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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 September 2023 (the “**3rd Quarterly Report**”) on the website of PSE on 15 November 2023. For details, please refer to the attached 3rd Quarterly Report.

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

Hong Kong, 15 November 2023

As at the date of this announcement, the Company’s executive Director is Mr. Lo Kai Bong (Chairman), and the Company’s 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

Month

3 1

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 September 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)

**26th Floor Alliance Global Tower, 36th Street corner 11th 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 |
|---------------------|--------------------------------------------------------------------------------|
| Common | 7,250,000,000 |

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:


NEOLINMAE L. KHO
Treasurer

Date: 14 November 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
SEPTEMBER 30, 2023
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

| A S S E T S | Notes | Unaudited September 30, 2023 | Audited December 31, 2022 |
|-----------------------------------------------------|-------|---------------------------------|--------------------------------|
| CURRENT ASSETS | | | |
| Cash | | P 3,030,314,856 | P 1,291,609,422 |
| Prepayments and other current assets | 5 | <u>1,516,776,233</u> | <u>1,136,039,632</u> |
| Total Current Assets | | <u>4,547,091,089</u> | <u>2,427,649,054</u> |
| NON-CURRENT ASSETS | | | |
| Prepayments and deposits for property and equipment | 5 | 2,531,262,079 | 1,694,043,407 |
| Property and equipment - net | 6 | 21,242,120,193 | 15,294,448,533 |
| Right-of-use assets - net | 13 | <u>11,566,316,448</u> | <u>12,105,169,586</u> |
| Total Non-current Assets | | <u>35,339,698,720</u> | <u>29,093,661,526</u> |
| TOTAL ASSETS | | P <u>39,886,789,809</u> | P <u>31,521,310,580</u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | P 1,300,727,012 | P 608,940,215 |
| Due to related parties | 10 | 1,259,474,924 | 710,239,648 |
| Lease liabilities | 13 | <u>6,117,884</u> | <u>-</u> |
| Total Current Liabilities | | <u>2,566,319,820</u> | <u>1,319,179,863</u> |
| NON-CURRENT LIABILITIES | | | |
| Convertible bonds payable | 8, 10 | 16,067,046,302 | 15,115,499,086 |
| Lease liabilities | 13 | 6,433,055,707 | 6,150,461,454 |
| Loans from related parties | 10 | 1,739,256,080 | - |
| Bank borrowings | 7 | 2,896,841,166 | - |
| Other payables | | <u>672,267,128</u> | <u>421,175,899</u> |
| Total Non-current Liabilities | | <u>27,808,466,383</u> | <u>21,687,136,439</u> |
| Total Liabilities | | <u>30,374,786,203</u> | <u>23,006,316,302</u> |
| EQUITY | 12 | <u>9,512,003,606</u> | <u>8,514,994,278</u> |
| TOTAL LIABILITIES AND EQUITY | | P <u>39,886,789,809</u> | P <u>31,521,310,580</u> |

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

EXHIBIT 2

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| <u>Notes</u> | 2023 Unaudited Jul 1 - Sep 30 | 2023 Unaudited Jan 1 - Sep 30 | 2022 Unaudited Jul 1 - Sep 30 | 2022 Unaudited Jan 1 - Sep 30 |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| COSTS AND EXPENSES | | | | |
| Foreign exchange loss | P 189,729,460 | P 118,040,745 | P 231,785,880 | P 642,759,130 |
| Operating expenses | 153,130,948 | 296,117,681 | 21,964,778 | 59,697,775 |
| Finance costs | 9 102,693 | 294,360 | - | - |
| Tax expense | <u>42,065</u> | <u>125,585</u> | <u>258,674</u> | <u>1,042,018</u> |
| | 343,005,166 | 414,578,371 | 254,009,332 | 703,498,923 |
| OTHER INCOME | | | | |
| Finance income | <u>88,279</u> | <u>96,273</u> | <u>3,562</u> | <u>11,996</u> |
| NET LOSS | (P 342,916,887) | (P 414,482,098) | (P 254,005,770) | (P 703,486,927) |
| Loss Per Share – | | | | |
| Basic and Diluted | 11 (P 0.0473) | (P 0.0572) | (P 0.0350) | (P 0.0970) |

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 COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| | 2023 Unaudited Jul 1 - Sep 30 | 2023 Unaudited Jan 1 - Sep 30 | 2022 Unaudited Jul 1 - Sep 30 | 2022 Unaudited Jan 1 - Sep 30 |
|------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| NET LOSS | (P 342,916,887) | (P 414,482,098) | (P 254,005,770) | (P 703,486,927) |
| OTHER COMPREHENSIVE LOSS | | | | |
| Item that will be reclassified subsequently to profit or loss | | | | |
| Exchange difference on translating foreign operations | <u>51,523,171</u> | <u>23,991,436</u> | <u>22,750,142</u> | <u>41,685,723</u> |
| TOTAL COMPREHENSIVE LOSS | (<u>P 291,393,716</u>) | (<u>P 390,490,662</u>) | (<u>P 231,255,628</u>) | (<u>P 661,801,204</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 NINE MONTHS ENDED SEPTEMBER 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) | 12 | 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 | | - | - | 23,991,436 | (414,482,098) | (390,490,662) |
| 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 September 30, 2023 (Unaudited) | | <u>P 7,250,000,000</u> | <u>P 5,752,006,144</u> | <u>P 119,047,692</u> | <u>(P 3,609,050,230)</u> | <u>P 9,512,003,606</u> |
| 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 loss for the period | | - | - | 41,685,723 | (703,486,927) | (661,801,204) |
| Recognition of conversion option | | <u>-</u> | <u>1,159,139,074</u> | <u>-</u> | <u>-</u> | <u>1,159,139,074</u> |
| Balance at September 30, 2022 (Unaudited) | | <u>P 5,862,500,010</u> | <u>P 5,752,006,144</u> | <u>P 112,670,301</u> | <u>(P 3,341,003,022)</u> | <u>P 8,386,173,433</u> |

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

EXHIBIT 5

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| | Notes | Unaudited September 30, 2023 | Unaudited September 30, 2022 |
|------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (P 414,356,513) | (P 702,444,909) |
| Adjustments for: | | | |
| Unrealized foreign exchange loss - net | | 115,153,373 | 763,701,817 |
| Depreciation and amortization | 6, 12 | 4,962,822 | 612,353 |
| Finance costs | 9 | 294,360 | - |
| Gain on termination of lease | | - | (134,153) |
| Operating income (loss) before working capital changes | | (293,945,958) | 61,735,108 |
| Decrease in due from related parties | | - | 19,739,247 |
| Increase in prepayments and other current assets | | (380,736,601) | (284,603,217) |
| Increase (decrease) in trade and other payables | | 644,766,675 | (498,742,883) |
| Cash used in operations | | (29,915,884) | (701,871,745) |
| Interest received | | 659,989 | 3,034,629 |
| Cash paid for taxes | | (125,585) | (1,042,018) |
| Net Cash Used in Operating Activities | | (29,381,480) | (699,879,134) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment - net | | (2,939,462,454) | (1,913,005,047) |
| Additions to prepayments and deposits for property and equipment | | (1,322,166,651) | (152,985,270) |
| Net Cash Used in Investing Activities | | (4,261,629,105) | (2,065,990,317) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bank borrowings | | 3,340,000,000 | - |
| Proceeds from loans from related parties | | 1,743,759,720 | - |
| Proceeds from stock subscriptions | 10 | 1,387,499,990 | - |
| Interest and borrowing costs paid | 7 | (456,023,114) | (714,971,383) |
| Net Cash From (Used in) Financing Activities | | 6,015,236,596 | (714,971,383) |
| NET INCREASE (DECREASE) IN CASH | | 1,724,226,011 | (3,480,840,834) |
| EFFECTS ON FOREIGN EXCHANGE RATE CHANGES | | 14,479,423 | 392,235,807 |
| CASH AT BEGINNING OF THE PERIOD | | 1,291,609,422 | 6,154,842,856 |
| CASH AT END OF THE PERIOD | | P 3,030,314,856 | P 3,066,237,829 |

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 NINE MONTHS ENDED SEPTEMBER 30, 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 Parent Company to focus on tourism-related businesses. This change was subsequently approved by the Philippine Securities and Exchange Commission (SEC) on June 17, 2020. Further amendments were made in 2021 to 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.

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 Fortune Noble Limited (Fortune Noble) acquired an aggregate of 3,697,500,000 shares of the Parent Company in 2019 representing 51% interest therein. 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; and (iii) property development in Japan.

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

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

1.2 Subsidiaries

| | <u>Explanatory Notes</u> | <u>Percentage of Ownership</u> |
|-----------------------------------------|------------------------------|------------------------------------|
| Subsidiaries: | | |
| 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 of principal office is pending filing and approval by SEC.

On September 25, 2023 and October 31, 2023, the BOD and Stockholders, respectively, approved the (a) increase of authorized capital stock from Php23,000,000,000 divided into 23,000,000,000 common shares at Php1.00 per share to Php28,000,000,000 divided into 28,000,000,000 common shares at Php1.00 per share (b) amendment of the Corporation's secondary purposes to include retail activities.

1.4 Status of Construction of Main Hotel Casino

As of September 30, 2023, the construction of structural work and tower façade up to Roof Level has been completed except for the middle portion of the skybridge. The major mechanical, electrical, and plumbing equipment has been delivered to the 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 nine months ended September 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

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.

5. PREPAYMENTS AND OTHER ASSETS

The composition of this account is as follows:

| | September 30, 2023 | December 31, 2022 |
|------------------------------------------------|-----------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Current: | | |
| Input value-added tax (VAT) | P 1,463,091,851 | P 1,005,299,640 |
| Prepaid insurance | 19,126,111 | 130,649,770 |
| Refundable deposits and other prepaid costs | <u>34,558,271</u> | <u>90,222</u> |
| | <u>1,516,776,233</u> | <u>1,136,039,632</u> |
| Non-current: | | |
| Deposits for property and equipment | 2,531,262,079 | 1,667,606,256 |
| Other prepaid costs | <u>-</u> | <u>26,437,151</u> |
| | <u>2,531,262,079</u> | <u>1,694,043,407</u> |
| | P 4,048,038,312 | P 2,830,083,039 |

6. PROPERTY AND EQUIPMENT

Details of property and equipment as at September 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>8,073,355</u> | <u>120,817</u> | <u>8,570,133</u> | <u>5,934,182,396</u> | <u>5,950,946,701</u> |
| Balance at September 30, 2023 | P 12,316,115 | P 120,817 | P 8,570,133 | P21,226,623,218 | P21,247,630,283 |

| | Office and Communication Equipment | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total |
|--------------------------------|------------------------------------------|---------------------------|---------------------------|-------------------------------|--------------------------------|
| Accumulated Depreciation: | | | | | |
| Balance at January 1, 2023 | P 2,235,049 | P - | P - | P - | P 2,235,049 |
| Depreciation | <u>1,498,264</u> | <u>15,578</u> | <u>1,761,199</u> | <u>-</u> | <u>3,275,041</u> |
| Balance at September 30, 2023 | <u>P 3,733,313</u> | <u>P 15,578</u> | <u>P 1,761,199</u> | <u>P -</u> | <u>P 5,510,090</u> |
| Net book values | | | | | |
| September 30, 2023 (Unaudited) | <u>P 8,582,802</u> | <u>P 105,239</u> | <u>P 6,808,934</u> | <u>P21,226,623,218</u> | <u>P 21,242,120,193</u> |
| 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 September 30, 2023 and December 31, 2022 amounted to P1,720.4 million (net of P0.7 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 range from 5.5% to 14.0% in 2023 and 2022.

7. BANK BORROWINGS

On June 8, 2023, the Parent Company entered into a non-syndicated Omnibus Loan and Security Agreement and subsequently 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 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 P8.74 billion of which P3.34 billion was drawn as of September 30, 2023 from the Loan Facility.

Total accrued interest as of September 30, 2023 and interest expense for the period ended September 30, 2023 amounts to P28.2 million and P33.7 million, respectively and is presented in Note 9.

8. CONVERTIBLE BONDS PAYABLE

On May 29, 2020, the Parent Company entered into a subscription agreement with Fortune Noble for the issuance of zero-coupon convertible bonds at a total subscription price of P7,300.0 million (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 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.

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. 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.

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. On September 13, 2023, the Conditional Supplements to the Deed Polls were approved by the independent shareholders of Summit Ascent Holdings Limited (SA Holdings) and amended 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.

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

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 September 30, 2023 and December 31, 2022 are discussed below:

| | Fortune Noble - P7.3B CB | SA Investments - P5.6B CB | SA Investments - P6.4B CB | Total |
|-----------------------------------|-----------------------------------------|------------------------------------------|------------------------------------------|------------------------|
| Face value of the bonds issued | P 7,300,000,000 | P 5,600,000,000 | P - | P12,900,000,000 |
| Bond issue costs | (62,123,000) | (47,656,000) | - | (109,779,000) |
| Net proceeds | 7,237,877,000 | 5,552,344,000 | - | 12,790,221,000 |
| Amount classified as equity | (2,931,095,999) | (1,661,771,071) | - | (4,592,867,070) |
| Carrying amount of liability | | | | |
| at December 31, 2020 (Audited) | 4,306,781,001 | 3,890,572,929 | - | 8,197,353,930 |
| Amortized interest in 2021 | 479,374,480 | 252,855,593 | - | 732,230,073 |
| Carrying amount of liability at | | | | |
| December 31, 2021 (Audited) | <u>P 4,786,155,481</u> | <u>P 4,143,428,522</u> | <u>P -</u> | <u>P 8,929,584,003</u> |
| Balance 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 | 532,732,172 | 291,126,417 | 175,659,568 | 999,518,157 |
| 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 | 438,113,652 | 242,422,468 | 271,011,096 | 951,547,216 |
| Carrying amount of liability at | | | | |
| September 30, 2023 (Unaudited) | <u>P 5,757,001,305</u> | <u>P 4,676,977,407</u> | <u>P 5,633,067,590</u> | <u>P16,067,046,302</u> |

As of September 30, 2023, the Parent Company accrued P1,156.5 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.

9. FINANCE COSTS

The details of finance costs for periods ended September 30 are shown below.

| | 2023 | 2022 |
|----------------------------|--------------------------|--------------------------|
| | (Unaudited) | (Unaudited) |
| Interest on: | | |
| Convertible bonds payable | P 951,547,216 | P 535,822,523 |
| Coupon CBs | 540,000,000 | 549,333,333 |
| Lease liabilities | 186,098,025 | 173,082,331 |
| Loans from related parties | 9,298,639 | 259,667,284 |
| Bank borrowings | 33,709,354 | - |
| Other borrowing costs | - | 19,301,915 |
| | <u>1,720,653,234</u> | <u>1,537,207,386</u> |
| Less: Capitalized interest | (<u>1,720,358,874</u>) | (<u>1,537,207,386</u>) |
| | P 294,360 | P - |

10. 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) | |
|------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
| Stockholders: | | | | |
| Issuance of convertible bonds | P - | P - | (P 5,757,001,305) | (P 5,318,887,653) |
| Shareholder's interest | - | - | (93,706,314) | (93,706,314) |
| Interest on convertible bonds | 438,113,652 | 394,232,816 | - | - |
| Payment subscription of shares | 1,387,499,990 | - | - | 1,387,499,990 |
| Related Parties | | | | |
| Ultimate Parent: | | | | |
| Loan | 339,402,478 | - | (339,402,478) | - |
| Interest on loan | 6,302,608 | - | (6,265,710) | - |
| Intermediate Parent: | | | | |
| Loan | 269,118,630 | - | (269,118,630) | - |
| Interest on loan | 505,349 | - | (501,256) | - |
| Under Common Ownership: | | | | |
| Issuance of convertible bonds | - | 6,400,000,000 | (10,310,044,997) | (9,796,611,433) |
| Loan | 1,130,734,972 | 6,353,400,000 | (1,130,734,972) | - |
| Interest on convertible bonds | 513,433,564 | 410,913,492 | (1,156,533,334) | (616,533,334) |
| Interest on loan | 2,490,682 | 259,667,284 | (2,468,310) | - |
| Payment of interest on convertible bonds | - | 336,000,000 | - | - |
| Transfer of assets | - | 19,739,247 | - | - |
| Key Management Personnel: | | | | |
| Compensation | 46,000,144 | 31,993,199 | - | - |

Unless otherwise 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 design, development and construction of Main Hotel Casino to be erected and located at Entertainment City, Manila. The loan shall be subject to 5.5% per annum and payable within 5 years from drawdown, extendible by another 5 years.

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. On September 13, 2023, a resolution approving the loan was duly passed by SA Holdings' independent shareholders. The loan proceeds will be used to maintain the Construction Reserve Account required under the Omnibus Loan and Security Agreement.

On July 27, 2023, LET Group entered into a loan agreement with the Parent Company, pursuant to which the LET Group agreed to extend a USD5.0 million loan to the Parent Company payable within ten (10) years from initial 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 proceeds will be used to partially fund the costs for the design, development, and construction of the Main Hotel Casino.

The above related party loans shall be subordinated to the bank borrowings under the Omnibus Loan and Security Agreement.

11. LOSS PER SHARE

Loss per share amounts were computed as follows:

| | Period ended September 30, 2023 (Unaudited) | Period ended September 30, 2022 (Unaudited) |
|-----------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|
| Net loss | (P 414,482,098) | (P 703,486,927) |
| Divided by the weighted average number of outstanding shares | <u>7,250,000,000</u> | <u>7,250,000,000</u> |
| Basic and diluted loss per share | <u>(P 0.0572)</u> | <u>(P 0.0970)</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.

12. EQUITY

12.1 Capital Stock

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

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|----------------------------------|-------------------------------------------------|---------------------------------------|
| Capital stock | P 7,250,000,000 | P 5,862,500,010 |
| Convertible bonds equity reserve | 5,752,006,144 | 5,752,006,144 |
| Exchange reserve | 119,047,692 | 95,056,256 |
| Deficit | (3,609,050,230) | (3,194,568,132) |
| | <u>P 9,512,003,606</u> | <u>P 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.

12.2 Status of Operation

The Group incurred net losses from its operations in prior years which resulted in a deficit of P3,609.1 million and P3,194.6 million as of September 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.

13. COMMITMENTS AND CONTINGENCIES

13.1 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.

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 September 30, 2023 and December 31, 2022 and movements during the periods are shown below.

| | Period ended September 30, 2023 (Unaudited) | Year ended December 31, 2022 (Audited) |
|---------------------------------------------------------|------------------------------------------------------------|----------------------------------------------|
| Balance at beginning of period/year | P 12,105,169,586 | P 13,681,077,372 |
| Amortization capitalized as construction in progress | (544,732,631) | (726,310,175) |
| Additions for the period | 7,567,274 | - |
| Amortization for the period | (1,687,781) | - |
| Remeasurement for the year | - | (825,199,087) |
| Lease terminated for the year | - | (24,398,524) |
| | <u>P 11,566,316,448</u> | <u>P 12,105,169,586</u> |

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

| | Period ended September 30, 2023 (Unaudited) | Year ended December 31, 2022 (Audited) |
|-------------------------------------|------------------------------------------------------------|----------------------------------------------|
| Balance at beginning of period/year | P 6,150,461,454 | P 6,195,503,842 |
| Exchange difference | 96,790,588 | 569,015,087 |
| Interest during the period/year | 186,098,025 | 235,410,607 |
| Additions for the period | 5,823,524 | - |
| Remeasurement for the year | - | (825,199,087) |
| Lease terminated for the year | - | (24,268,995) |
| | <u>P 6,439,173,591</u> | <u>P 6,150,461,454</u> |
| Current | P 6,117,884 | P - |
| Non-current | <u>6,433,055,707</u> | <u>6,150,461,454</u> |
| | <u>P 6,439,173,591</u> | <u>P 6,150,461,454</u> |

13.2 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.

13.3 Capital Commitments

As of September 30, 2023, the Group has commitments of about P15,441.4 million (December 31, 2022 – P19,349.6 million) for the construction of the Main Hotel Casino.

13.4 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.

14. 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.

14.1 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 September 30, 2023, are as follows:

| | US\$ | Php Equivalent | HK\$ | Php Equivalent |
|-----------------------|-------------------------|--------------------------|-----------------------|-----------------------|
| Financial assets | \$ 24,241,199 | P 1,380,802,944 | \$ - | P - |
| Financial liabilities | (158,197,842) | (9,011,107,251) | (5,000,000) | (36,378,000) |
| | (\$ 133,956,643) | (P 7,630,304,307) | (\$ 5,000,000) | (P 36,378,000) |

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 September 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 P941.1 million. If the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated income before tax would have increased by P5.9 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.

14.2 Interest Rate Risk

As at September 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.

14.3 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 interest rate on bank borrowings are 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 is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Interest rate on bank borrowings is fixed for five (5) years subject to repricing.

14.4 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 nine 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 September 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 |
| September 30, 2023 (Unaudited) | | | |
| Trade and other payables | P 1,234,662,222 | P - | P 672,267,128 |
| Due to related parties | - | - | 1,259,474,924 |
| Loan from a related parties | - | - | 1,739,256,080 |
| Bank borrowings | - | - | 2,896,841,166 |
| Convertible bonds payable | - | - | 20,706,666,667 |
| | <u>P 1,234,662,222</u> | <u>P -</u> | <u>P27,274,505,965</u> |
| December 31, 2022 (Audited) | | | |
| 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 |
| | <u>P 1,243,701,430</u> | <u>P -</u> | <u>P 21,667,842,565</u> |

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.

15. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

15.1 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.

| | September 30, 2023 (Unaudited) | | December 31, 2022 (Audited) | |
|------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Financial assets at amortized cost: | | | | |
| Cash | P 3,030,314,856 | P 3,030,314,856 | P 1,291,609,422 | P 1,291,609,422 |
| Refundable deposits | 12,770,148 | 12,770,148 | 90,222 | 90,222 |
| | <u>P 3,043,085,004</u> | <u>P 3,043,085,004</u> | <u>P 1,291,699,644</u> | <u>P 1,291,699,644</u> |
| Financial Liabilities | | | | |
| Financial liabilities at amortized cost: | | | | |
| Trade and other payables | P 1,972,994,140 | P 1,972,994,140 | P 914,225,231 | P 914,225,231 |
| Due to related parties | 1,259,474,924 | 1,259,474,924 | 1,809,815,034 | 1,809,815,034 |
| Lease liabilities | 6,439,173,591 | 6,439,173,591 | 6,150,461,454 | 6,150,461,454 |
| Loans from related parties | 1,739,256,080 | 1,739,256,080 | - | - |
| Bank borrowings | 2,896,841,166 | 2,896,841,166 | - | - |
| Convertible bonds payable | 16,067,046,302 | 19,409,147,706 | 15,115,499,086 | 19,409,147,706 |
| | <u>P 30,374,786,203</u> | <u>P 33,716,887,607</u> | <u>P 23,990,000,805</u> | <u>P 28,283,649,425</u> |

15.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments as of September 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 stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 10 can be potentially offset to the extent of their corresponding outstanding balances.

16. FAIR VALUE MEASUREMENT AND DISCLOSURE

16.1 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.

16.2 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 September 30, 2023 and December 31, 2022.

16.3 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.

17. 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.

EXHIBIT 7

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Review of September 30, 2023 versus September 30, 2022

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

| | 2023 | 2022 | 2021 | 2023 vs 2022 | | 2022 vs 2021 | |
|--------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------|---------------------|-----------------|
| | | | | Increase (Decrease) | Inc. (Dec) % | Increase (Decrease) | Inc. (Dec) % |
| REVENUES AND INCOME | | | | | | | |
| Finance and other income | P 96,273 | P 11,996 | P 280,716 | P 84,277 | 702.54% | (P 268,720) | (95.73%) |
| Gain on sale of investment in an associate | - | - | 3,236,142 | - | 0.00% | (3,236,142) | (100.00%) |
| Equity in net earnings of an associate | - | - | (3,236,142) | - | 0.00% | - | - |
| | <u>96,273</u> | <u>11,996</u> | <u>280,716</u> | <u>84,277</u> | <u>702.54%</u> | <u>(268,720)</u> | <u>(95.73%)</u> |
| COSTS AND EXPENSES | | | | | | | |
| Foreign exchange loss - net | 118,040,745 | 642,759,130 | 410,347,884 | (524,718,385) | (81.64%) | 232,411,246 | 56.64% |
| Operating expenses | 296,117,681 | 59,697,775 | 82,370,638 | 236,419,906 | 396.03% | (22,672,863) | (27.53%) |
| Finance costs | 294,360 | - | 930,641 | 294,360 | 100.00% | (930,641) | (100.00%) |
| Tax expense | 125,585 | 1,042,018 | 24,648,064 | (916,433) | (87.95%) | (23,606,046) | (95.77%) |
| | <u>414,578,371</u> | <u>703,498,923</u> | <u>518,297,227</u> | <u>(288,920,552)</u> | <u>(41.07%)</u> | <u>185,201,696</u> | <u>35.73%</u> |
| NET LOSS | (P 414,482,098) | (P 703,486,927) | (P 518,016,511) | (P 289,004,829) | (41.08%) | 185,470,416 | 35.80% |

Operating expenses exhibited an increase of Php236.42 million or 396.03% from Php59.70 million in 2022 to Php296.12 million in 2023 of the same period.

Foreign exchange loss in 2022 amounted to Php642.76 million while foreign exchange loss is Php118.04 million in 2023 of the same period.

The Group's net loss exhibited a decrease of Php289.00 million or 41.08% from Php703.49 million in 2022 to Php414.48 million in 2023 of the same period.

FINANCIAL CONDITION

As of September 30, 2023 and December 31, 2022

| | September 30, 2023 | December 31, 2022 | Increase (Decrease) | Horizontal | Vertical |
|-----------------------------------------------------|-----------------------|-----------------------|----------------------|---------------|----------------|
| A S S E T S | | | | | |
| CURRENT ASSETS | | | | | |
| Cash | 3,030,314,856 | 1,291,609,422 | 1,738,705,434 | 134.62% | 7.60% |
| Prepayments and other current assets | 1,516,776,233 | 1,136,039,632 | 380,736,601 | 33.51% | 3.80% |
| Total Current Assets | 4,547,091,089 | 2,427,649,054 | 2,119,442,035 | 87.30% | 11.40% |
| NON-CURRENT ASSETS | | | | | |
| Prepayments and deposits for property and equipment | 2,531,262,079 | 1,694,043,407 | 837,218,672 | 49.42% | 6.35% |
| Property and equipment - net | 21,242,120,193 | 15,294,448,533 | 5,947,671,660 | 38.89% | 53.26% |
| Right-of-use asset - net | 11,566,316,448 | 12,105,169,586 | (538,853,138) | (4.45%) | 29.00% |
| Total Non-current Assets | 35,339,698,720 | 29,093,661,526 | 6,246,037,194 | 21.47% | 88.60% |
| TOTAL ASSETS | 39,886,789,809 | 31,521,310,580 | 8,365,479,229 | 26.54% | 100.00% |
| LIABILITIES AND EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 1,300,727,012 | 608,940,215 | 691,786,797 | 113.61% | 3.26% |
| Due to related parties | 1,259,474,924 | 710,239,648 | 549,235,276 | 77.33% | 3.16% |
| Lease liabilities | 6,117,884 | - | 6,117,884 | | 0.02% |
| Total Current Liabilities | 2,566,319,820 | 1,319,179,863 | 1,247,139,957 | 94.54% | 6.43% |
| NON-CURRENT LIABILITIES | | | | | |
| Convertible bonds payable | 16,067,046,302 | 15,115,499,086 | 951,547,216 | 6.30% | 40.28% |
| Lease liabilities | 6,433,055,707 | 6,150,461,454 | 282,594,253 | 4.59% | 16.13% |
| Loans from related parties | 1,739,256,080 | - | 1,739,256,080 | 100.00% | 4.36% |
| Bank borrowings | 2,896,841,166 | - | 2,896,841,166 | 100.00% | 7.26% |
| Other payables | 672,267,128 | 421,175,899 | 251,091,229 | 59.62% | 1.69% |
| Total Non-current Liabilities | 27,808,466,383 | 21,687,136,439 | 6,121,329,944 | 28.23% | 69.72% |
| Total Liabilities | 30,374,786,203 | 23,006,316,302 | 7,368,469,901 | 32.03% | 76.15% |
| EQUITY | | | | | |
| Total Equity | 9,512,003,606 | 8,514,994,278 | 997,009,328 | 11.71% | 23.85% |
| TOTAL LIABILITIES AND EQUITY | 39,886,789,809 | 31,521,310,580 | 8,365,479,229 | 26.54% | 100.00% |

The Group's total resources amounted to Php39,886.79 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 increased by Php2,119.44 million or 87.30% from Php2,427.65 million in 2022 to Php4,547.09 million in 2023. Cash increased by Php1,738.71 million or 134.62% from Php1,291.61 million in 2022 to Php3,030.31 million in 2023. Prepayments and other current assets increased by Php380.74 million or 33.51% from Php1,136.04 million in 2022 to Php1,516.78 million in 2023.

Non-current assets increased by Php6,246.04 million or 21.47% from Php29,093.66 million in 2022 to Php35,339.70 million in 2023. Prepayments and deposits for property and equipment increased by Php837.22 million or 49.42% from Php1,694.04 in 2022 to Php2,531.26 in 2023. Property and equipment increased by Php5,947.67 million or 38.89% from Php15,294.45 million in 2022 to Php21,242.12 million in 2023. Right-of-use assets decreased by Php538.85 million or 4.45% from Php12,105.17 million in 2022 to Php11,566.32 million in 2023.

The Group's total liabilities amounted to Php30,374.79 million in 2023 from Php23,006.32 million in 2022 or an increase of Php7,368.47 million or 32.03%.

Current liabilities increased by Php1,247.14 million or 94.54% from Php1,319.18 million in 2022 to Php2,566.32 million in 2023. Trade and other payables exhibited an increase of Php691.79 million or 113.61% from Php608.94 million in 2022 to Php1,300.73 million in 2023. Due to related parties increased by Php549.24 million or 77.33% from Php710.24 million in 2022 to Php1,259.47 million in 2023.

Convertible bonds payable increased by Php951.55 million or 6.30% from Php15,115.50 million in 2022 to Php16,067.05 million in 2023. Lease liability exhibited an increase of Php288.71 million or 4.69% from Php6,150.46 million in 2022 to Php6,439.17 million in 2023. Loans from related parties increased to Php1,739.26 million. Bank borrowings increased to Php2,896.84 million. Other payables exhibited an increase of Php251.09 million or 59.62% from Php421.18 million in 2022 to Php672.27 million in 2023.

Equity increased by Php997.01 million or 11.71% from Php8,514.99 million in 2022 to Php9,512.00 million in 2023.

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

Statements of Financial Position

134.62% increase in cash

Due mainly to receipt of loans from related parties and bank borrowings.

33.51% 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.

38.89% 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.

113.61% increase in trade and other payables

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

77.33% 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 loans from related parties

Due to new loans from ultimate parent company, intermediate parent company and a related party under common control.

100% increase in bank borrowings

Due to loan acquired from a local bank.

59.62% 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 September 30, 2022

Statements of Income

81.64% decrease 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.

396.03% increase in operating expenses

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

87.95% 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:

| | September 30, 2023 | December 31, 2022 |
|-------------------------|--------------------|-------------------|
| Current Ratio *1 | 1.77 : 1.00 | 1.84 : 1.00 |
| Quick Ratio *2 | 1.18 : 1.00 | 0.98 : 1.00 |
| Debt to Equity Ratio *3 | 3.19 : 1.00 | 2.70 : 1.00 |

| | September 30, 2023 | September 30, 2022 |
|---------------------|--------------------|--------------------|
| Return on Assets *4 | -0.01% | -2.28% |
| Return on Equity *5 | -0.05% | -8.64% |

**1 – Current Assets / Current Liabilities*

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

**3 – Total Liabilities / Equity*

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

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

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

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

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has material commitments for capital expenditures amounting to approximately Php15,441.4 million as of September 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
September 30, 2023 and December 31, 2022

| Ratio | Formula | September 30, 2023 | December 31, 2022 |
|------------------------------|----------------------------------------------------------------------------------------------------|---------------------------|--------------------------|
| Current ratio | Current assets / Current liabilities | 1.77 | 1.84 |
| Acid test ratio | Quick assets / Current liabilities (Quick assets include current assets less other current assets) | 1.18 | 0.98 |
| Solvency ratio | Total liabilities / Total assets | 0.76 | 0.73 |
| Debt-to-equity ratio | Total liabilities / Total stockholders' equity | 3.19 | 2.70 |
| Asset-to-equity ratio | Total assets / Total stockholders' equity | 4.19 | 3.70 |
| Interest rate coverage ratio | EBIT / Total interest | n/a | n/a |
| Return on equity | Net loss / Average total equity | -0.05 | -6.79 |
| Return on assets | Net loss / Average total assets | -0.01 | -1.79 |
| Net profit margin | Net loss / Total revenues | - | - |