Parties  
December 31, 2021



Suntrust Home Developers, Inc.  
Mapping of Related Parties  
December 31, 2021



FSL is the ultimate parent company.

Suncity is a subsidiary of FSL. FNL is a subsidiary of Suncity.

SHDI 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

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**Punongbayan & Araullo**

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

T +63 2 8988 2288

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

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the years ended December 31, 2021 and 2020, on which we have rendered our report dated March 18, 2022. 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, 2021 and 2020 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. 8852342, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 18, 2022

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
December 31, 2021 and 2020

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current assets / Current liabilities	0.92	16.91
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	0.83	16.83
Solvency ratio	Total liabilities / Total assets	0.74	0.63
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	2.89	1.70
Asset-to-equity ratio	Total assets / Total stockholders' equity	3.89	2.70
Interest rate coverage ratio	EBIT / Total interest	-398.47	-0.80
Return on equity	Net loss / Average total equity	-0.06	-0.04
Return on assets	Net loss / Average total assets	-0.02	-0.02
Net profit margin	Net loss / Total revenues	-	-

# SUSTAINABILITY REPORT

## Contextual Information

Company Details	
Name of Organization	SUNTRUST HOME DEVELOPERS, 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 Home Developers, 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, 2021, the Company is in the construction phase of its Main Hotel Casino which is expected to commence operations in 2024.</p>
Reporting Period	FY 2021

*\*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 2021, 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 Map<sup>1</sup> identifies sustainability-related business issues, which may constitute disclosure topics, that vary by industry, such as:**

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

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.

### [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.

In 2021, 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.

## 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 on data breach of violation, including leaks, thefts, or losses of data.

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>Hotel and Casino</b>	<b>Decent work and Economic Growth; Reduced Inequalities; Improved quality of life; Sustainable Cities and Communities</b>	<b>Energy management; Water &amp; waste management; Employee health &amp; safety; Ecological Impacts</b>	<b>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.</b>

<sup>2</sup> The Company is developing a hotel and casino, which is at the construction phase as of 31 December 2021.