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**L E T**  
LEISURE ENTERTAINMENT TASTE

## **LET GROUP HOLDINGS LIMITED**

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

**(Stock Code: 1383)**

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

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

Suntrust Resort Holdings, Inc., an overseas listed subsidiary of LET Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), has published its quarterly report for the three months ended 30 June 2023 (the “**2nd Quarterly Report**”) on the website of PSE on 14 August 2023. For details, please refer to the attached 2nd Quarterly Report.

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

Hong Kong, 15 August 2023

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

# COVER SHEET

1 0 6 8 3

S.E.C. Registration Number

S U N T R U S T   R E S O R T   H O L D I N G S ,   I N C .  
 ( F O R M E R L Y   S U N T R U S T   H O M E   D E V E -  
 L O P E R S ,   I N C . )

(Company's Full Name)

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

(Business Address of the Company)

**NELILEEN S. BAXA**

Contact Person

0 2 - 8 8 9 4 - 6 3 0 0

Company Telephone Number

1 2      3 1  
 Month      Day

Fiscal Year

**SEC FORM 17-Q**

Form Type

Last Tuesday of October

Regular Meeting

**NONE**

Secondary License type, if applicable

**MSRD/CMD/ICTD**  
 Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic      Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 June 2023**

2. Commission Identification No. **10683**

3. BIR Tax Identification No. **000-141-166-000**

**SUNTRUST RESORT HOLDINGS, INC.**

4. Exact name of issuer as specified in its charter

**Metro Manila, Philippines**

5. Province, country, or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

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

7. Address of Issuer's principal office and postal code

**02 8894 6300**

8. Issuer's telephone number, including area code

**Suntrust Home Developers, Inc.**

9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of the securities listed on a stock exchange?

Yes [  ] No [  ]

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

**The common shares of the Issuer are listed on the Philippine Stock Exchange.**

12. Indicate by checkmark whether the registrant:

- 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 (or for such shorter period the registrant was required to file such reports):

Yes [  ] No [  ]

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

Yes [  ] No [  ]

## **PART I – FINANCIAL INFORMATION**

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

Attached hereto are the following:

- Interim Condensed Consolidated Statement of Financial Position (**Exhibit 1**)
- Interim Condensed Consolidated Statements of Income (**Exhibit 2**)
- Interim Condensed Consolidated Statements of Comprehensive Income (**Exhibit 3**)
- Interim Condensed Consolidated Statements of Changes in Equity (**Exhibit 4**)
- Interim Condensed Consolidated Statements of Cash Flows (**Exhibit 5**)
- Notes to Interim Condensed Consolidated Financial Statements (**Exhibit 6**)

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

Please see **Exhibit 7**

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

Please see **Exhibit 8**

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

Please see **Exhibit 9**

## **PART II – OTHER INFORMATION**

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

[Signature page follows]

**SIGNATURE**

Pursuant to the requirements of the SRC, the Issuer has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

**SUNTRUST RESORT HOLDINGS, INC.**

By:

  
**NEOLIMA L. KHO**  
Treasurer

Date: **14 August 2023**

## EXHIBIT 1

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
*(With Comparative Figures as of December 31, 2022)*  
*(Amounts in Philippine Pesos)*

<u>A S S E T S</u>	Notes	Unaudited June 30, 2023	Audited December 31, 2022
<b>CURRENT ASSETS</b>			
Cash		P 400,878,565	P 1,291,609,422
Prepayments and other current assets	5	<u>1,506,631,317</u>	<u>1,136,039,632</u>
Total Current Assets		<u>1,907,509,882</u>	<u>2,427,649,054</u>
<b>NON-CURRENT ASSETS</b>			
Prepayments and deposits for property and equipment	5	1,630,433,529	1,694,043,407
Property and equipment - net	6	20,686,416,777	15,294,448,533
Right-of-use assets - net	12	<u>11,748,547,269</u>	<u>12,105,169,586</u>
Total Non-current Assets		<u>34,065,397,575</u>	<u>29,093,661,526</u>
<b>TOTAL ASSETS</b>		<b>P <u>35,972,907,457</u></b>	<b>P <u>31,521,310,580</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		P 2,294,991,436	P 608,940,215
Due to related parties	9	1,071,762,103	710,239,648
Lease liabilities	12	<u>2,613,266</u>	<u>-</u>
Total Current Liabilities		<u>3,369,366,805</u>	<u>1,319,179,863</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds payable	7, 9	15,742,387,995	15,115,499,086
Lease liabilities	12	6,194,232,850	6,150,461,454
Loan from a related party	9	332,172,000	-
Other payables		<u>531,350,485</u>	<u>421,175,899</u>
Total Non-current Liabilities		<u>22,800,143,330</u>	<u>21,687,136,439</u>
Total Liabilities		<u>26,169,510,135</u>	<u>23,006,316,302</u>
<b>EQUITY</b>	11	<u>9,803,397,322</u>	<u>8,514,994,278</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P <u>35,972,907,457</u></b>	<b>P <u>31,521,310,580</u></b>

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

**SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES**  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

Notes	2023 Unaudited Apr 1 - Jun 30	2023 Unaudited Jan 1 - Jun 30	2022 Unaudited Apr 1 - Jun 30	2022 Unaudited Jan 1 - Jun 30
<b>COSTS AND EXPENSES</b>				
Foreign exchange loss (gain)	P 90,391,765	( P 71,688,715 )	P 227,098,588	P 410,973,250
Operating expenses	73,520,094	142,986,733	27,942,792	37,732,999
Finance costs	8 191,667	191,667	-	-
Tax expense	<u>53,414</u>	<u>83,520</u>	<u>105,482</u>	<u>783,344</u>
	164,156,940	71,573,205	255,146,862	449,489,593
<b>OTHER INCOME</b>				
Finance income	<u>7,994</u>	<u>7,994</u>	<u>3,549</u>	<u>8,434</u>
<b>NET LOSS</b>	( <u>P 164,148,946</u> )	( <u>P 71,565,211</u> )	( <u>P 255,143,313</u> )	( <u>P 449,481,159</u> )
<b>Loss Per Share –</b>				
Basic and Diluted	10 ( <u>P 0.0226</u> )	( <u>P 0.0099</u> )	( <u>P 0.0352</u> )	( <u>P 0.0620</u> )

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

## EXHIBIT 3

SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
 INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022  
*(Amounts in Philippine Pesos)*

	2023 Unaudited Apr 1 - Jun 30	2023 Unaudited Jan 1 - Jun 30	2022 Unaudited Apr 1 - Jun 30	2022 Unaudited Jan 1 - Jun 30
<b>NET LOSS</b>	( P 164,148,946 )	( P 71,565,211 )	( P 255,143,313 )	( P 449,481,159 )
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	( <u>30,611,427</u> )	( <u>27,531,735</u> )	<u>15,855,889</u>	<u>18,935,581</u>
<b>TOTAL COMPREHENSIVE LOSS</b>	( <u>P 194,760,373</u> )	( <u>P 99,096,946</u> )	( <u>P 239,287,424</u> )	( <u>P 430,545,578</u> )

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

**SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES**  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Note	<u>Capital Stock</u>	<u>Convertible Bonds Equity Reserve</u>	<u>Exchange Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2023 (Audited)	11	P 5,862,500,010	P 5,752,006,144	P 95,056,256	( P 3,194,568,132 )	P 8,514,994,278
Total comprehensive loss for the period		-	-	( 27,531,735 )	( 71,565,211 )	( 99,096,946 )
Payment of subscription of shares		<u>1,387,499,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,387,499,990</u>
Balance at June 30, 2023 (Unaudited)		<b><u>P 7,250,000,000</u></b>	<b><u>P 5,752,006,144</u></b>	<b><u>P 67,524,521</u></b>	<b><u>( P 3,266,133,343 )</u></b>	<b><u>P 9,803,397,322</u></b>
Balance at January 1, 2022 (Audited)		P 5,862,500,010	P 4,592,867,070	P 70,984,578	( P 2,637,516,095 )	P 7,888,835,563
Total comprehensive income (loss) for the period		-	1,159,139,074	18,935,581	( 449,481,159 )	( 430,545,578 )
Recognition of conversion option		<u>-</u>	<u>1,159,139,074</u>	<u>-</u>	<u>-</u>	<u>1,159,139,074</u>
Balance at June 30, 2022 (Unaudited)		<b><u>P 5,862,500,010</u></b>	<b><u>P 5,752,006,144</u></b>	<b><u>P 89,920,159</u></b>	<b><u>( P 3,086,997,254 )</u></b>	<b><u>P 8,617,429,059</u></b>

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

**SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES**  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Notes	Unaudited June 30, 2023	Unaudited June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		( P 71,481,691 )	( P 448,697,815 )
Adjustments for:			
Foreign exchange loss - net		( 78,737,063 )	693,946,032
Depreciation	5, 11	1,792,038	580,918
Amortization of right of use asset		1,034,504	-
Finance costs	12	191,667	-
Finance income		( 7,994 )	( 8,434 )
Gain on termination of lease		-	( 134,153 )
Operating income (loss) before working capital changes		( 147,208,539 )	245,686,548
Increase in prepayments and other current assets		( 121,564,568 )	( 149,211,012 )
Decrease in accrued expenses and other payables		( 323,912,585 )	( 739,779,432 )
Decrease in due from related parties		-	19,739,247
Cash used in operations		( 592,685,692 )	( 623,564,649 )
Interest received		415,559	737,292
Cash paid for taxes		( 83,520 )	( 783,344 )
Net Cash Used in Operating Activities		( 592,353,653 )	( 623,610,701 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment - net		( 1,594,701,801 )	( 976,881,610 )
Additions to prepayments and deposits for property and equipment		( 165,437,704 )	( 77,221,564 )
Net Cash Used in Investing Activities		( 1,760,139,505 )	( 1,054,103,174 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from stock subscriptions		1,387,499,990	-
Proceeds from loan from a related party	7	337,560,000	-
Payment of financing cost		( 226,346,673 )	-
Finance cost	11	-	( 714,971,383 )
Net Cash From (Used in) Financing Activities		1,498,713,317	( 714,971,383 )
<b>NET DECREASE IN CASH</b>		( 853,779,841 )	( 2,392,685,258 )
<b>EFFECTS ON FOREIGN EXCHANGE RATE CHANGES</b>		( 36,951,016 )	36,111,617
<b>CASH AT BEGINNING OF THE PERIOD</b>		1,291,609,422	6,154,842,856
<b>CASH AT END OF THE PERIOD</b>		<b>P 400,878,565</b>	<b>P 3,798,269,215</b>

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

- 1) In 2023 and 2022, the Parent Company's capitalized borrowing costs arising specific borrowings as part of CIP from finance charges of convertible bonds, loan from related party, and lease liabilities amounting to P1.1 billion, net of P0.4 million interest income (see note Note 6).
- 2) The Parent Company has unpaid capitalized construction costs amounting to P2.0 billion as of June 30, 2023 (see Note 5).
- 3) The Parent Company has recognized ROUA and lease liabilities amounting to P6.5 million and P6.7 million, respectively.

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

## EXHIBIT 6

**SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES**  
*(Formerly Suntrust Home Developers, Inc.)*  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 31, 2023 AND 2022**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

### 1. CORPORATE INFORMATION

#### *1.1 Company Background*

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

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, Inc. (Westside), a related party under common ownership, to continue the latter's development, construction, operation and management of casino and related businesses. Subject to the completion of commitments from both sides, which were satisfied in December 2020, the Parent Company paid US\$200 million for the initial cost of construction of a 5-star hotel and casino complex (Main Hotel Casino). The payment has been initially treated as refundable deposit until the completion of commitments from both entities at which time the amount was allocated between construction in progress (CIP) and right-of-use asset (ROUA).

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune Noble) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune Noble became the parent company of Suntrust and its subsidiaries (the Group). Fortune Noble is incorporated in the British Virgin Islands (the "BVI") and is a subsidiary of LET Group Holdings Limited, formerly known as Suncity Group Holdings Limited, (the intermediate parent company or LET Group), a publicly listed company in Hong Kong. Major Success Group Limited (Major Success), a company incorporated in the BVI is the ultimate holding company of LET Group. Currently, Megaworld owns 34% of direct ownership interest.

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

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

## 1.2 *Subsidiaries*

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

### Explanatory Notes:

- (a) Incorporated in Hong Kong on January 20, 2020 to engage in provision of project management services.
- (b) Incorporated in Macau on February 17, 2020 to engage in provision of project management services.
- (c) Incorporated in the Philippines on January 4, 2021 to engage in the business of establishing, constructing, operating, managing, and/or maintaining hotels, health and wellness shops, cinema, car parks, entertainment centers, amusement centers and other tourism-related facilities and all its incidental and allied facilities and services, and to own (other than land), hold, lease or sublease any real and personal property, which may be necessary or convenient for the conduct of its businesses.

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

On September 6, 2021, the Parent Company's BOD approved the amendment to the Articles of Incorporation and By-Laws to change the Parent Company's corporate name to "Suntrust Resort Holdings, Inc.". On October 26, 2021, the Parent Company's shareholders approved the aforementioned amendments to the Parent's Articles of Incorporation and By-Laws. On June 8, 2022, the SEC has approved the aforementioned amendments to the Parent Company's Articles of Incorporation and By-Laws.

On April 17, 2023 and June 15, 2023, the BOD and Shareholders, respectively, approved the change in the Parent Company's principal office from 26th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City 1634 to 8/F Newport Entertainment & Commercial Centre, Newport Blvd., Newport Cyber tourism Zone, Pasay City 1309. As of report date, the change in the Parent Company's principal place of business is pending approval by SEC.

#### ***1.4 Status of Construction of Main Hotel Casino***

As at June 30, 2023, the construction of structural work up to Roof Level have been completed whereas the podium façade works are in progress. The major mechanical, electrical, and plumbing equipment has been delivered to construction site. Architectural builders works and finishes are in progress. Management aims to commence the operation of the Main Hotel Casino in Q4 2024.

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

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

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

These interim condensed consolidated financial statements for the six months ended June 30, 2023 and 2022 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2022.

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2022.

### 4. SEGMENT REPORTING

#### 4.1 Business Segments

The Group's only business segment is tourism-related-business which is the development and operation of the Main Hotel Casino. This is also the basis of the Group in reporting to its BOD for its strategic decision-making activities.

#### 4.2 Segment Assets and Liabilities

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

The business segment information of the Group as of and for the periods ended June 30, 2023 and 2022 are as follows:

	<u>Tourism- related Business</u>
<b><u>Period ended June 30, 2023 (Unaudited)</u></b>	
Finance income	P 7,994
Expenses	( 142,986,733)
Finance costs	( 191,667)
Foreign exchange gain	<u>71,688,715</u>
Loss before tax	71,481,691
Tax expense	( <u>83,520</u> )
<b>Net loss</b>	<b>(P <u>71,565,211</u>)</b>
<b><u>As at June 30, 2023 (Unaudited)</u></b>	
Segment assets	<b><u>P35,972,907,457</u></b>
Segment liabilities	<b><u>P 26,169,510,135</u></b>

	<u>Tourism- related Business</u>
<u>Period ended June 30, 2022 (Unaudited)</u>	
Finance income	P 8,434
Expenses	( 37,732,999)
Foreign exchange loss	( 410,973,250)
Loss before tax	( 448,697,815)
Tax expense	( 783,344)
Net loss	<u>(P 449,481,159)</u>
<u>As at December 31, 2022 (Audited)</u>	
Segment assets	<u>P 31,521,310,580</u>
Segment liabilities	<u>P 23,006,316,302</u>

## 5. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

	<u>June 30, 2023 (Unaudited)</u>	<u>December 31, 2022 (Audited)</u>
Current:		
Input value-added tax (VAT)	P 1,191,502,139	P 1,005,299,640
Prepaid loan origination costs	222,768,274	-
Prepaid insurance	60,860,716	130,649,770
Refundable deposits and other prepaid costs	<u>31,500,188</u>	<u>90,222</u>
	<u>1,506,631,317</u>	<u>1,136,039,632</u>
Non-current:		
Deposits for property and equipment	1,630,433,529	1,667,606,256
Other prepaid costs	-	26,437,151
	<u>1,630,433,529</u>	<u>1,694,043,407</u>
	<u>P 3,137,064,846</u>	<u>P 2,830,083,039</u>

## 6. PROPERTY AND EQUIPMENT

Details of property and equipment as at June 30, 2023 (Unaudited) and December 31, 2022 (Audited) are as follows:

	Office and Communication Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost:					
Balance at January 1, 2023	P 4,242,760	P -	P -	P15,292,440,822	P15,296,683,582
Additions during the period	<u>3,344,066</u>	<u>85,102</u>	<u>7,604,647</u>	<u>5,382,726,465</u>	<u>5,393,760,280</u>
Balance at June 30, 2023	<b><u>P 7,586,826</u></b>	<b><u>P 85,102</u></b>	<b><u>P 7,604,647</u></b>	<b><u>P20,675,167,287</u></b>	<b><u>P20,690,443,862</u></b>
Accumulated Depreciation:					
Balance at January 1, 2023	P 2,235,049	P -	P -	P -	P 2,235,049
Depreciation	<u>703,749</u>	<u>6,501</u>	<u>1,081,786</u>	<u>-</u>	<u>1,792,036</u>
Balance at June 30, 2023	<b><u>P 2,938,798</u></b>	<b><u>P 6,501</u></b>	<b><u>P 1,081,786</u></b>	<b><u>P -</u></b>	<b><u>P 4,027,085</u></b>
Net book values					
June 30, 2023 (Unaudited)	<b><u>P 4,648,028</u></b>	<b><u>P 78,601</u></b>	<b><u>P 6,522,861</u></b>	<b><u>P20,675,167,287</u></b>	<b><u>P20,686,416,777</u></b>
December 31, 2022 (Audited)	<u>P 2,007,711</u>	<u>P -</u>	<u>P -</u>	<u>P15,292,440,822</u>	<u>P15,294,448,533</u>

Total borrowing costs capitalized as CIP on June 30, 2023 and December 31, 2022 amounted to P1,113.5 million (net of P0.4 million interest income) and P2,174.7 million (net of P4.5 million interest income), respectively. Capitalization rates used in determining the amount of interest charges for capitalization of specific borrowings ranges from 5.5% to 14.0% in 2023 and 2022.

## 7. 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 (Fortune Noble - P7.3B CB). The convertible bonds were issued on December 30, 2020 and is convertible into 6,636,363,636 shares at the conversion price of P1.10 per share, subject to anti-dilutive adjustments.

On June 1, 2020, the Parent Company also entered into a subscription agreement with Summit Ascent Investments Limited (SA Investments) for the issuance of 6.0% convertible bonds at a total subscription price of P5,600.0 million (SA Investments – P5.6B CB). The convertible bonds were issued on December 30, 2020 and is convertible into 3,111,111,111 shares at the conversion price of P1.80 per share, subject to anti-dilutive adjustments.

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

On September 20, 2021, the Parent Company also entered into a subscription agreement with SA Investments for the issuance of 6.0% convertible bond at a total subscription price of P6,400.0 million (SA Investments - P6.4B CB). The convertible bond was issued on June 10, 2022 and is convertible into 3,878,787,878 shares at the conversion price of P1.65 per share (see Note 7). The convertible bond is payable up to 2025, which may subject to agreement by SA Investments, upon request of the Parent Company, be extended up to 2028.

The fair values at initial recognition and the carrying amounts of the financial liability components, calculated based on the fair value of the principal less any directly attributable transaction costs, at June 30, 2023 and December 31, 2022 are discussed in the succeeding page.

	<b>Fortune Noble - P7.3B CB</b>	<b>SA Investments - P5.6B CB</b>	<b>SA Investments - P6.4B CB</b>	<b>Total</b>
Face value of the bonds issued	P 7,300,000,000	P 5,600,000,000	P -	P 12,900,000,000
Bond issue costs	( 62,123,000)	( 47,656,000)	-	( 109,779,000)
Net proceeds	7,237,877,000	5,552,344,000	-	12,790,221,000
Amount classified as equity	( 2,931,095,999)	( 1,661,771,071)	-	( 4,592,867,070)
Carrying amount of liability				
at December 31, 2020 (Audited)	4,306,781,001	3,890,572,929	-	8,197,353,930
Amortized interest in 2021	<u>479,374,480</u>	<u>252,855,593</u>	-	<u>732,230,073</u>
Carrying amount of liability at December 31, 2021 (Audited)	<u><b>P 4,786,155,481</b></u>	<u><b>P 4,143,428,522</b></u>	<u><b>P -</b></u>	<u><b>P 8,929,584,003</b></u>
Balance as at January 1, 2022	<u>P 4,786,155,481</u>	<u>P 4,143,428,522</u>	<u>P -</u>	<u>P 8,929,584,003</u>
Face value of the bonds issued in 2022	-	-	6,400,000,000	6,400,000,000
Bond issue costs	-	-	( 54,464,000)	( 54,464,000)
Net proceeds	-	-	6,345,536,000	6,345,536,000
Amount classified as equity	-	-	( 1,159,139,074)	( 1,159,139,074)
Amortized interest in 2022	<u>532,732,172</u>	<u>291,126,417</u>	<u>175,659,568</u>	<u>999,518,157</u>
Carrying amount of liability at December 31, 2022 (Audited)	5,318,887,653	4,434,554,939	5,362,056,494	15,115,499,086
Amortized interest for the period	<u>288,206,185</u>	<u>155,775,137</u>	<u>182,907,587</u>	<u>626,888,909</u>
<b>Carrying amount of liability at     June 30, 2023 (Unaudited)</b>	<u><b>P 5,607,093,838</b></u>	<u><b>P 4,590,330,076</b></u>	<u><b>P 5,544,964,081</b></u>	<u><b>P 15,742,387,995</b></u>

For the period ended June 30, 2023, the Parent Company accrued P360.0 million interest related to SA Investments - P5.6B CB and SA Investments - P6.4B CB and included as part of Due to related parties in the interim condensed consolidated statement of financial position.

## 8. FINANCE COST

The details of finance costs for June 30, 2023 are shown below.

	<b>June 30, 2023 (Unaudited)</b>	June 30, 2022 (Unaudited)
Interest on:		
Convertible bonds payable	<b>P 626,888,909</b>	P 394,683,672
Coupon CBs	<b>360,000,000</b>	204,882,587
Lease liabilities	<b>122,771,168</b>	111,487,358
Interest on loan from related parties	<b>1,522,455</b>	259,667,284
Other borrowing costs	<u><b>2,509,650</b></u>	<u>19,301,915</u>
	<b>1,113,692,182</b>	990,022,816
Less: Capitalized interest	<u><b>( 1,113,500,515)</b></u>	<u>( 990,022,816)</u>
	<u><b>P 191,667</b></u>	<u>P -</u>

## 9. RELATED PARTY TRANSACTIONS

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

	Amount of Transactions		Receivable (Payable)	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Stockholders:</b>				
Issuance of convertible bonds	P -	P -	(P 5,607,093,838)	(P 5,318,887,653)
Shareholder's interest	-	-	( 93,706,314)	( 93,706,314)
Interest on convertible bonds	288,206,185	259,339,866	-	-
Payment Subscription of shares	1,387,499,990	-	-	1,387,499,990
<b>Related Parties Under Common Ownership:</b>				
Issuance of convertible bonds	-	6,400,000,000	( 10,135,294,157)	( 9,796,611,433)
Loan from a related party	332,172,000	6,353,400,000	( 332,172,000)	-
Interest on convertible bonds	698,682,724	340,226,393	( 976,533,334)	( 616,533,334)
Interest on loan from a related party	1,522,455	259,667,284	( 1,522,455)	-
Payment of interest on convertible bonds	-	336,000,000	-	-
Transfer of assets	-	19,739,247	-	-
<b>Key Management Personnel:</b>				
Compensation	31,018,089	20,236,365	-	-

Unless other stated, the outstanding balance of the Group's transactions with its related parties are unsecured, non-interest-bearing and payable or collectible on demand.

On May 25, 2023, Major Success and the Parent Company entered into a Loan Agreement amounting USD6.0 million to fund for the construction and development of Main Hotel Casino to be erected and located at Entertainment City, Manila.

## 10. LOSS PER SHARE

Loss per share amounts were computed as follows:

	Period ended June 30, 2023 (Unaudited)	Period ended June 30, 2022 (Unaudited)
Net loss	(P 71,565,211)	(P 449,481,159)
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>7,250,000,000</u>
Basic and diluted loss per share	(P <u>0.0099</u> )	(P <u>0.0620</u> )

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

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.

## 11. EQUITY

### 11.1 Capital Stock

The details of the Parent Company's capital stock as of June 30, 2023 and December 31, 2022 are as follows:

	<u>June 30, 2023</u> <u>(Unaudited)</u>		<u>December 31, 2022</u> <u>(Audited)</u>
Capital stock	<b>P 7,250,000,000</b>	P	5,862,500,010
Convertible bonds equity reserve	<b>5,752,006,144</b>		5,752,006,144
Exchange reserve	<b>67,524,521</b>		95,056,256
Deficit	<b>( 3,266,133,343)</b>	(	<u>3,194,568,132)</u>
	<b><u>P 9,803,397,322</u></b>	P	<u>8,514,994,278</u>

On April 26, 2023, the Parent Company received full payment of its subscription receivables from its shareholders amounting to P1,387.5 million.

### 11.2 Status of Operation

The Group incurred net losses from its operations in prior years which resulted in a deficit of P3,266.1 million and P3,194.6 million as of June 30, 2023 and December 31, 2022, respectively. Management believes that this does not raise material uncertainty related to going concern as the Group expects to generate revenues in the foreseeable future upon completion of its Main Hotel Casino.

## 12. COMMITMENTS AND CONTINGENCIES

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

In 2019, the Parent Company entered into a CDA with a related party under common ownership, with respect to the development of a hotel and casino. Under this agreement, the Parent Company is to raise funds of not less than USD300.0 million within 5 months (as further extended to December 31, 2020 by five supplemental agreements to the CDA), USD200.0 million (P9,853.7 million) of which is payment for the initial cost of the project. As of December 31, 2020, the Parent Company was able to raise the funds as required. The USD200.0 million initial cost of the construction of Main Hotel Casino has been fully paid and was allocated to ROUA and CIP in the amounts of P8,811.0 million and P1,042.7 million, respectively.

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.

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 USD10.6 million which is payable starting from the latter of the first day of commencement of the operation of the Main Hotel Casino and the fulfilment of the conditions precedent or such other dates as may mutually agreed upon by both parties. Management estimated that the operation shall commence in 2024.

The carrying amount of Group's ROUA as at June 30, 2023 and December 31, 2022 and movements during the periods are shown below.

	<b>Period ended June 30, 2023 (Unaudited)</b>	<b>Year ended December 31, 2022 (Audited)</b>
Balance at beginning of period/year	<b>P 12,105,169,586</b>	P 13,681,077,372
Depreciation capitalized as construction in progress	<b>( 363,155,088)</b>	( 726,310,175)
Additions for the period	<b>7,567,274</b>	-
Amortization of ROUA	<b>( 1,034,504)</b>	-
Remeasurement for the year	-	( 825,199,087)
Lease terminated for the year	-	( 24,398,524)
	<b><u>P 11,748,547,269</u></b>	<b><u>P 12,105,169,586</u></b>

The carrying amount of Group's Lease liabilities as at June 30, 2023 and December 31, 2022 and movements during the periods are shown below.

	<b>Period ended June 30, 2023 (Unaudited)</b>	<b>Year ended December 31, 2022 (Audited)</b>
Balance at beginning of period/year	<b>P 6,150,461,454</b>	P 6,195,503,842
Exchange difference	<b>( 82,885,031)</b>	569,015,087
Interest during the period/year	<b>122,771,168</b>	235,410,607
Additions for the period	<b>6,498,525</b>	-
Remeasurement for the year	-	( 825,199,087)
Lease terminated for the year	-	( 24,268,995)
	<b><u>P 6,196,846,116</u></b>	<b><u>P 6,150,461,454</u></b>

	<b>Period ended June 30, 2023 (Unaudited)</b>	<b>Year ended December 31, 2022 (Audited)</b>
Current	<b>P 2,613,266</b>	P -
Non-current	<b><u>6,194,232,850</u></b>	<u>6,150,461,454</u>
	<b><u>P 6,196,846,116</u></b>	<b><u>P 6,150,461,454</u></b>

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

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

### 12.3 Capital Commitments

As of June 30, 2023, the Group has commitments of about P17,060.2 million (December 31, 2022 - P28,955.0 million) for the construction of the Main Hotel Casino.

### 12.4 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 interim condensed 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 interim condensed consolidated financial statements.

## 13. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

### 13.1 Foreign Currency Risk

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

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

Foreign currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate as of June 30, 2023, are as follows:

	<u>US\$</u>	<u>Php Equivalent</u>	<u>HKD</u>	<u>Php Equivalent</u>
Financial assets	\$ 4,961,154	P 274,659,436	\$ 585,835	P 4,137,811
Financial liabilities	( 116,698,039)	( 6,460,636,844)	-	-
	<u>(\$ 111,736,885)</u>	<u>(P 6,185,977,408)</u>	<u>\$ 586,293</u>	<u>P 4,137,811</u>

The sensitivity of the loss before tax for the period with regard to the Group's financial assets and the USD - Philippine peso exchange rate assumes a +/- 12.35% change in exchange rate while the HKD - Philippine peso exchange rate assumes a +/- 16.00% change for the period ended June 30, 2023. These percentages have been determined based on the average market volatility in exchange rates in the previous year, respectively, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the USD, with all other variables held constant, consolidated loss before tax would have decreased by P572.9 million. If the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated income before tax would have increased by P0.5 million.

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

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

### **13.2 Interest Rate Risk**

As at June 30, 2023 and December 31, 2022, the Group is exposed to changes in market interest rates through its cash which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are non-interest bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's consolidated financial statements since the interest rates have shown insignificant changes during the years.

### **13.3 Credit Risk**

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

The credit risk for cash and refundable deposits are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### **13.4 Liquidity Risk**

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

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

The table in the next page summarizes the maturity profile of the Group's financial liabilities as at June 30, 2023 and December 31, 2022 reflecting the gross cash flows, which may differ from the carrying values of the liabilities at the end of reporting periods.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 19 Years
<b>June 30, 2023 (Unaudited)</b>			
Trade and other payables	P 2,294,991,436	P -	P 531,350,485
Due to related parties	1,070,239,648	-	1,522,455
Loan from a related party	-	-	332,172,000
Convertible bonds payable	-	-	20,886,666,667
	<b>P 3,365,231,084</b>	<b>P -</b>	<b>P 21,751,711,607</b>
<b>December 31, 2022 (Audited)</b>			
Trade and other payables	P 533,461,782	P -	P 421,175,899
Due to related parties	710,239,648	-	-
Convertible bonds payable	-	-	21,246,666,666
	<b>P 1,243,701,430</b>	<b>P -</b>	<b>P 21,667,842,565</b>

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

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

### 14.1 Carrying Amounts and Fair Values by Category

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

	June 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash	P 400,878,565	P 400,878,565	P 1,291,609,422	P 1,291,609,422
Refundable deposits	31,500,188	31,500,188	90,222	90,222
	<b>P 432,378,753</b>	<b>P 432,378,753</b>	<b>P 1,291,699,644</b>	<b>P 1,291,699,644</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables	P 2,294,991,436	P 2,294,991,436	P 608,940,215	P 608,940,215
Due to related parties	1,071,762,103	1,071,762,103	710,239,648	710,239,648
Lease liabilities	6,196,846,116	6,196,846,116	6,150,461,454	6,150,461,454
Loan from a related party	332,172,000	332,172,000	-	-
Convertible bonds payable	15,742,387,995	19,409,147,706	15,115,499,086	19,409,147,706
	<b>P 25,638,159,650</b>	<b>P 29,304,919,361</b>	<b>P 22,585,140,403</b>	<b>P 26,878,789,023</b>

### 14.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments as of June 30, 2023 and December 31, 2022. 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 9 can be potentially offset to the extent of their corresponding outstanding balances.

## 15. FAIR VALUE MEASUREMENT AND DISCLOSURE

### *15.1 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.

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

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

The fair values of the financial assets and financial liabilities included in Level 3 above, which are not traded in an active market, is determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. There were no transfers into or out of Level 3 fair value hierarchy as of June 30, 2023 and December 31, 2022.

### *15.3 Financial Instruments at Initial Recognition - Convertible Bonds*

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

## 16. 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 interim condensed 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.

## 17. EVENTS AFTER BALANCE SHEET DATE

### *17.1 Omnibus Loan and Security Agreement*

On June 8, 2023, the Parent Company entered into a non-syndicated Omnibus Loan and Security Agreement, which was later amended on July 26, 2023, consisting of a Loan Facility Agreement, a Mortgage Agreement, a Security Agreement, a Suretyship Agreement, and a Project Accounts Agreement, with Fortune Noble, SA Investments, and China Banking Corporation (China Bank), among others (the "Omnibus Loan and Security Agreement"). Under the Omnibus Loan and Security Agreement, an interest-bearing secured senior loan facility of up to P25.0 billion was made available by China Bank to the Parent Company (the "Loan Facility"), subject to the satisfaction of certain conditions, the proceeds of which shall be used to partially finance the costs for the design, development, and construction of the Main Hotel Casino.

As of report date, the Parent Company had drawn P2.0 billion from the Loan Facility.

### *17.2 Supplemental Deed Poll with Fortune Noble Limited*

On July 26, 2023, the original Fortune Noble deed poll was supplemented to align its terms with the Omnibus Loan and Security Agreement, to wit:

- i. The conversion right in favor of Fortune Noble shall not be exercised for as long as the loans under the Loan Facility remain outstanding, except when the written consent of China Bank is secured or at least seventy-five percent (75%) of the outstanding loans under the Loan Facility have been repaid;
- ii. Subordination of the payment of the loan under the Fortune Noble - P7.3B CB to the payment of the loans under the Omnibus Loan and Security Agreement;
- iii. Undertaking not to dispose nor create any lien or encumbrance on the bonds until the loans under the Loan Facility are fully paid, except when expressly allowed under the Omnibus Loan and Security Agreement; and
- iv. Undertaking on the part of Fortune Noble to extend the maturity of the Fortune Noble - P7.3B CB to 2030, as allowed thereunder.

**17.3 Conditional Supplements to the Deed Polls dated December 30, 2020 and June 10, 2022 with SA Investments**

On July 26, 2023, the Parent Company and SA Investments entered into the Conditional Supplements to the Deed Polls dated December 30, 2020 and June 10, 2022. The Conditional Supplements to the Deed Polls will only become effective upon approval by the Hong Kong Stock Exchange and the independent shareholders of Summit Ascent Holdings Limited (SA Holdings) of the changes to the SA Investments - P5.6B CB and SA Investments - P6.4B CB (the "SA Investments Convertible Bonds").

Below are the material changes to the SA Investments Convertible Bonds:

- i. The conversion right in favor of SA Investments shall not be exercised for as long as the loans under the Loan Facility remain outstanding, except when the written consent of China Banking Corporation is secured or at least seventy-five percent (75%) of the outstanding loans under the Loan Facility have been repaid; and
- ii. Subordination of the payment of the loans under the SA Investments Convertible Bonds to the payment of the loans under the Omnibus Loan and Security Agreement.

**17.4 2023 Subscription Agreement with SA Investments**

On July 26, 2023, the Parent Company and SA Investments entered into the 2023 Subscription Agreement pursuant to which the Parent Company agreed to issue and SA Investments conditionally agreed to subscribe for the 2023 SA Investments Convertible Bond in the aggregate subscription price equivalent to P13,511,100,000 (the "CB Subscription Price). The CB Subscription Price of the 2023 SA Investments Convertible Bond pertains to the aggregate of the outstanding amounts, inclusive of principal and accrued interest, of the SA Investments Convertible Bonds.

The 2023 SA Investments Convertible Bond shall be issued upon the satisfaction or waiver of certain conditions precedent on or before April 30, 2024 such as obtaining regulatory approvals for the issuance of the 2023 SA Investments Convertible Bond, securing shareholder approval, the set-off, and other transactions contemplated therein, and obtaining approval for the interest waiver, among others. If any of the conditions precedent is not satisfied or (as the case may be) not waived by SA Investments on or before the April 30, 2024, the 2023 Subscription Agreement shall be terminated and the parties to the same shall be released and discharged from their respective obligations therein. Otherwise, the 2023 Subscription Agreement and 2023 SA Investments Convertible Bond shall supersede subscription agreements entered into by the Company with SA Investments in 2021 and 2020 and the SA Investments Convertible Bonds.

Upon issuance of the 2023 SA Investments Convertible Bond, the CB Subscription Price will be applied by the Parent Company to redeem the SA Investments Convertible Bonds by way of setting off the amount due by the Parent Company to SA Investments in full or in part. Any shortfall shall be paid by the Parent Company in cash to SA Investments. The Parent Company and SA Investments will execute a set-off deed for that purpose. The Parent Company will apply for the necessary SEC approval or confirmation of exempt transaction for the 2023 SA Investment Convertible Bond

**17.5 Conditional Loan Agreement with SA Investments**

On July 26, 2023, SA Investments entered into a loan agreement with the Parent Company, pursuant to which SA Investments conditionally agreed to extend a USD20.0 million loan to the Parent Company payable within ten (10) years from drawdown unless extended by SA Investments or it is shortened due to the happening of an event of default.

The loan shall be subject to interest at the rate of six percent (6%) per annum. The extension of the loan is subject to approval by the independent shareholders of SA Holdings. The loan shall be subordinated to the loans under the Omnibus Loan and Security Agreement.

The loan proceeds will be used to maintain the Construction Reserve Account required under the Omnibus Loan and Security Agreement

**17.6 Loan Agreement with LET Group**

On July 27, 2023, LET Group entered into a loan agreement with the Parent Company, pursuant to which the LET Group conditionally agreed to extend a USD5.0 million loan to the Parent Company payable within ten (10) years from drawdown unless extended by the LET Group or it is shortened due to the happening of an event of default.

The loan shall be subject to interest at the rate of five and 50/100 percent (5.50%) per annum. The loan shall be subordinated to the loans under the Omnibus Loan and Security Agreement.

The loan proceeds will be used to partially fund the costs for the design, development, and construction of the Main Hotel Casino.

## EXHIBIT 7

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

#### RESULTS OF OPERATIONS

##### Review of June 30, 2023 versus June 30, 2022

On January 4, 2021, the SEC approved the incorporation of Suncity WC Hotel Inc. (WC Hotel), a new wholly owned subsidiary in the Philippines. The subsidiary will be engaged in the business of establishing, constructing, operating, managing, and/or maintaining hotels, health and wellness shops, cinema, car parks, entertainment centers, amusement centers and other tourism-related facilities and all its incidental and allied facilities and services, and to own (other than land), hold, lease or sublease any real and personal property, which may be necessary or convenient for the conduct of its businesses. As of June 30, 2023, WC Hotel is still in pre-operating stage and has not commenced commercial operations.

Below are the major changes on the Group's results of operation:

Operating expenses exhibited an increase of Php105.26 million or 278.94% from Php37.73 million in 2022 to Php142.99 million in 2023 of the same period.

Interest expense during the current period is Php0.19 million while interest expense is nil in 2022 of the same period.

Foreign exchange loss in 2022 amounted to Php410.97 million while foreign exchange gain is Php71.69 million in 2023 of the same period.

The Group's net loss exhibited a decrease of Php377.92 million or 84.08% from Php449.48 million in 2022 to Php71.57 million in 2023 of the same period.

## FINANCIAL CONDITION

### As of June 30, 2023 and December 31, 2022

The Group's total resources amounted to Php35,972.91 million in 2023 from Php31,521.31 million in 2022. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets decreased by Php520.14 million or 21.43% from Php2,427.65 million in 2022 to Php1,907.51 million in 2023. Cash decreased by Php890.73 million or 68.96% from Php1,291.61 million in 2022 to Php400.88 million in 2023. Prepayments and other current assets increased by Php370.59 million or 32.62% from Php1,136.04 million in 2022 to Php1,506.63 million in 2023.

Non-current assets increased by Php4,971.74 million or 17.09% from Php29,093.66 million in 2022 to Php34,065.40 million in 2023. Prepayments and deposits for property and equipment decreased by Php63.61 million or 3.75% from Php1,694.04 in 2022 to Php1,630.43 in 2023. Property and equipment increased by Php5,391.97 million or 35.25% from Php15,294.45 million in 2022 to Php20,686.42 million in 2023. Right-of-use assets decreased by Php356.62 million or 2.95% from Php12,105.17 million in 2022 to Php11,748.55 million in 2023.

The Group's total liabilities amounted to Php26,169.51 million in 2023 from Php23,006.32 million in 2022 or an increase of Php3,163.19 million or 13.75%.

Current liabilities increased by Php2,050.19 million or 155.41% from Php1,319.18 million in 2022 to Php3,369.37 million in 2023. Trade and other payables exhibited an increase of Php1,686.05 million or 276.88% from Php608.94 million in 2022 to Php2,294.99 million in 2023. Due to related parties increased by Php361.52 million or 50.90% from Php710.24 million in 2022 to Php1,071.76 million in 2023.

Convertible bonds payable increased by Php626.89 million or 4.15% from Php15,115.50 million in 2022 to Php15,742.39 million in 2023. Lease liability exhibited an increase of Php46.39 million or 0.75% from Php6,150.46 million in 2022 to Php6,196.85 million in 2023. Loan from a related party increased to Php332.17 million. Other Payables exhibited an increase of Php110.17 million or 26.16% from Php421.18 million in 2022 to Php531.35 million in 2023.

Equity increased by Php1,288.41 million or 15.13% from Php8,514.99 million in 2022 to Php9,803.40 million in 2023.

**Material Changes in the Financial Statements Items:**  
***Increase/Decrease of 5% or more versus December 31, 2022***

**Statements of Financial Position**

*68.96% decrease in cash*

Due to payment of operating expenses and construction costs in relation to the construction of the Main Hotel Casino.

*32.62% increase in prepayments and other current assets*

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

*35.25% increase in property and equipment*

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

*276.88% increase in trade and other payables*

Due to an increase in unpaid construction related invoices as of June 30, 2023.

*50.90% increase in due to related parties*

Due mainly to the accrued interest from a loan availed from a related party and convertible bonds.

*100% increase in loan from a related party*

Due to a new loan from ultimate parent company.

*26.16% increase in other payables*

Due to additional retention payable from billings in relation to the construction of the Main Hotel Casino.

***Increase/Decrease of 5% or more versus June 30, 2022***

**Statements of Income**

*117.44% increase in foreign exchange loss*

Mainly due to translation adjustment to foreign denominated financial liabilities such as loan from a related party, lease liability and due to related parties.

*278.98% increase in operating expenses*

Due to increase of employee headcount and office expenses during the period.

*89.34% decrease in tax expense*

This was a result of a decrease in interest income earned on cash balance.

## KEY PERFORMANCE INDICATORS

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

	June 30, 2023	December 31, 2022
Current Ratio *1	0.57 : 1.00	1.84 : 1.00
Quick Ratio *2	0.12 : 1.00	0.98 : 1.00
Debt to Equity Ratio *3	2.67 : 1.00	2.70 : 1.00

	June 30, 2023	June 30, 2022
Return on Assets *4	-0.00%	-1.47%
Return on Equity *5	-0.01%	-5.45%

\*1 – *Current Assets / Current Liabilities*

\*2 – *Cash / Current Liabilities*

\*3 – *Total Liabilities / Equity*

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

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

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

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

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has material commitments for capital expenditures amounting to approximately Php17,060.2 million as of June 30, 2023 in relation to the construction of the Main Hotel Casino.

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

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

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

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

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

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



**EXHIBIT 9****SUNTRUST RESORT HOLDINGS, INC. AND SUBSIDIARIES**  
**ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**June 30, 2023 and December 31, 2022**

<b>Ratio</b>	<b>Formula</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Current ratio	Current assets / Current liabilities	<b>0.57</b>	<b>1.84</b>
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	<b>0.12</b>	<b>0.98</b>
Solvency ratio	Total assets / Total liabilities	<b>1.37</b>	<b>0.73</b>
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	<b>2.67</b>	<b>2.70</b>
Asset-to-equity ratio	Total assets / Total stockholders' equity	<b>3.67</b>	<b>3.70</b>
Interest rate coverage ratio	EBIT / Total interest	<b>n/a</b>	<b>n/a</b>
Return on equity	Net loss / Average total equity	<b>-0.01</b>	<b>-6.79</b>
Return on assets	Net loss / Average total assets	<b>0.00</b>	<b>-1.79</b>
Net profit margin	Net loss / Total revenues	<b>-</b>	<b>-</b>