

# COVER SHEET

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(Company's Full Name)

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

<b>Bernard Than Boon Teong</b>
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Contact Person

<b>(632) 7908-8000</b>
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

### Definitive Information Statement

FORM TYPE

<b>Second Friday of December</b>
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Month Day

Annual Meeting

N/A
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter:  
**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**
3. Province, country or other jurisdiction of incorporation or organization  
**METRO MANILA, PHILIPPINES**
4. SEC Identification Number: **CS200342649**
5. BIR Tax Identification Code: **246-099-058-000**
6. Address of principal office  
**10/F NEWPORT ENTERTAINMENT & COMMERCIAL CENTRE, NEWPORT BOULEVARD, NEWPORT  
CYBERTOURISM ECONOMIC ZONE, PASAY CITY, PHILIPPINES**  
  
Postal Code: **1309**
7. Registrant's telephone number, including area code: **(+632) 7908-8000**
8. Date, time and place of the meeting of security holders:  
**09 DECEMBER 2022, 9:00 A.M., VIA REMOTE COMMUNICATION**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **18 NOVEMBER 2022.**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b><u>Common</u></b>	<b><u>18,076,564,330</u></b>

10. Are any or all of registrant's securities listed in a Stock Exchange? **NO**

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**  
10/F Newport Entertainment & Commercial Centre, Newport Boulevard,  
Newport Cybertourism Economic Zone, Pasay City, Philippines  
Telephone Number: (+632) 7908-8000

### **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

TO ALL SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting ("ASM") of Travellers International Hotel Group, Inc. (the "Corporation") will be held on **09 December 2022 at 9:00 a.m.** The ASM will be conducted virtually and voting conducted in absentia through the link that may be accessed through the Corporation's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

As a safety precaution, the Presiding Officer shall call and preside over the ASM at the Corporation's principal office in Pasay City, while stockholders may attend the meeting and vote via remote communication only. The Corporation is in the process of finalizing the details of the online facilities and the procedures for the pre-registration of the stockholders of the Corporation. The Corporation will immediately provide the necessary information, disclosure, and notices as soon as the foregoing details are finalized.

The agenda of the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the previous Annual Stockholders' Meetings
4. Annual Management Report
5. Ratification of Acts and Resolutions of the Board of Directors, Board Committees, and Management
6. Appointment of External Auditor
7. Election of Directors for 2022 - 2023
8. Other Matters
9. Adjournment

The Board of Directors has fixed the close of business on 17 October 2022 as the record date for the determination of stockholders entitled to the notice of meeting, participate via remote communication, and vote in absentia at such meeting and any adjournment thereof.

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering via <https://travellers.com.ph/2022-annual-stockholders-meeting/> and submitting the supporting documents listed there until 29 November 2022. All information submitted shall be verified and validated by the Corporate Secretary.

We are not soliciting your proxy. If, however, you will appoint a proxy to represent you in the Annual Stockholders Meeting, you may submit a proxy form on or before 29 November 2022. Given the current circumstances, scanned forms will be accepted via e-mail at [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com). Paper copies shall be sent to the office of the Assistant Corporate Secretary at the 10th Floor, Newport Entertainment and Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City, Philippines. Validation of proxies shall be on Thursday, 1 December 2022.

Stockholders who successfully registered can cast their votes in absentia through the process prescribed under Item 18 of the Information Statement. In order to participate remotely, they will also be provided with access to the meeting that will be held virtually. The "Guidelines for Participation via Remote Communication and Voting in Absentia" as indicated in Item 18 of the Information Statement will be posted in the Corporation's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

For queries, please contact Atty. Walter L. Mactal at telephone number (+632) 7908-8000, or via e-mail to [walter.mactal@newportworldresorts.com](mailto:walter.mactal@newportworldresorts.com).

Pasay City, Philippines, 11 November 2022.

**RONALD MARK C. LLENO**  
*Corporate Secretary*

**ANNEX A**  
**Rationale for Agenda Items**

**Agenda Item 3: Approval of Minutes of previous Annual Stockholders' Meetings**

The minutes of the previous Annual Stockholders' Meetings were posted and made available for viewing by the stockholders on the Corporation's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>. These minutes are subject to stockholders' approval during this year's stockholders' meeting.

**Agenda Item 4: Annual Management Report**

The Corporation's performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements ("AFS") of the Corporation for the year ended 31 December 2021. The AFS, as audited by the external auditor, Punongbayan & Araullo which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Corporation. Any stockholder who wishes to receive a soft copy of the Annual Management Report may request from the Office of the Corporate Secretary via e-mail at [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com). The Annual Management Report is also posted on the Corporation's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

**Agenda Item 5: Ratification of Acts and Resolutions of the Board of Directors, Board Committees, and Management**

Actions and proceedings of the Board of Directors, the Board Committees, and the Management during their term or from the previous Annual Stockholders' Meetings to the date of this year's meeting will be subject to stockholders' ratification.

**Agenda Item 6: Appointment of External Auditor**

Upon recommendation of the Audit Committee, the Board approved and endorsed for stockholders' approval the appointment of Punongbayan & Araullo as external auditor for 2022. Punongbayan & Araullo is one of the top auditing firms in the country.

**Agenda Item 7: Election of Directors for 2022 - 2023**

Nominees for election as members of the Board of Directors for 2022-2023, including the independent directors, have been pre-qualified by the Nomination Committee. The Nominees' proven competence, expertise and qualifications based on current regulatory standards will help sustain the Corporation's solid performance for the benefit of all of its stockholders. The profiles of the nominees are presented in the Definitive Information Statement for reference. Directors for 2022-2023 will be elected during this year's stockholders' meeting.

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE NOT REQUESTED TO SEND US A PROXY**

**SAMPLE PROXY ONLY**

I/We hereby name and appoint \_\_\_\_\_, or in his/her absence, the Chairman of the meeting, as my/our proxy at the Annual Stockholders' Meeting ("ASM") of **TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.** (the "Company") on 09 December 2022 at 9:00 a.m., conducted virtually and voting conducted *in absentia* through the Company's secure online voting facility. The said appointment shall be valid for any postponement or adjournment of the abovementioned ASM of the Company, which appointment shall not exceed five (5) years from the date of execution hereof.

My/our proxy is directed to vote my shares on the particular items in the agenda of the ASM, which is indicated by an "X" on the appropriate box:

Item No.	Subject	Action		
		For	Against	Abstain
5	Election of Directors			
	1. Dr. Andrew L. Tan			
	2. Kevin Andrew L. Tan			
	3. Kingson U. Sian			
	4. Chua Ming Huat			
	5. Jose Alvaro D. Rubio			
	6. Jesus B. Varela (independent)			
	7. Enrique Soriano III (independent)			
15	Ratification of Acts of the Board of Directors, Board Committees and Officers			
17	Appointment of External Auditor			
17	Approval of the Minutes of the previous Annual Stockholders' Meetings			

<hr/> No. of Shares	<hr/> Name and Signature of Stockholder
	<hr/> Date and Place Signed

**Proxy Guidelines:**

- 1) The Office of the Corporate Secretary should receive this proxy on or before **5:00 p.m. of Tuesday, 29 November 2022.**
- 2) This proxy should be properly executed in the manner prescribed by the stockholder/s. If the stockholder/s fail/s to provide instructions, the proxy shall be voted electing all nominees to the Board of Directors and approving all matters stated in the abovementioned table.
- 3) The stockholder/s who issued a proxy may revoke it any time prior to the exercise of the right. The proxy is automatically revoked if the stockholder is personally present during the meeting and has expressed his/her intention to vote in person.
- 4) No notarization is needed to validate this proxy.
- 5) Stockholders which are partnerships, corporations, or associations should attach the necessary documents certifying that the proxies or representatives are the authorized signatories.

<b>PART I.</b>
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## **INFORMATION REQUIRED IN INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

#### **Item 1. Date, Time, and Place of Meeting of Security Holders**

The Annual Stockholders' Meeting ("ASM") of Travellers International Hotel Group, Inc. (the "Company") will be held on 09 December 2022, at 9:00 a.m., conducted virtually and voting conducted *in absentia* through the Company's secure online voting facility. Given the current circumstances, the Presiding Officer shall call and preside over the stockholders' meeting at the Company's principal office in Pasay City, while the meeting will be conducted virtually via remote communication.

The Company's principal office and mailing address is at the 10<sup>th</sup> Floor, Newport Entertainment and Commercial Centre, Newport Boulevard, Newport Cyber tourism Economic Zone, Pasay City, Philippines.

The Company has set 18 November 2022 (Friday) as the approximate date on which copies of this Information Statement will be published and made available to all the stockholders on record as of 17 October 2022 on the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

The Company is not soliciting proxies. We are not asking for a proxy. Neither are the stockholders required to send a proxy.

#### **Item 2. Dissenters' Right of Appraisal**

There are no matters to be acted upon or proposed corporate action in the agenda for the Annual Stockholders' Meeting that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines ("Revised Corporation Code").

Stockholders of the Company shall have appraisal right, or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 80 of Title X of the Revised Corporation Code, under any of the following circumstances:

- In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code;
- In case of merger or consolidation; and
- In case of investment of corporate funds for any purpose other than the primary purpose of the Company.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand to the Company for the payment of the fair value of shares held within 30 days from the date on which the vote was taken. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. Failure to make the demand within such 30-day period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the

stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within 60 days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within 30 days after such award is made; *Provided*, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; *Provided, further*, that upon payment by the Company of the agreed or awarded price, the dissenting stockholder shall forthwith transfer the shares to the Company.

The matters being submitted for approval by the stockholders at the ASM will not give rise to the dissenter's right of appraisal.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Company, or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.

No director or security holder has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the ASM.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

#### ***No. of Shares Outstanding***

As of 30 September 2022, the Company has a total of THIRTY BILLION SIX HUNDRED TWELVE MILLION SEVENTY-TWO THOUSAND TWO HUNDRED THIRTY-ONE (30,612,072,231) common and preferred shares outstanding.

#### ***Record Date***

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the ASM is 17 October 2022.

#### ***Manner of Voting***

Every stockholder shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Company. Voting by proxy shall be allowed, provided that the instrument authorizing a proxy shall be filed with the Corporate Secretary on or before 5:00 p.m. of Tuesday, 29 November 2022. The election must be by ballots in accordance with Section 6, Article I of the Amended By-Laws of the Company.

For the election of directors, stockholders entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of their shares shall equal, or distribute them on the same principle among as many candidates as they shall see fit.

#### ***Common Shareholders***

As of 30 September 2022, the 20 largest common shareholders of the Company, as reported in the amended General Information Sheet dated 19 October 2022, are as follows:

***2022 Definitive Information Statement  
Travellers International Hotel Group, Inc.***



<b>Rank</b>	<b>Stockholder</b>	<b>No. of Shares Held</b>	<b>% Total</b>
1	Adams Properties Inc.	11,873,083,333	38.786
2	Alliance Global Group, Inc.	10,148,370,724	33.152
3	Star Cruises Philippines Holdings B. V.	4,498,466,647	14.695
4	Asian Travellers Ltd.	1,784,034,000	5.828
5	Premium Travellers Ltd.	1,047,766,000	3.423
6	First Centro, Inc.	707,949,970	2.313
7	Megaworld Corporation	290,587,162	0.949
8	Megaworld Cebu Properties, Inc.	190,000,000	0.621
9	Deutsche Bank Ag Manila Obo UBS AG-SG A/C 12105824001	38,000,000	0.124
10	PCD Nominee Corp. (Non-Filipino)	13,430,284	0.044
11	Citibank N.A. Manila Obo AC 1100218234	4,749,500	0.016
12	PCD Nominee (Filipino)	3,270,880	0.011
13	Deutsche Bank Ag Manila Obo UBS AG-HK A/C 12105904001	2,813,700	0.009
14	Deutsche Bank Ag Manila Obo DB SING DCS A/C 12069864001	2,019,600	0.007
15	Registrar of the District Court of the Hong Kong Special Administrative Region	1,200,000	0.004
16	Chan Fun Chee Holdings Limited	1,000,000	0.003
17	Deutsche Bank Ag Manila Obo BNYM SA Non TTY A/C 12140004162	800,000	0.003
18	Sim Li Lian Vivian	585,400	0.002
19	Hooi Ban Hoe	548,500	0.002
20	Lie Kiem Lan	546,400	0.002

### **Foreign Ownership of Shares**

As of 30 September 2022, the foreign ownership levels of common and preferred shares in the Company are as follows:

<b>Issuer</b>	<b>Total Outstanding Shares</b>	<b>Shares Owned by Foreigners</b>	<b>% Owned by Foreigners</b>
<b>TOTAL</b>	<b>30,612,072,231</b>	<b>7,396,387,105</b>	<b>24.16</b>
Preferred B	12,535,507,901	1,666,666,667	13.30
Php 0.01 par value			
Common	18,076,564,330.00	5,729,720,438	31.70
Php 0.10 par value			

### **Security Ownership of Certain Record and Beneficial Owners and Management**

#### **(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% Voting Stock**

As of 30 September 2022, the security ownership of Holders of more than 5% of the Company's voting stock (common and Preferred B shares)<sup>1</sup> is set forth below:

<sup>1</sup> Common stockholders have the right to vote on all matters requiring stockholders' approval. Under the Company's Amended Articles of Incorporation dated 12 March 2014, Preferred B Shares are "redeemable, voting, and participating".

<b>Title</b>	<b>Name and Address of Record Owner and Relationship to Issuer</b>	<b>Name of Beneficial Owner and Relationship to Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% To Outstanding Voting Shares</b>
Common	<b>Adams Properties, Inc.</b> ("API") 20/F, IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City (stockholder)	API <sup>2</sup>	Filipino	3,539,750,000	38.79
Preferred B				8,333,333,333	
Common	<b>Alliance Global Group, Inc.</b> ("AGI") <sup>3</sup> 20/F, IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City (stockholder)	AGI <sup>4</sup>	Filipino	7,612,862,823	33.15
Preferred B				2,535,507,901	
Common	<b>Star Cruises Philippines Holdings B.V.</b> Strawinskyalaan, 3105 Atrium, 1077 Zx Amsterdam, The Netherlands (stockholder)	Star Cruises Philippines Holdings B.V. <sup>5</sup>	Netherlands	2,831,799,980	14.70
Preferred B				1,666,666,667	
Common	<b>Asian Travellers, Ltd.</b> Portcullis, Trustnet Chambers, P.O. Box 34444, Road Town, Tortola (stockholder)	Asian Travellers, Ltd. <sup>6</sup>	British Virgin Islands	1,784,034,000	5.83

## (2) Security Ownership of Management

The following is a summary of the aggregate shareholdings in the Company of the Company's directors and executive officers of the Company as of 30 September 2022:

### A. Directors

<b>Title of Class</b>	<b>Name of Beneficial Owner/Address</b>	<b>Citizenship</b>	<b>Amount and Nature of Record/Beneficial Ownership</b>	<b>% Total Outstanding Voting Shares</b>
Common	<b>Andrew L. Tan</b> Corinthian Gardens, Quezon City	Filipino	1,000 (Direct)	-nil-
Common	<b>Kevin Andrew L. Tan</b> Corinthian Gardens, Quezon City	Filipino	1,000 (Direct)	-nil-

<sup>2</sup> The Board of Directors of API has voting and investment power over shares of stock held by API in the Company. API authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote for shares of stock held in the Company.

<sup>3</sup> The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also a member of the Board of Directors of the Company.

<sup>4</sup> The Board of Directors of AGI has voting and investment power over shares of stock held by AGI in the Company. AGI authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote for shares of stock held in the Company.

<sup>5</sup> The Board of Directors of Star Cruises Philippines Holdings B.V. has voting and investment power over shares of stock held by Star Cruises Philippines Holdings B.V. in the Company. The shares owned by Star Cruises Philippines Holdings B.V. are voted, in person or by proxy, by the person to be determined by the Board, usually one of its Directors.

<sup>6</sup> The Board of Directors of Asian Travellers, Ltd. has voting and investment power over shares of stock held by Asian Travellers, Ltd. in the Company. The shares owned by Asian Travellers, Ltd. are voted, in person or by proxy, by the person to be determined by the Board, usually one of its Directors.

<i>Title of Class</i>	<i>Name of Beneficial Owner/Address</i>	<i>Citizenship</i>	<i>Amount and Nature of Record/Beneficial Ownership</i>	<i>% Total Outstanding Voting Shares</i>
Common	<b>Kingson U. Sian</b> Horizon Condominium, Ortigas Center, Pasig City	Filipino	1,000 (Direct)	-nil-
Common	<b>Chua Ming Huat</b> c/o at Summit Investment Partners Limited, Unit 1620, 16/F, One Island South, 2 Heung Yip Road, Aberdeen, Hong Kong	Malaysian	1,000 (Direct)	-nil-
Common	<b>Jose Alvaro D. Rubio</b> Bridgestone Park Pasig City	Filipino	1,000 (Direct)	-nil-
Common	<b>Jesus B. Varela</b> Rolling Hills Subdivision, New Manila, Quezon City	Filipino	1,000 (Direct)	-nil-
Common	<b>Enrique M. Soriano III</b> Hillsborough Village, Cupang, Muntinlupa City	Filipino	1,000 (Direct)	-nil-

B. Executive Officers

<i>Title of Class</i>	<i>Name of Beneficial Owner/ Address</i>	<i>Position</i>	<i>Citizenship</i>	<i>Amount and Nature of Record/Beneficial Ownership</i>	<i>% Total Outstanding Voting Shares</i>
-	<b>M. Hakan Dagtas</b> McKinley Road, McKinley Garden Villas, Taguig City	Senior Executive Vice President	Turkish	-	-
-	<b>Nilo Thaddeus P. Rodriguez</b> AB 327 Galeria De Magallanes, Lapu Lapu Ave., Brgy. Magallanes	Chief Strategy Officer	Filipino	-	-
-	<b>Bernard Than Boon Teong</b> Kensington Place Condominium, Fort Bonifacio Taguig City	Treasurer, CFO, Investor Relations Officer, & Corporate Information Officer	Malaysian	-	-
-	<b>Ronald Mark C. Llano</b> Yanoi Bldg., Royal Palm Residences, Acacia Estates, Taguig City	Corporate Secretary	Filipino	-	-
-	<b>Walter L. Mactal</b> Pinecrest Residential Resort, Pasay City	Assistant Corporate Secretary	Filipino	-	-
-	<b>Jose Erwin Toledo Villacorte</b> Mahogany Place, 3 Acacia Estates, Taguig City	Chief Security Officer	Filipino	-	-
-	<b>Mary Ann E. Moreno</b> Gagalangin, Tondo, Metro Manila	Senior Director for Gaming Treasury	Filipino	-	-

-	<b>Carlito B. Banaag</b> San Guillermo Avenue, Buting, Pasig City	Director for Internal Audit and Systems & Methods	Filipino	-	-
-	<b>Maria Ryna P. Inocencio</b> Bonifacio Ave. Afpovai I, Ph. Western Bicutan, Taguig City	Director for Risk Management	Filipino	-	-

#### **Voting Trust Holders of 5% or More**

The Company is not aware of the existence of persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this report.

#### **Change in Control**

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

There has been no change in the control of the Company since the beginning of the last fiscal year.

#### **Item 5. Directors and Executive Officers**

##### ***Background of Directors and Executive Officers***

Set forth hereunder are the information on the business experience of the members of the Board of Directors and Executive Officers of the Company for the last five (5) years.

The following are the incumbent members of the Board of Directors of the Company:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
Dr. Andrew L. Tan	73	Filipino	Director
Kevin Andrew L. Tan	43	Filipino	Chairman and Director
Kingson U. Sian	61	Filipino	President, Chief Executive Officer and Director
Chua Ming Huat	59	Malaysian	Director
Jose Alvaro D. Rubio	69	Filipino	Director
Jesus B. Varela	65	Filipino	Director (Independent)
Enrique Soriano III	55	Filipino	Director (Independent)

The following are the incumbent Executive Officers of the Company:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
M. Hakan Dagtas	53	Turkish	Senior Executive Vice President
Nilo Thaddeus P. Rodriguez	54	Filipino	Chief Strategy Officer
Bernard Than Boon Teong	51	Malaysian	Chief Financial Officer, Treasurer, Investor Relations Officer, and Corporate Information Officer
Ronald Mark C. Llano	44	Filipino	Corporate Secretary
Walter L. Mactal	39	Filipino	Chief Legal and Admin Officer and Assistant Corporate Secretary
Jose Erwin Toledo Villacorte	60	Filipino	Chief Security Officer
Mary Ann E. Moreno	53	Filipino	Senior Director for Gaming Treasury
Carlito B. Banaag	57	Filipino	Director for Internal Audit and Systems & Methods
Maria Ryna P. Inocencio	55	Filipino	Director for Risk Management

Below are the summaries of the business experience and credentials of the Board of Directors and key Executive Officers of the Company:

**Dr. Andrew L. Tan**

*Director*

Dr. Andrew L. Tan was appointed Director of the Company in 2008. He pioneered the live-work-play-learn model in the real estate industry through development of integrated township communities, fueling the growth of the business process outsourcing industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage, and quick service restaurants. Dr. Tan serves as the Chairman, CEO, and President of Megaworld Corporation. He also serves as the Chairman of the Board of Empire East Land Holdings and Suntrust Properties, Inc., both subsidiaries of Megaworld engaged in the development of affordable to mid-income housing projects. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines.

Dr. Tan also serves as the Vice Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation.

Dr. Tan graduated magna cum laude from the University of the East with a Bachelor of Science degree in Business Administration. In 2011, Dr. Tan was conferred by the University of the East the Degree of Doctor of Humanities, honoris causa.

**Kevin Andrew L. Tan**

*Director and Chairman*

Mr. Tan was appointed as Chairman of the Company in March 2022. Concurrently, he is the Executive Vice President and Chief Strategy Officer of Megaworld Corporation, Chief Executive Officer and Vice Chairman of Alliance Global Group, Inc., President and CEO of MREIT, Inc. and a Director of Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc., all of which are publicly-listed companies. He is also a Director of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and the Executive Director of Megaworld Foundation, Inc. and the Chairman and President of Infracorp Development, Inc. and Agile Digital Ventures, Inc. Mr. Tan obtained his Bachelor of Arts Major in Humanities with Professional Certificate in Management from the University of Asia and the Pacific.

**Chua Ming Huat**

*Director*

Mr. David Chua Ming Huat was appointed Director, Chairman and Chief Executive Officer of the Company in 2008. In October 2014, Mr. David Chua Ming Huat ceased the position of Chief Executive Officer. In 2022, he resigned as Chairman of the Company, but remains as a member of the Board of Directors. He was the former President of Genting Hong Kong Limited and was also a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. Prior to that, he held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong with extensive knowledge in the management of securities, futures and derivatives trading, asset and unit trust management, corporate finance and corporate advisory business. He was a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He has a Bachelor of Arts degree in Political Science and Economics from the Carleton University in Ottawa, Canada. Mr. Chua is currently the Executive Director and Chief Executive Officer of Summit Ascent Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also on the Board of Directors and elected as President of Suntrust Resort Holdings, Inc.

**Kingson U. Sian**

*Director, President and Chief Executive Officer*

Mr. Kingson Uy Shiok Sian was appointed Director and President of the Company in 2008. He was promoted to Chief Executive Officer in October 2014. Mr. Sian has also been the President, Chief Operating Officer and Director of AGI since February 2007. He is currently a member of the Board and the Executive Director of Megaworld Corporation. Mr. Sian is concurrently the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc., the Senior Vice President of Megaworld Land, Inc. and the President of Eastwood Cyber One Corporation. He graduated from the University of the Philippines ("UP") with a Bachelor of Science degree in Business Economics and has a Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

**Jose Alvaro D. Rubio**

*Director*

Mr. Jose Alvaro D. Rubio was appointed Director of the Company in 2009. Mr. Rubio was Senior Vice President at Philippine National Bank ("PNB") and has over 35 years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. Mr. Rubio has a Bachelor of Science in Business Administration in Accounting from the University of the East in Manila (*cum laude*). He is also a Certified Public Accountant and currently a Director for Westside City Inc.

**Jesus B. Varela**

*Independent Director*

Mr. Jesus B. Varela graduated with an Economics Degree in 1979 from the Ateneo de Manila University. He also completed several training courses in Labor Administration and Policy Formulation under the International Labor Organization, Foreign Exchange Training by the Metrobank and Forex Club of the Philippines, and Corporate Planning Course at the Center for Research Communication of the Philippines. Mr. Varela holds key positions in various corporations and well-respected organizations such as the Universidad de Manila (Regent), Academy of Multi-Skills, UK (Doctorate Fellow), International Chamber of Commerce of the Philippines (Director General), Philippine Greek Business Council (President), Philippine Peru Business Council (President), Megaworld Corporation (Independent Director), Global-Estate Resorts, Inc. (Independent Director), Suntrust Resort Holdings Inc. (Independent Director) and Megaworld Real Estate Investment Trust (Independent Director), among others. He is also presently a President of the Foundation for Crime Prevention, and a former President and Chief Executive Officer of the Advancement of Workers' Awareness Regarding Employment ("AWARE") Foundation, Inc. Mr. Varela has also been previously appointed to several government positions such as Labor Attaché to Kobe, Japan, Labor Attaché to the Commonwealth of Northern Marianas Island with jurisdiction over Guam, Palau, Federated States of Micronesia, Labor Attaché to Athens with jurisdiction over Cyprus, Chief of Staff to a former Cabinet Secretary of the Department of Labor and Employment, Labor Sector Head of the Presidential Management Staff, Chairman of the Executive Committee of the National Irrigation Administration, Acting Undersecretary of the Department of Agriculture, Special Assistant to the Presidential Adviser on Human Resources and International Labor Affairs, Chairman of the Management Committee of the Strategic Investment and Development Corporation, Chairman of the Agriculture Anti-Smuggling Task Force, Convenor and Member of the Nautical Highway Board, and Consultant of the Experimental Cinema of the Philippines, among others.

**Enrique M. Soriano III**

*Independent Director*

Prof. Enrique Soriano was a former World Bank/IFC Governance Consultant, Columnist, Book Author, former

Chair of the Marketing Cluster, Program Director for Real Estate and Professor of Global Marketing at the Ateneo Graduate School of Business. After more than three (3) decades of combining academic work and occupying senior executive positions, Prof. Soriano is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific-based Strategic Advisory firm that specializes on Family Governance and Next Generation Leadership. He is also a Senior Advisor of the Family In Business Strategic Group, Senior Fellow on Governance at the IPMI International Business School in Jakarta, Indonesia and an active member of the Singapore Institute of Directors. He also sits as an independent director at PA Properties, Inc. and was recently elected as an independent director of Alliance Global Group, Inc.

Now living his third professional life, his advocacy related to Leadership, Innovation, Strategic Management and Corporate Governance has made him a sought-after Senior Advisor to family-owned businesses in Asia and resource speaker in international conferences in the US, Canada, UK, ASEAN and Africa. Due to his strategic advocacies, he has been recognized and invited to lecture and deliver talks at dozens of universities in Asia and North America, notably, Harvard University and the University of San Francisco.

Prof. Soriano holds a B.A. in History from the University of the Philippines, a Master's in Business Administration from De La Salle University, Doctorate Units at the UP National College of Public Administration and has an Executive Diploma in Directorships at the Singapore Management University. He also pursued Post Graduate Education specializing in Behavioral Finance at the Harvard Kennedy School of Government and at the National University of Singapore Business School focusing on Asian Family Businesses. Presently, he sits as Lead Independent Director of Emperador Inc., MREIT Fund Managers and provides board level advisory to Ultra High Net Worth Family Businesses in Asia.

#### **M. Hakan Dagtas**

*Senior Executive Vice President*

Mr. M. Hakan Dagtas currently holds the position of Senior Executive Vice President and looks after the gaming, hotel, entertainment and food & beverage operations of the Company. He started working in the hospitality industry whilst he was a student in the School of Tourism and Hotel Management of Cukurova University. After his education, he worked in Turkey for a short time and joined the cruise line industry in Asia. He then moved to the Philippines in 2008 and took an active role in setting up Newport World Resorts. He has 29 years of working experience in the hospitality industry in casino/gaming training and set up activities both land-based and at cruise lines. In recent years, Mr. Dagtas also completed his Diploma of Hospitality from New South Wales Technical and Further Education Commission in Australia. He is married with two (2) kids.

#### **Nilo Thaddeus P. Rodriguez**

*Chief Strategy Officer*

Nilo Thaddeus P. Rodriguez is the Chief Strategy Officer of the Company. He earned his Bachelor's Degree in Business Administration and Accountancy in the University of the Philippines Diliman, and obtained his Master's Degree in Business Administration from the Asian Institute of Management. He brings over twenty-five (25) years of experience to the Company, with most of his tenure in financial services and management. In 2008, he oversaw the supply chain management and the finance team in Delta Air Lines as its Regional Manager. He was then elected as the Vice President in Benguet Corporation from 2012 until 2016. In 2017, he became the Director of Finance of Hilton Nagoya. Then, in 2020, he joined Philippine Airlines as its Chief Financial Officer. As part of the Corporate Strategy Office, his expertise in corporate finance and management from various industries is expected to aid in the growth of the Company.

#### **Bernard Than Boon Teong**

*Chief Financial Officer, Treasurer, Investor Relations Officer, Corporate Information Officer and Compliance Officer*

Mr. Bernard Than Boon Teong is the Chief Financial Officer and Treasurer of the Company. He was appointed as Investor Relations Officer on 30 May 2015. Prior to becoming Chief Financial Officer, he held the position of Vice President for Treasury. He has over twenty (20) years of working experience in external audit, hospitality industry and casino/ gaming/ cruise line industries. He joined Star Cruises as an Accountant in 1997, and

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eventually served as the Company's Assistant Vice President until his departure in 2008. He was responsible for introducing a Computerized Tracking Program for the calculation of VIP players, level of gaming, and calculation of commission. He earned his business degree from Monash University in Melbourne, Australia.

**Ronald Mark C. Llano**

*Corporate Secretary*

Atty. Ronald Mark C. Llano was appointed as the Company's Corporate Secretary in January 2021. Atty. Llano specializes in litigation (civil, criminal, and administrative), employment law, and taxation law. He handles cases before all levels of the Philippine judiciary, including the Regional Trial Courts, the Court of Tax Appeals, the Court of Appeals, and the Supreme Court. He also appears before administrative and quasi-judicial agencies, including the Bureau of Internal Revenue, the Securities and Exchange Commission ("SEC"), the Central Board of Assessment Appeals, and the Intellectual Property Office of the Philippines. In his employment law practice, Atty. Llano represents employers in a wide variety of industries across the country. He focuses on employment litigation defense, illegal dismissal actions, unfair labor practice actions, and other employment related lawsuits. He also provides advice on a wide range of employment and labor laws, and compliance with these laws. He also advises clients on internal investigations into executive misconduct. Atty. Llano also handles general corporate work. He is the Corporate Secretary for several corporations and he advises clients on general regulatory requirements.

**Walter L. Mactal**

*Chief Legal and Admin Officer, and Assistant Corporate Secretary*

Atty. Walter L. Mactal is the Chief Legal and Admin Officer, and Assistant Corporate Secretary of the Company. He obtained his Bachelor of Arts Degree in Economics from the Ateneo De Manila University. He received his Juris Doctor Degree from the Ateneo De Manila University – School of Law, graduating with Second Honors. He oversees the following corporate functional areas: Tax and Legal Compliance, Special Projects, Corporate Compliance and Contracts, Litigation and Labor, Office Administration, as well as Yacht, Transportation, and Aviation Services. He started his law practice in a seasoned Makati-based law firm until he joined the Company in March 2012, where he has established an accomplished career as corporate in-house counsel with specific emphasis on preventive and actual litigation, labor relations, contract drafting and negotiation, and representation before courts, tribunals, and various governmental instrumentalities. He also has broad experience in corporate compliance functions with focus in ensuring that the Company observes its Articles of Incorporation and By-Laws and complies with all reportorial requirements of the SEC and other regulatory agencies. He currently sits on the board of several corporations and acts as Corporate Secretary in a number of them.

**Jose Erwin Toledo Villacorte**

*Chief Security Officer*

Mr. Jose Erwin Toledo Villacorte is the Chief Security Officer of the Company. He is a graduate of the Philippine Military Academy, Class of 1983. He was the Vice President for Administration of the Philippine Public Safety College and Director of the National Police Training Institute until his retirement in 2017. He retired with a rank of Police Chief Superintendent (Police Brigadier General). He spent 38 years with the military and police organizations. He is also a law graduate of Jose Rizal College in 2000.

**Mary Ann E. Moreno**

*Senior Director for Gaming Treasury*

Ms. Mary Ann Moreno is the Senior Director for Gaming Treasury of the Company. She has over 20 years of experience in the casino and gaming industry. Ms. Moreno graduated from Polytechnic University of the Philippines with a Bachelor's degree in Computer Data Processing Management.



**Carlito B. Banaag**

*Director for Internal Audit and Systems & Methods*

Mr. Carlito Banaag was appointed in July 2010 as Director for Audit and Risk Management Department, now referred to as Internal Audit and Systems & Methods Department. Mr. Banaag was previously the Operational Risk Management Officer at China Banking Corporation, where he participated in risk awareness campaigns and bank personnel training. He served as Internal Audit Head for Philippine Deposit Insurance Corporation and as Risk Management/Compliance Officer for several private banks. He is a Certified Public Accountant with a bachelor's degree in Accountancy from the Polytechnic University of the Philippines.

**Maria Ryna P. Inocencio**

*Director for Risk Management*

Ms. Ryna Inocencio was named Director for Risk Management in July 2018. She is responsible for overseeing the Company's Enterprise Risk Management operations including Business Continuity Management and Sustainability Practices.

Her team provides independent oversight and guidance for managing risk including the development and implementation of risk management measures across the Company. Her team leads efforts to build and sustain a culture in which all employees understand the importance of managing risk to deliver responsible growth and serve the Company's customers, clients and communities. As the Secretariat Head for the Sustainability Committee, she drives the commitment of the Company in enabling the achievement of the Company's objective of ensuring that sustainability principles and practices are embedded within the Company's operational activities.

Prior to joining the Company, she spent over 20 years with PNB and China Bank working as a Credit Policy/Risk Officer where she specialized in policy formulation and institution of internal controls for both institutions. She graduated from the University of Santo Tomas with a Bachelor's degree in Commerce, major in Business Administration.

**Significant Employees**

The Company does not have significant employees, *i.e.*, persons who are not executive officers but expected to make significant contribution to the business.

**Family Relationships**

Chairman Kevin Andrew L. Tan is the son of Director Andrew L. Tan.

**Involvement in Certain Legal Proceedings**

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of ability or integrity of any of its directors, nominees for election as director, or executive officers:

- (1) Had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
- (2) Convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) Subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or

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- (4) Found by a domestic or foreign court of competent jurisdiction (in a civil action), to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

### ***Certain Relationships and Related Transactions***

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from third parties. Intercompany transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements.

These include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Advances granted to and obtained from subsidiaries, associates and other related parties are for working capital requirements and other related purposes. Other related parties include investees whose investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Except for the material related party transactions described in Note 23 to the consolidated financial statements as of period ended 31 December 2021 and Note 5 to the interim financial statement as of period ended 30 September 2022, the Company has not entered into any other related party transactions during the last two (2) years, in which any present or past director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares has or is to have a direct or indirect material interest.

### ***Resignation/Disagreement***

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the previous Annual Stockholders' Meeting because of disagreement/s with the Company on any matter relating to the Company's operations, policies or practices, and no director has furnished the Company a letter describing such disagreement.

### ***Procedure for Nomination and Election of Independent Directors***

The Board of Directors organized a Nomination Committee composed of three (3) members of the Board of Directors, one of whom is an independent director, in accordance with the requirements of the Company's Revised Manual on Corporate Governance that was submitted to the SEC on 31 May 2017. The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors and other appointments that require approval from the Board of Directors. It shall also assess the effectiveness of the processes and procedures in the election and replacement of the Board of Directors. The Nomination Committee reports directly to the Board of Directors, and is required to meet at least twice a year.

The Nomination Committee is required to evaluate and pass upon the qualifications of the nominees to the Board of Directors in accordance with Section 2.3 (m) (i) of the Company's Revised Manual on Corporate Governance.

The Company adheres to Securities Regulation Code ("SRC") Rule 38, which provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.

3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.

In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

#### ***Nomination Committee***

The Board organized a Nomination Committee composed of three (3) members of the Board, one of whom is an independent director. The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of directors. The Nomination Committee reports directly to the Board and is required to meet at least twice a year.

The Nomination Committee is required to evaluate and pass upon the qualifications of the nominees to the Board of Directors in accordance with Section 2.3 (m) (i) of the Company's Revised Manual on Corporate Governance.

The Nomination Committee is composed of Mr. Kingson U. Sian as Chairman, Mr. Jose Alvaro D. Rubio, and Mr. Enrique M. Soriano III (Independent Director) as members thereof.

The nominees for election as independent directors of the Board of Directors for 2022 - 2023 are as follows:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>
Jesus B. Varela	65	Filipino
Enrique M. Soriano III	55	Filipino

Information on the nominees is stated in pages 14 - 15 of this Information Statement.

The Company has not received any written notice from any director of any intention to oppose any action to be taken up at the ASM.

#### ***Directors and Executive Officers***

The following have been nominated as members of the Board of Directors (excluding independent directors) for the ensuing year:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>
Dr. Andrew L. Tan	73	Filipino
Kevin Andrew L. Tan	43	Filipino
Kingson U. Sian	61	Filipino

Chua Ming Huat	59	Malaysian
Jose Alvaro D. Rubio	69	Filipino

## **Item 6. Compensation of Directors and Executive Officers**

### **Summary Compensation Table**

Below is a summary of the total compensation of the named executive officers, and in the aggregate as to all officers and directors for the years 2020, 2021, and 2022.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Other Variable Pay</b>	<b>Total*</b>
President/CEO and 4 Most Highly Compensated Officers 1. Sian, Kingson U. ( <i>President &amp; Chief Executive Officer</i> ) 2. Rodriguez, Nilo Thaddeus Paulmitan ( <i>Chief Strategy Officer</i> ) 3. Bernabe, Ethel Asido ( <i>Senior Director for VIP Marketing</i> ) 4. Moreno, Mary Ann Encabo ( <i>Senior Director for Gaming Treasury</i> ) 5. Villacorte, Jose Erwin Toledo ( <i>Chief Security Officer</i> )	2020 (Actual)	26,976,663.68	10,737,479.87	37,714,144.00
	2021 (Actual)	20,629,341.25	8,641,298.80	29,270,640.00
	2022 (Estimate)	38,288,737.28	14,517,233.61	52,805,971.00
	2020 (Actual)	154,369,515.39	72,756,725.70	227,126,241.00
	2021 (Actual)	126,420,000.11	55,512,573.53	181,932,574.00
All Other Officers and Directors, as a group unnamed (except the President and four other highly compensated executive officers mentioned above)	2022 (Estimate)	256,318,686.77	91,080,812.83	347,399,500.00

\*Other than the mandatory 13th month pay, no bonuses have been provided to its key management personnel and senior executives.

The Company cannot accurately estimate the aggregate remuneration to be paid to its key management personnel and senior executives as a group for the year ending December 31, 2022. The estimated aggregates indicated are subject to market rates for the gaming, leisure, hospitality and entertainment industries.

### **Compensation of Directors**

The members of the Board receive a standard *per diem* for attendance in Board meetings. Other than the payment of per diem, there are no arrangements pursuant to which Directors are compensated, directly or indirectly, for any services provided as Director.

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangement**

There is no compensatory plan or arrangement with respect to any of the Company's executive officers that will result from the resignation, retirement or termination of such executive officer or from a change of control in the Company, except as may be provided by pertinent labor laws.

### **Warrants and Options Outstanding**

No warrants or stock options are held by the Company's executive officers or directors, nor are there any plans

for extending warrants or options in the near future.

#### **Item 7. Independent Public Accountants**

The Board of Directors of the Company, in consultation with the Audit Committee composed of Mr. Jesus B. Varela as Chairman, and with Mr. Kingson U. Sian and Mr. Jose Alvaro D. Rubio as members, will recommend to the stockholders the engagement of Punongbayan & Araullo as external auditors of the Company for the ensuing year.

In compliance with SEC Memorandum No. 8, Series of 2003 and the Company's Revised Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, **Mr. Nelson J. Dinio** of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2020. Therefore, should Punongbayan & Araullo be elected as the Company's external auditor for the ensuing year, **Mr. Nelson J. Dinio** will continue to be the handling partner. Punongbayan & Araullo was the external auditor of the Company for the years 2009 – 2022.

It is expected that representatives from Punongbayan & Araullo will be present during the ASM. They shall be given the opportunity to make a statement, if desired. They are likewise expected to be present to respond to appropriate questions relating to their reports, if any.

1. External Audit Fees and Services

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
6,363,000	6,563,000	6,233,000	5,445,000	4,921,000
1,050,000	1,050,500	1,050,000	816,750	738,150
<b>7,413,000</b>	<b>7,613,000</b>	<b>7,283,000</b>	<b>6,261,750</b>	<b>5,659,150</b>

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

To the best of the Company's knowledge, the Company hereby warrants that:

- a. In the two most recent fiscal years or any subsequent interim period, the independent accountant has not resigned, nor was dismissed nor otherwise ceased performing services;
- b. There were no disagreements on any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor; and,
- c. The Company has not found any reason to file as an exhibit a letter from a former accountant who has agreed and/or disagreed with the Company's statements in its reports submitted to the Commission.

3. Tax Fees and All Other Fees

All the services of the external auditor have been approved by the Audit Committee through the internal policies and procedures of approval.

The selection of external auditors and approval of external audit fees and services are made on the basis of credibility, professional, reputation, and accreditation with SEC. The appointment and engagement of the external auditors was approved by the Board of Directors and by the stockholders of the Company.

### **Item 8. Compensation Plans**

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid.

### **Warrants and Options Outstanding**

The Company did not have any outstanding warrants as of December 31, 2021 and 2020.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There is no action to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

### **Item 10. Modification or Exchange of Securities**

There is no action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

### **Item 11. Financial and Other Information**

The Consolidated Financial Statements of the Company and its subsidiaries as of 31 December 2021 is filed as part of this Information Statement and incorporated as **Annex "B"**. Also included in the Company's Management Report is the Management's Discussion and Analysis of Results of Operations and Financial Condition for the applicable periods.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no stockholders' action to be taken with regard to the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other going business or of the assets thereof; (d) the sale of all or any substantial part of the assets of the Company; and (e) the liquidation or dissolution of the Company.

### **Item 13. Acquisition or Disposition of Property**

There is no action to be taken with respect to the acquisition or disposition of any property.

### **Item 14. Restatement of Accounts**

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

The following are included, among others, in the Agenda for the ASM on 09 December 2022 for the approval of the stockholders of the Company:

1. Approval of the Minutes of the Previous Annual Meeting;

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2. Ratification of Acts and Resolutions of the Board of Directors, Board Committees, and Management;
3. Appointment of External Auditors; and
4. Election of Directors.

The Management shall seek the approval and ratification by the Stockholders of all acts, contracts and resolutions of the Board of Directors, Board Committees, and Management of the Company, since the previous ASM. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC, and in the Annual and Quarterly Reports submitted by the Company.

The affirmative vote of a majority of the votes cast on this matter is necessary for the ratification of all acts, contracts and resolutions of the Board of Directors and Management from the date of the previous ASM of the Company, which includes the following, among others:

1. Appointment of authorized signatories for contracts, accounts, reports, pleadings, and applications;
2. Application for permits, licenses, clearances, accreditations, and registration of projects;
3. Operation of bank accounts and other bank transactions and appointment of authorized signatories for the same;
4. Appointment of proxies and nominees;
5. Authority to hold Annual Stockholders' Meetings;
6. Other corporate actions entered into in the ordinary course of business.

**Item 16. Matters Not Required to be Submitted**

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

**Item 17. Other Proposed Action**

***Approval of the Minutes of the previous Annual Stockholders' Meetings***

The Minutes of the previous ASMs for years 2021 and 2019 will be submitted for the approval by the Company's Stockholders.

The Minutes for the 2019 ASM refers to the adoption of stockholders' resolutions pertaining to the following matters:

1. Approval of the Minutes of the Previous Annual Meeting;
2. Ratification of Acts and Resolutions of the Board of Directors, Board Committees, and Management;
3. Appointment of External Auditors; and
4. Election of Directors.

The Minutes for the 2021 ASM details the adjournment of said meeting due to lack of quorum. The following attended said meeting:

1. David Chua Ming Huat (*Chairman/Director*)
2. Kingson U. Sian (*President and Chief Executive Officer/Director*)
3. Jose Alvaro D. Rubio (*Director*)
4. Jesus B. Varela (*Independent Director*)
5. Enrique M. Soriano III (*Independent Director*)
6. Mr. Chan Kam Hing Chris (*acting for and behalf of Star Cruises Philippines Holdings B.V., Premium Travellers Ltd. and Asian Travellers Ltd.*)

Such action on the part of the Stockholders will not constitute an approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days.

### **Item 18. Voting Procedures**

#### ***Voting Procedures***

##### **Vote Required**

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval.

##### **Method of Counting of Votes**

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; *provided*, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; *provided, further*, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditor.

Given the current circumstances, the Company shall allow attendance, participation and voting by stockholders via remote communication or *in absentia* pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6-2020.

The detailed guidelines for participation and voting for this meeting are set forth below:

#### **Guidelines for Participating via Remote Communication and Voting *in Absentia***

##### **STEP 1. PRE-ASM REGISTRATION/VALIDATION/VOTING PROCEDURES**

Stockholders must notify the Office of the Corporate Secretary of their intention to participate in the ASM via remote communication or to exercise their right to vote *in absentia* by sending the scanned copies of the documentary requirements with transmittal letter addressed to the Office of the Corporate Secretary VIA EMAIL to [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com) with return receipt.



The following complete/accurate documentary requirements, as indicated below, with transmittal letter MUST BE SENT TO AND RECEIVED by the Office of the Corporate Secretary **no later than Tuesday, 29 November 2022**:

**A. For Certificated Individual Stockholders**

1. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address;
2. Stock certificate number/s;
3. A valid and active e-mail address and contact number of stockholder; and
4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. The Proxy Form can be downloaded from the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

**If sending via e-mail, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

**B. For Certificated Multiple Stockholders or Joint owners**

1. A clear copy of the ALL stockholders' valid government-issued IDs (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address;
2. Stock certificate number/s;
3. A valid and active email-address and contact number of authorized representative;
4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized); and
5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. The Proxy Form can be downloaded from the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

**If sending via e-mail, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

**C. For Certificated Corporate/Partnership Stockholders**

1. Secretary's Certification of Board resolution attesting to the authority of representative to participate by remote communication for, and on behalf of the Corporation/Partnership;
2. Stock certificate number/s;
3. A clear copy of the valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) of stockholder's authorized representative showing photo, signature and personal details, preferably with residential address;
4. A valid and active email-address and contact number of authorized representative; and
5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

**If sending via e-mail, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

**D. For Stockholders with Shares under PCD Participant/Broker Account**

1. Certification from broker as to the number of shares owned by stockholder;
2. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address);

3. A valid and active email-address and contact number of stockholder or proxy; and
4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

**If sending via e-mail, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

The documents submitted will then be verified by the Office of the Corporate Secretary. Stockholders will receive an e-mail reply from the Company within three (3) business days from receipt. The Company's e-mail reply will either confirm successful registration and provide the link/meeting details to the Company's 2022 ASM, OR require submission of deficient documents. If you have not received any e-mail reply within three (3) business days from receipt, please send an e-mail to [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com).

## **STEP 2: VOTING IN ABSENTIA PROCEDURE**

Stockholders who have successfully registered shall be notified via e-mail from the Office of the Corporate Secretary of their log-in credentials for the ASM. Registered stockholders can then cast their votes for specific items in the agenda by accomplishing the print-out of the Company's ballot form. The ballot form can be accessed and downloaded from the Company's website at <https://travellers.com.ph/2022-annual-stockholders-meeting/>.

1. Upon accessing and downloading the ballot, the stockholder can vote on each agenda item on the ballot print-out. A brief description of each item for stockholders' approval can be found in **Annex A** to the Notice of Annual Meeting.
  - 1.1. A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.
2. Once the stockholder has finalized his vote, he can proceed to submit his ballot by sending in JPG or PDF format to [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com) **no later than 1 December 2022**.

**If sending via e-mail, attachment/s should be clear scanned copies in JPG or PDF format, with each file size no larger than 2MB.**

## **STEP 3: ASM LIVESTREAM**

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the e-mails provided to the Company.

Video recordings of the ASM will be adequately maintained by the Company.

## **QUESTIONS FROM STOCKHOLDERS**

Stockholders should send any question that they may have in advance by sending an e-mail bearing the subject "ASM 2022 Open Forum" to [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com) not later than **5:00 p.m. of 29 November 2022**.

During the virtual meeting, the meeting's moderator will read the questions submitted in accordance with the immediately preceding paragraph and representatives of the Company shall endeavor to answer as many of the questions as time will allow.

Questions/comments received but not entertained during the ASM due to time constraints will be addressed separately by the Company through the stockholders' e-mail addresses.

For any clarifications, please contact the Office of the Corporate Secretary at [legal@newportworldresorts.com](mailto:legal@newportworldresorts.com).

**Vote Requirement**

The following matters require the following votes:

<b>Subject Matter</b>	<b>Votes Required</b>
Approval of the Minutes of the previous meetings	Majority of votes cast
Ratification of Acts and Resolutions of the Board of Directors, Board Committees, and Management for the Year 2021.	Majority of votes cast
Appointment of Independent Auditors	Majority of votes cast
Election of Directors	Top seven (7) nominees with the most number of votes cast are elected

**Item 20. Proxy Solicitation:**

Not Applicable

Attached herewith are the following:

- Annex "A"** Management Report;
- Annex "B"** Audited Financial Statements of the Company as of the period ended December 31, 2021;
- Annex "C"** Interim Financial Statements as of the period ended June 30, 2022;
- Annex "D"** Certification of Non-Involvement of Directors and Executive Officers with Government Agencies or its Instrumentalities; and
- Annex "E"** Certificates of Independent Directors

**Undertaking to Provide Annual Report**

The Company shall provide, without charge, to each stockholder a copy of its Annual Report on SEC Form 17-A upon written request addressed to:

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.  
 Office of the Corporate Secretary  
 10/F Newport Entertainment & Commercial Centre,  
 Newport Boulevard, Newport Cyber tourism Economic Zone, Pasay City, Philippines.

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I hereby certify that the information set forth in this report are true, complete and correct. This report is signed in the City of Pasay on 11 November 2022.

By:

  
**RONALD MARK C. LLENO**  
Corporate Secretary

## MANAGEMENT REPORT

### Management's Discussion and Analysis (MD&A) or Plan of Operation

The following discussion and analysis relate to the financial condition and results of operations of Travellers International Hotel Group, Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended 31 December 2021.

#### Overview of the Company

The Company is the developer and operator of Newport World Resorts (formerly, Resorts World Manila) ("NWR"), an integrated tourism resort in the Philippines. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. In August 2009, the Company began operations at NWR, the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities.

NWR is an approximately 11.5-hectare integrated tourism resort owned by the Company, which is strategically located across the Ninoy Aquino International Airport ("NAIA") Terminal 3 ("NAIA-3") in Pasay City, Manila and approximately five (5) kilometers away from each of NAIA Terminal 1 ("NAIA-1") and NAIA Terminal 2 ("NAIA-2") and directly linked to highways leading to other cities in Metro Manila. It is accessible from NAIA-3 by foot through the Company's Runway Manila, a 220-meter pedestrian link bridge connecting NAIA-3 and Newport City, which is open to the public, free of charge. NWR is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices developed by Megaworld Corporation ("Megaworld"), an Alliance Global Group, Inc. ("AGI") subsidiary listed on the Philippine Stock Exchange ("PSE"). NWR features a themed shopping and entertainment center, and five (5) operational hotels as of 30 September 2022: the Marriott Hotel Manila, a five-star hotel catering to international business and leisure travelers; Holiday Inn Express Manila Newport City (formerly Remington Hotel); the Hilton Manila; Sheraton Manila Hotel; and Hotel Okura Manila. NWR also has a MICE (meetings, incentives, conventions and exhibitions) venue with over 8,000 square meters of function space called the Marriott Grand Ballroom.

The development of NWR commenced in 2005. In August 2009, NWR opened its gaming facilities along with the Newport Mall, which includes a retail mall, a 1,710-seat performing arts theater (the "Newport Performing Arts Theater"), and a four (4) -screen cinema. The Marriott Hotel Manila opened in October 2009 with 342 rooms and suites and, in November 2016, an additional 228 rooms were opened at the Marriott West Wing. Remington Hotel (now Holiday Inn Express Manila Newport City) opened in November 2011. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015. In 2018, NWR partially opened the Grand Wing, the gaming facility of its Phase 3 development project. Furthermore, the Hilton brand marked its return in the Philippines with the official opening of Hilton Manila in October 2018. Also in 2018, the Company ventured outside Metro Manila and opened the first international hotel in Iloilo City – the Courtyard by Marriott Iloilo. In January 2019, Sheraton Manila Hotel officially opened its doors to the public, while Hotel Okura Manila officially began its operations in the last quarter of 2021.

The Company has designed NWR to cater to a broad range of local and international visitors, including the following:

- Mass Market players, who represent the highest profit margin gaming segment and are generally characterized by non-rolling chip and slot machine play; Premium Mass Market players, a sub-segment of Mass Market players, are characterized by table game play with relatively higher minimum bets than general Mass Market customers but relatively lower bets than VIP players; and

- VIP players, who patronize premium gaming facilities, luxury accommodations and amenities, and are characterized by either rolling chip play or cash play and high minimum bets.

### Subsidiaries and Associate

As of September 30, 2022, the Company holds interests in the following subsidiaries and associates:

Subsidiaries / Associates / Joint Ventures	Date of Incorporation	% Ownership
<b>Subsidiaries</b>		
Agile Fox Amusement and Leisure Corporation	May 15, 2015	100%
APEC Assets Limited ("APEC")	February 23, 2000	100%
Aquamarine Delphinium Leisure and Recreation Corporation	May 18, 2015	100%
Brightleisure Management Inc.	December 12, 2008	100%
Bright Pelican Leisure and Recreation Inc.	September 4, 2013	100%
Brilliant Apex Hotels and Leisure Corporation	May 18, 2015	100%
Coral Primrose Leisure and Recreation Corporation	May 18, 2015	100%
Deluxe Hotels and Recreation Inc. ("DHRI")	August 3, 2012	100%
Entertainment City Integrated Resorts & Leisure Inc.	November 16, 2012	100%
FHTC Entertainment & Productions Inc. ("FHTC")	February 15, 2013	100%
Golden Peak Leisure and Recreation Inc. (formerly Yellow Warbler Leisure and Recreation Inc.)	September 9, 2013	100%
Grand Integrated Hotels and Recreation Inc.	October 19, 2011	100%
Grandservices Inc. ("GSI")	December 12, 2008	100%
Grandventure Management Services Inc.	December 16, 2008	100%
Lucky Panther Amusement and Leisure Corporation ("LPALC")	May 18, 2015	100%
Lucky Star Hotels and Recreation Inc. ("LSHRI")	August 3, 2012	100%
Luminescent Vertex Hotels and Leisure Corporation	May 15, 2015	100%
Magenta Centaurus Amusement and Leisure Corporation	May 18, 2015	100%
Majestic Sunrise Leisure & Recreation Inc.	November 16, 2012	100%
Netdeals, Inc.	May 25, 2012	100%
Newport Star Lifestyle, Inc. ("NSLI")	August 3, 2012	100%
Royal Bayshore Hotels & Amusement, Inc. ("RBHAI")	November 16, 2012	100%

<b>Subsidiaries / Associates / Joint Ventures</b>	<b>Date of Incorporation</b>	<b>% Ownership</b>
Sapphire Carnation Leisure and Recreation Corporation	May 18, 2015	100%
Scarlet Milky Way Amusement and Leisure Corporation	May 15, 2015	100%
Sparkling Summit Hotels and Leisure Corporation	May 18, 2015	100%
Valiant Leopard Amusement and Leisure Corporation	May 18, 2015	100%
Vermillion Triangulum Amusement and Leisure Corporation	May 15, 2015	100%
Westside Theatre Inc.	August 14, 2015	100%
Westside City Inc. (formerly, Westside City Resorts World Inc.) ("WCI")	April 30, 2013	95%
<b>Associate</b>		
Manila Bayshore Property Holdings, Inc.	October 14, 2011	32.6%
<b>Joint Venture</b>		
Front Row Theatre Management Inc.	October 13, 2015	50%

APEC owns a yacht for NWR's needs. BLMI employs staff for certain positions in the gaming operations of the Company. GVMSI employs staff for Holiday Inn Express Manila Newport City. GSI employs staff for Marriott Hotel Manila, Marriott Grand Ballroom, Courtyard by Marriott Iloilo, and Sheraton Manila Hotel. RBHAI employs staff for Hotel Okura Manila. NSLI is the company that is targeted to house the membership cards of NWR members. DHRI is the owner of Hilton Manila. LSHRI is the owner of Sheraton Manila Hotel. FHTC houses music recording, theater productions, and other entertainment activities of the Company. WCI is the owner of Westside City Resorts. LPALC operates the video streaming activities of the Company. The Company also has subsidiaries that are not yet operating as of September 30, 2022, which the Company intends to utilize for some of its operations in the future.

#### **Principal Products or Services and Market**

NWR, the Philippines' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one (1) grand arena, a one-stop non-stop destination. NWR operates gaming facilities: (i) in Garden Wing, which includes the Newport Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features); (ii) at the ground floor of Holiday Inn Express Manila Newport City; and (iii) at the ground floor and second floor of Grand Wing, with an aggregate area of 44,631.37 square meters. As of the end of September 2022, NWR has 441 casino tables and 2,226 slot machines/electronic gaming machines. NWR also features the upscale Newport Mall (86 retail stores, services, and food-and-beverage outlets with a mix of high-end boutiques and mass market option), 64 restaurants and bars (with 31 restaurants in the Newport Mall and 33 restaurants in NWR's gaming areas and hotels), Newport Cinemas, the 1,710-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the Limitless Barcade, an office space, and hotels.

The five (5) hotels currently in operation at NWR are the following: the five-star 570-room Marriott Hotel Manila, the mid-range 737-room Holiday Inn Express Manila Newport City, the 357-room Hilton Manila, the 386-room Sheraton Manila Hotel, and the 188-room Hotel Okura Manila. Operating outside Metro Manila is Courtyard by Marriott Iloilo located in Iloilo City, which provides an additional 326 rooms to the Company's hotel operations.

NWR also boasts of the Marriott Grand Ballroom, a MICE venue with a 3,000-square meter pillar-less ballroom. It is the largest and most versatile luxury space within Metro Manila and has taken center stage as the preferred venue for conventions and social affairs including internationally acclaimed performances, making full use of the impressive high-tech column free ballrooms. The facility holds 20 individual meeting rooms and its ballroom features six (6) VIP multi-use skyboxes, offering a large array of flexibility in hosting multiple events.

### **Foreign Sales**

The principal foreign markets consistently contributing for 2022 were from Korea, China, and Singapore. Foreign guests at the following hotels are as follows: Holiday Inn Express Manila Newport City - China, United States, Korea, and Japan; Marriott - United States, Singapore, Thailand, and Canada; Hilton - United States, Thailand, Singapore and Australia; Sheraton - United States, China, Korea, and Taiwan; Okura - Korea, China, Malaysia, and Japan; and Courtyard by Marriott Iloilo - United States, Thailand, Canada, and Singapore.

### **Distribution Methods**

The Company engages in direct relationship-based marketing, which is targeted at specific market segments. The marketing team focuses on market research, surveys, promotions and events that can drive visitations and convert them to returning guests. The sales team is responsible for sales revenues and channel performance. In addition, the Company advertises in many types of media both domestically and overseas, including television, radio, newspapers, magazines, social media and billboards to promote general market awareness.

NWR uses a mix of different channels to reach the specific targets on gaming, lifestyle, and entertainment, such as:

- Direct sales - consists of three (3) levels to provide clients with full service: (i) traditional sales; (ii) a business development team; and (iii) in-house VIP host services.
- Indirect sales through junkets – consisting of high-end players from different regions.
- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in NWR as part of their itineraries, and in return, receive commissions.
- City shuttles – free, convenient, hassle-free shuttle transport for member-players and member-consumers to NWR. The key locations are Quezon City, Manila, Marikina, Laguna, Rizal, and Batangas.

The Company uses a comprehensive membership management and customer database system. It uses the Dynamic Reporting System, a fully integrated real-time table games and slots monitoring system.

### **New Products or Services**

The Company is committed to continuously improve and refresh the current facilities at NWR to create a unique customer experience across a variety of gaming and non-gaming amenities.

In April 2017, the Company officially opened the Runway Manila, a 220-meter pedestrian link bridge that connects NAIA Terminal 3 and Newport City, which the public can use free of charge. The project, which stands 65 meters above Andrews Avenue at Pasay City, is a fully enclosed, air-conditioned bridge with moving walkways and elevators. It is designed to accommodate up to 2,000 persons at any time, or up to 216,000 individuals per day. Runway Manila is fully financed by the Company and costs approximately P1.9 billion.

In 2018, the Company opened its first hotel outside Metro Manila – Courtyard by Marriott Iloilo, located in Iloilo Business Park, Iloilo City. It also opened a portion of the gaming facilities of Phase 3, which includes the ground floor gaming area and food and beverage outlets. In October 2018, Hilton Manila was officially opened to the public which offers 357 rooms, a ballroom, a Filipino buffet restaurant, a beverage lounge, and a high-end Chinese restaurant.

In January 2019, the Company added 386 rooms to its hotel portfolio with the opening of Sheraton Manila Hotel, which features stylish guest rooms that include suites, lofts and deluxe rooms with private gardens, a ballroom,



a Korean barbecue restaurant with state of the art smokeless grills, a spa, kid's club and a business hub called ColLab. In the fourth (4<sup>th</sup>) quarter of 2019, the newly renovated second (2<sup>nd</sup>) floor retail area of the Newport Mall opened to the public.

In the fourth (4<sup>th</sup>) quarter of 2021, Hotel Okura Manila, a luxury hotel managed by the Japanese hotel group Okura Hotels & Resorts opened its doors. Epitomizing the essence of elegance and refined Japanese hospitality, the luxury hotel offers 188 spacious rooms and suites, and a variety of dining options.

The Company is also developing the Newport Link, an office building that will connect to the Runway Manila.

### **Competition**

The Company, being the first (1<sup>st</sup>) integrated resort with world-class gaming in the Philippines, has been the industry benchmark. The group competes with both Philippine- and foreign-owned hotels and resorts. With respect to the gaming business, competition comes from casinos operated by the government and other private companies.

In particular, there are facilities already built by three (3) developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, all of which are already open to the public. These three (3) other licensees similarly partnered with international resorts and gaming companies are: Melco Resorts and Entertainment (Philippines) Corporation, Tiger Resorts, Leisure and Entertainment, Inc., and Bloomberry Resorts Corporation. In addition, Westside City will be developed in Entertainment City, and the licensee for the said project is WCI, a subsidiary of the Company.

While it has the first-mover advantage, the Company continues to develop other leisure and entertainment attractions to complement its gaming business expanding its hotel offerings by partnering with various international hotel brands, making it suited for a family destination.

In addition, PAGCOR operates 12 gaming facilities across the Philippines and 32 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven (7) licensed private casino operators in special economic zones. The Philippine gaming market is also composed of other gambling competitors specializing in horse racing, cock fighting, lotteries, sweepstakes, online gaming operators, and other smaller-scale gaming operators.

### **Sources and Availability of Raw Materials**

The Company has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one (1) contractor or supplier. In 2021, the 10 largest suppliers are: Global Matrix Concept Group, Top Source Maintenance and Contracting Services, Gabrien Food Company, JC Seafoods Supply, Systech Lighting & Controls Inc, ARL Power Connect Corp., Empire Automation Philippines Inc., Air Beyond Satisfaction, Marianne Leigh Trading, and Conmaster Merchandising, all of which accounted for 52% of the total purchases for the year.

### **Customer Dependence**

The Company's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

### **Transactions with and/or Dependence on Related Parties**

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into terms comparable to those available from third parties. Intercompany transactions between and among the Company and its subsidiaries are eliminated in consolidation and are thus no longer reflected in the consolidated financial statements.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates, and other related parties. Advances granted to and obtained from subsidiaries, associates, and other related parties are for working capital requirements and other related purposes. Other related parties include investees whose investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Major related party transactions have been disclosed in Note 23 to the consolidated financial statements appearing elsewhere in this report. Other than those disclosed in the consolidated financial statements, the Company has not entered into any other related party transactions.

### **Licenses, Trademarks, Franchises**

The Company holds a PAGCOR license to operate casinos and engage in gaming activities in two (2) sites – in Newport City (Site B) where NWR is situated, and in Entertainment City (Site A) where Westside City is set to rise. The term of the license is co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR charter.

On March 18, 2013, WCI entered into a Deed of Accession, which was accepted, agreed, and consented to by PAGCOR. Pursuant to the Deed of Accession, WCI acceded to the rights, title, interests, and obligations of the Company under the Provisional License and other relevant agreements with PAGCOR. Accordingly, PAGCOR recognized and included WCI as a co-licensee and co-holder of the Provisional License and other relevant agreements.

Further, on June 10, 2013, the Company and WCI entered into a Cooperation Agreement, which designates the parties' respective rights, interests, and obligations under the Provisional License and other relevant agreements. Specifically, the parties agreed that WCI would have all the rights and obligations under the Provisional License with respect to Site A (Westside City) and that the Company would have all the rights and obligations with respect to Site B (NWR).

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and WCI as co-licensees and co-holders of the Provisional License and other relevant agreements.

On September 23, 2014, the Company subscribed to common and preferred shares in WCI making it the effective owner of 95% of WCI.

The Company also has a non-exclusive non-transferable right and license within Metro Manila to the use of Marriott trademarks for hotel services and other related goods and services offered in connection with the hotel.

It has registered trademarks over "Passion," "Newport Performing Arts Theater," "Grand Opera House," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Noodle Works," "Thrill Like No Other," "iGrab everything I want," "iGrab," "Impressions," "Mercado," "Bar 360," "Ginzadon," "Newport Performing Arts Theater Bar," "The Terrace," "Laugh Laff Fun," "Kami Naman ang Taya," "Kami Naman ang Taya Beautiful Concert for Typhoon Yolanda Victims," "Musikat Records," "Oak Tree Inn," "Regal Inn," "The Grand Theatre of Manila," "Grand Theater Manila and Device," "Chill," "Grand Fiesta Manila," "Manila Bayshore Heritage Foundation, Inc.," "The World of Luck," "Franks Craft Beers Manila," "Full House Theater Company," "Victoria Harbour Cafe," "Westside City," "Westside Theatre," "Herald Theatre," "Fortissimo Theatre," "Galaxy Theatre," "Excelsior Theatre," "Diamond Theatre," "Bohemia Theatre," "Crown Theatre," "Apollo Theatre," "OPPA Original Pilipino Performing Arts," "H House Manila," "Silogue All-Day Pinoy Comfort Food," "The Grand Bar and Lounge," "El Calle," "El Calle Food and Music Hall," "Newport Garden Wing," "Newport Grand Wing," "Newport Resorts Manila," "Silk Road Southeast Asian Cuisine," "Children of Newport Resorts Manila Foundation," "Resorts World Philippines Cultural Heritage Foundation," "Madison Lounge & Bar," "Brain Boost Coffee Energy In A Cup," "Port Bar," "Kusina Sea Kitchens," "Freestyle Pool Bar," "Vega Pool Club," "Limitless," "BOLahan," "Eats-a-wrap," "Horizon Center," "Hua Yuan Brasserie Chinoise," "Horizon Center," "Casa Buenas," "Make Each Moment Count," "Frontliners Month," "Steeg," "Matsuri: Experience Japan," "The Live On - request Virtual Entertainment Project," "The L.O.V.E. Project," "The L.O.V.E. Stream," "Thrills 2.0," "Buffet 2.0," "Casino 2.0,"

"Gaming 2.0," "Concerts 2.0," "Conventions 2.0," "Events 2.0," "Shopping 2.0," "Theater 2.0," "Dining 2.0," "Meetings 2.0," "78REV," "REV78," "So Bad, It's Good," "NWR Exclusives," "The Exclusives Store," "Garden Wing Café," "Delishes," "Delishvery," "Pinoy Delish," "Pinas Muna Tayo," "R Shoppe," "Good News Muna," "It's All Good," "All Good Pinas," "Good News Pinoy," "Newport Beats," "Vubble," "KTALK," "Sidekick," "Unabakuna," "Newport Parklet," "KTalks," "Bad Burger," "Bad Ass Delicious," "Lucky Bites," "Jardin Garden Club," "Thrillmakers Marketplace," "Good Jab," "ILOVEarth," "Play On @ NWR," "Game On @ NWR," "GEO Green Earth One," "K-walks," "Newport World Resorts," and their related devices which will expire on various dates in 2021 - 2031, and are renewable thereafter.

### **Government Approval of Principal Products or Services**

The Company operates its gaming activities through the license granted by PAGCOR, a government-owned and -controlled corporation, which was granted the franchise to operate and license gaming casinos, gaming clubs, and other similar recreation or amusement places, gaming pools, whether on land or sea, within the Philippines. The franchise of PAGCOR was extended for another 25 years after July 11, 2008, its original term.

The activities and operations of NWR are closely monitored by the PAGCOR Monitoring Team, which maintains an office inside NWR where officials are stationed 24 hours a day. The Company is in continuous close coordination with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. The Company is also required to provide periodic reports to PAGCOR.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Retail stores in shopping malls must secure a business permit before operating and must comply with the fire safety provisions and other applicable local ordinances. Operators of restaurants and other food establishments in shopping malls must obtain a sanitary permit from the same local government unit where the shopping mall is located.

### **Effect of Existing or Probable Government Regulations**

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. Although the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997 (as amended), the Supreme Court, on August 10, 2016, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, confirmed the legality of the aforesaid provision of the Provisional License subjecting the Company to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The Supreme Court affirmed that: *"exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), associations(s), agency(ies) or individual(s) with whom the PAGCOR or the operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos"*. This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, which denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of the Supreme Court, last June 2018, PAGCOR advised that the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extend to all PAGCOR contractees and licensees.

Republic Act No. 10927 was passed and became effective in July 2017 designating casinos as covered persons under Republic Act No. 9160 (Anti Money Laundering Act), as amended. The Casino Implementing Rules and Regulations was issued by the Anti-Money Laundering Council ("AMLC") and Appropriate Government Agencies ("AGA") in October 2017. Casinos shall report to the AMLC all suspicious transactions as defined by law and single casino cash transaction (*i.e.*, receipt or pay out of cash by and of a casino, paid or received by or on behalf of a customer, or such other cash transactions that may be determined by AMLC and the AGA) involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currencies within five

(5) working days, unless the AMLC prescribes a different period not exceeding 15 working days, from the occurrence thereof. In August 2018, casinos were required to submit covered and suspicious transactions to the AMLC following the effectivity of AMLC's Registration and Reporting Guidelines for Casinos. Casinos are likewise required to conduct customer due diligence ("CDD") in accordance with PAGCOR's CDD Guidelines for Land-Based Casinos effective November 2018.

The Company is registered with Philippine Economic Zone Authority ("PEZA") as a Tourism Economic Zone. Its PEZA-registered activities include Newport Entertainment and Commercial Center, Marriott Hotel Manila, Holiday Inn Express Manila Newport City, Marriott Grand Ballroom, Marriott West Wing, Courtyard by Marriott Iloilo, and Hotel Okura Manila. As such, it is entitled to certain tax incentives. Hilton Manila and Sheraton Manila Hotel, through the Company's subsidiaries, are also included in the Group's PEZA-registered activities.

### **Research and Development**

The regular research and development activities of the Company for the past three (3) years have not amounted to a significant percentage of revenues. There are no new products or designs being developed that would require a material amount of the Company's resources.

### **Compliance with Environmental Laws**

The Company and its subsidiaries have incurred minimal costs to comply with environmental laws.

### **Number of Employees**

As of September 30, 2022, the Group has a total workforce of 4,345 personnel categorized as follows:

	<b>Actual as of December 31, 2022</b>	<b>Actual as of September 30, 2022</b>	<b>Projected as of December 31, 2022</b>
Gaming	2,845	2,947	3,053
Management & Admin	760	758	775
Hotel	150	154	156
F&B	294	340	409
Marketing	132	146	143
<b>Total</b>	<b>4,181</b>	<b>4,345</b>	<b>4,536</b>

There is no existing collective bargaining agreement between the Company and any of its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and Management believes that the Company's relationship with its employees in general is satisfactory.

### **Potential Business Risks**

Risks are an integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

### **Role of the Board**

The primary role of the Board is to promote the Company's long-term health and prosperity. The Board is

committed to oversee the Company's performance, risk management, and culture and to promote the creation of enduring value by supporting its purpose to realize opportunities for the benefit of our clients, community, shareholders and our people. The Board is ultimately responsible for the framework, including oversight of its operation by Management.

### **Role of Management**

The Group Heads of the business units are responsible for the implementation of the risk management framework in their groups. They are required semi-annually to attest that key risks have been identified and are adequately controlled in their groups.

### **Risk Management Department**

The Risk Management Department ("RMD") is an independent and centralized function responsible for assessing and managing risks across the Company. RMD designs and oversees the implementation of the risk management framework and employs an integrated approach to risk analysis and management across risk classes.

The potential risks that the present business faces include:

- *Hazards and natural or other catastrophes.* The Company and its subsidiaries' assets are exposed to losses or impairment through fire and natural or man-made disasters and accidents, including the outbreak of infectious diseases that may materially disrupt operations and result in losses. In particular, damage to the Company's project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property.

Safety measures are undertaken and implemented within the Company's operations. Adequate insurance policies are likewise in place to cover these risks. Any material uninsured loss or loss materially in excess of insured limits could materially and adversely affect the Company's business, financial condition and results of operations, while remaining liable for any financial obligations related to the business.

- *Regulatory developments.* The Philippine integrated tourism industry is highly regulated. The Company is subject to gaming and non-gaming regulations for its operations. The Company's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the Company fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Philippine Government, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The Company, thus, keeps abreast of current developments and immediately institutes measures to contain any adverse effect on the Company.
  - *Anti-Money Laundering Act.* Any violation of the Anti-Money Laundering Act, as amended, which designated casinos as covered persons or the Casino Implementing Rules and Regulations may result in the imposition of penalties and could have an adverse effect on the Company's reputation. The Company has taken appropriate steps to fully comply therewith. Internal control policies and procedures, employee training, and compliance programs are also continuously being implemented.
- *Win rate, money laundering and cheating at gaming areas.* The gaming industry is characterized by an element of chance. Win rates for the Company's gaming operations depend on a variety of factors. Casino and gaming activities are cash intensive, and involve significant amounts of revenue daily. Customers may seek to influence their gaming returns through cheating or other fraudulent methods. Fraudulent activities, including collusion and automated play, could cause the Company and its customers to experience losses, harm its reputation and ability to attract customers, and materially and adversely affect its business, goodwill, financial condition and results of operations. The Company takes numerous preventive and mitigating measures for the handling of chips, cash, and gaming equipment. It also uses special technologies

to prevent and detect potential fraudulent and counterfeiting activities as well as high value and suspicious transactions.

- *Supply of raw materials/Construction.* As the Company currently has significant ongoing expansion and construction projects within the Newport area, the Company sources construction materials such as lumber, steel and cement, and may experience shortages or increases in prices. Rising price changes will result in unexpected increases in construction costs. The Purchasing group, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources. Construction, equipment, staffing and difficulties in obtaining requisite licenses, permits, and authorization from regulators could increase the total cost, delay project completion, or affect the design and features
- *Competition.* The Company's primary business operation is subject to intense competition. Some competitors may have substantially greater financial and other resources than the Company, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins.
- *Philippine economic/political conditions.* The Company's business is highly dependent on the Philippine economy. The Company's results of operations are expected to vary from period to period in accordance with fluctuations in the Philippine economy which is, in turn, influenced by a variety of factors, including political developments among others. Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. While the Philippine economy has generally registered positive economic growth, there can be no assurance that the current or future Government will adopt economic policies conducive to sustaining economic growth.
- *Global economic, political, and social environment.* A portion of the Company's revenue comes primarily from foreign visitors. Any global economic disruption or contractions could impact the number of foreign customers who visit our property or the amount which they may be willing to spend. Changes brought about by fears of war and future acts of terrorism may severely disrupt international travel, reduce demand for luxury amenities and leisure activities and may have significant impact on the Company's operational results. Demand for hotels, trade shows, conventions, and other entertainment activities that the Company offers are sensitive to swings in the global economy, which impacts discretionary spending.
- *Cyber security.* The Company relies on information technology and other systems to maintain and transmit large volumes of customer information and transactions, employee information, and information concerning the Company's operations. The systems and processes that have been implemented to protect this information are subject to the ever-changing risk of compromised security. These risks include cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees or employees of third-party vendors. A significant theft, loss or fraudulent use of customer or company data could have an adverse effect on the Company's reputation, cause material disruption to operations and the management team, and litigation by customers and other parties whose information was subject to such attacks, all of which could have a material adverse effect on the Company's business, results of operations and cash flows. The Company, in close consultation with international cyber experts, is continuously working towards developing a proactive approach in dealing with potential and emerging security threats to prevent any untoward incidents from happening. This includes strict implementation of, and adherence to, information security policies such as firewall security and data privacy policies, and timely software or system upgrades.
- *Environmental risks.* For the last five (5) years, the top global risks identified were all environmental in nature. Climate issues seem to be more frequent and severe than the last occurrence. The Company, as part of the hospitality industry, also recognizes its contribution to this problem. Through its I Love Earth ("ILE") Program, the Company committed to employ management systems and procedures specifically designed to minimize the use of hazardous materials, energy and other natural resources, to minimize the generation

of waste and to enable recycling and reuse of materials. The ILE Program is driven by the Green Council that meets every month to measure and monitor its progress on all goals set.

A further discussion on financial risk management objectives and policies is presented in the notes to the consolidated financial statements.

### **Key Performance Indicators**

#### **I. For the year as of 30 September 2022 and 31 December 2021**

Presented below are the key performance indicators for the nine (9) months ended September 30, 2022 and 2021, and as at September 30, 2022 and December 31, 2021:

<i>In Million Pesos</i>	<b>2022</b>	<b>2021</b>
NET REVENUES	18,322.1	9,928.7
NET PROFIT	(238.0)	2,141.3
EBITDA	5,371.0	6,192.0
TOTAL ASSETS	119,700.8	117,774.16
CURRENT ASSETS	18,425.0	18,774.3
CURRENT LIABILITIES	45,648.5	41,344.62
TOTAL DEBT	49,882.7	55,757.62
NET CASH/(DEBT)	(41,087.7)	(46,154.55)
Net profit margin (%)	-1.3%	21.6%
EBITDA margin (%)	29.3%	62.4%
Net revenues growth (%)	84.5%	81.1%
EBITDA growth (%)	-13.3%	810.8%
Net profit growth (%)	-111.1%	139.4%

*Note: Net profit and EBITDA margins are over net revenue.*

#### **A. Discussion of results of operations for the six (6) months ended September 30, 2022 and 2021**

<i>In Million Pesos</i>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
NET REVENUES	18,322.1	15,555.2	17.8%
Gaming	22,731.7	12,826.8	77.2%
Promotional allowance	(7,950.2)	(4,828.8)	64.6%
	14,781.5	7,998.0	84.8%
Hotel, food, beverage and others	2,716.5	1,559.8	74.2%
Other revenues - net	824.3	370.9	122.2%
GROSS PROFIT	8,890.6	2,729.9	225.7%
OPERATING PROFIT (LOSS)	2,662.0	(1,930)	237.9%
NET PROFIT (LOSS)	(238.0)	2,141.3	-111.1%
EBITDA	5,371.0	6,192.0	-13.3%

### **COVID-19 Pandemic**

In the first (1<sup>st</sup>) quarter of 2022, our property was opened subject to health and safety protocols. However, travel and business demand negatively affected operations as the Omicron variant, a highly contagious but less severe

strain of COVID-19 began to spread in December 2021 which saw the rapid surge in the number of daily cases prompting the government to raise the Alert Level to 3 from January 3, 2022 to January 31, 2022. COVID-19 cases began to decline in the month of February which allowed the government to ease to Alert Level 2 from February 1, 2022 to February 28, 2022. International borders were opened on March 1, 2022 which allowed foreign tourists to enter the country since the pandemic began following the further easing of restrictions to Alert Level 1.

The property operated at 100% capacity and continues to observe health and safety protocols such as temperature checks and wearing of masks during the second and third quarter of 2022 after COVID-19 Alert Level was eased to its lowest level last March 2022. Quarantine requirements for inbound passengers continue to be required only for those unvaccinated, partially vaccinated, and passengers whose vaccination status cannot be verified.

### **Net revenues**

Net revenues increased by 84.5% to P18,322.1 million for the nine (9) months ended September 30, 2022 from P9,928.7 million for the same period last year. The increase was due to the continued improvement in gaming activity as a result of the easing of restrictions and lower daily COVID-19 cases.

Net revenue split from gaming and non-gaming was 80.7% and 19.3%, respectively.

Promotional allowance increased by 64.6% to P7,950.2 million for the nine (9) months ended September 30, 2022 from P4,828.8 million for the same period last year primarily due to the resumption of various promotions to drive foot traffic into the property.

### **Gaming revenues**

Gross gaming revenues increased by 77.2% to P22,731.7 million for the nine (9) months ended September 30, 2022 from P12,826.8 million for the same period last year. The increase was due to the improvement in overall drops across all gaming segments as foot traffic ramped up in the third quarter of 2022

### **Hotel, food, beverage and others**

Revenue from hotel, food, beverage and others increased by 74.1% to P2,716.3 million for the nine (9) months ended September 30, 2022 from P1,559.8 million for the same period last year. The increase was primarily driven by the rise in covers and the continued improvement in the average daily rate (ADR) as the hotels transitions to the leisure market with the ramp up domestic and international tourism.

Total room count at Newport World Resorts (formerly Resorts World Manila) was 2,244 versus 2,054 last year with the opening of Hotel Okura Manila in December last year which added 190 rooms. Third quarter occupancy rates for the four hotels were as follows: Marriott Hotel Manila – 63%, Holiday Inn Express Manila Newport City – 61%, Hilton Manila Hotel – 75%, Sheraton Manila – 54%, and Hotel Okura Manila – 79%. Meanwhile, the 326-room Courtyard by Marriott located in the province of Iloilo registered an occupancy rate of 29%.

### **Other operating income**

Other operating income increased by 122.2% to P824.3 million for the nine (9) months ended September 30, 2022 from P370.9 million for the same period last year. This was primarily driven by the full resumption of entertainment shows and the improvement of mall visitation in the third quarter this year.

Other operating income primarily consists of income from the Newport Performing Arts Theater, cinema,



parking, laundry, and rental income from the mall and commercial office space, and others.

#### **Direct costs**

Direct costs increased by 31.0% to P9,431.5 million for the nine (9) months ended September 30, 2022 from P7,198.8 million for the same period last year. This increase was primarily due to the following: (1) increase in gaming license fees, (2) increase in operational expenses as the property operates at 100% capacity, and (3) increase in cost of food and beverage.

Direct costs are costs associated with gaming operations, which include gaming license fees, casino expenses, salaries, wages and employee benefits of casino employees, entertainment, amusement and recreation costs, complimentary costs and depreciation of gaming equipment; and costs directly associated with rendering of services for the hotels and its outlets, which include depreciation of hotel buildings, cost of food and beverage, salaries, wages and benefits of hotel personnel, supplies, parking, and other related expenses.

#### **Gross profit**

Gross profit increased by 225.7% to P8,890.6 million for the nine (9) months ended September 30, 2022 from P2,729.9 million for the same period last year.

#### **Other operating income and expenses**

General and administrative expenses increased by 33.7% to P6,228.6 million for the nine (9) months ended September 30, 2022 from P4,660.0 million for the same period last year. The increase was primarily due to the following: (1) increase in marketing expenses related to the various promotional and advertising activities, (2) increase in salaries and wages, and (3) increase in utility expenses.

#### **Operating profit/(loss)**

Operating profit of P2,662.0 million for the nine (9) months ended September 30, 2022 increased by P4,592.1 million compared to a loss of P1,930.1 million for the same period last year.

#### **Non-operating income and expenses**

Non-operating expenses amounted to P1,746.9 million for nine (9) months ended September 30, 2022 compared to an income of P4,079.5 million for the same period last year. This was primarily due to the one-time gain recognized in 2021 by a subsidiary in relation to the payment for services rendered abroad in relation to the Westside City project.

#### **EBITDA**

EBITDA reached P5,371.0 million for the nine (9) months ended September 30, 2022 versus P6,192.0 million for the same period of 2021. EBITDA this year excludes the 5% franchise tax reclassified from license fee to tax expense. Last year EBITDA includes one-time gain recognized by a subsidiary in relation to the payment for services rendered abroad in relative to the Westside City project.

#### **Profit/(loss) before tax**

Profit before tax for the nine (9) months ended September 30, 2022 amounted to P915.1 million.

### **Tax expense**

Tax expense was P1,153.1 million for the nine (9) months ended September 30, 2022 compared to P8.1 million for the same period of 2021 primarily due to change in the presentation of the 5% franchise tax in 2022 compared to same period last year in relation to the Revenue Memorandum Circular 32-2022. In the same period last year, the franchise tax forms part of the license fees under Direct Cost.

### **Net profit/(loss)**

Net loss for the nine (9) months ended September 30, 2022 was P238.0 million compared to a profit of P2,141.3 million for the same period of 2021.

## **FINANCIAL POSITION**

### **SEPTEMBER 30, 2022 vs. DECEMBER 31, 2021**

#### **Total assets**

Total assets increased by 1.6% or P1,926.6 million to P119,700.8 million as of September 30, 2022 from P117,774.2 million at the beginning of the year.

#### **Current assets**

Cash and cash equivalents decreased by 8.4% to P8,795.0 million as of September 30, 2022 from P9,603.1 million at the beginning of the year. Cash and cash equivalents include cash on hand, cash in bank, and domestic and foreign bank time deposits with maturities of less than 90 days.

Trade and other receivables increased by 12.3% to P1,925.0 million as of September 30, 2022 from P1,713.8 million at the beginning of the year.

Advances to related parties slightly decreased by 13.3% or P128.9 million to P840.4 million as of September 30, 2022 from P969.3 million at the beginning of the year.

Inventories slightly increased by 0.2% to P132.1 million as of September 30, 2022 from P131.8 million at the beginning of the year. Inventories mainly consist of casino supplies such as cards, seals and dice, as well as various hotel operating supplies.

Prepayments and other current assets increased by 6.0% or P376.2 million to P6,732.6 million as of September 30, 2022 from P6,356.3 million at the beginning of the year.

#### **Non-current assets**

Property, plant and equipment increased by 1.8% or P1,639.1 million to P91,938.5 million as of September 30, 2022 from P90,299.4 million at the beginning of the year. The increase was primarily due to the completion of new gaming and non-gaming areas.

The Phase 3 project, which was named the Grand Wing, has been completed with the launch of Hotel Okura Manila in the fourth (4<sup>th</sup>) quarter of last year.

The Grand Wing comprises three (3) luxury hotels – Sheraton Manila Hotel, Hilton Manila Hotel and Hotel Okura Manila. The Grand Wing also includes the following: (1) an approximately 30,000 sqm. of gaming area; (2) 3,200 sqm. of retail space; and (3) six (6) basement parking decks.

#### **Total liabilities**

Total liabilities decreased by 2.1% or P1,770.0 million to P82,838.4 million as of September 30, 2022 from P84,608.5 million at the beginning of the year.

#### **Current liabilities**

Trade and other payables increased by 28.7% or P3,808.9 million to P17,083.2 million as of September 30, 2022 from P13,274.3 million at the beginning of the year. This represents trade payables to suppliers, liability for unredeemed gaming points, and unredeemed gaming chips.

Current loans and borrowings increased by 1.2% or P345.7 million to P28,299.2 million as of September 30, 2022 from P27,953.5 million at the beginning of the year.

Advances from related parties increased by 127.8% or P149.3 million to P266.1 million as of September 30, 2022 from P116.8 million at the beginning of the year.

#### **Non-current liabilities**

Non-current loans and borrowings decreased by 22.4% or P6,220.6 million to P21,583.5 million as of September 30, 2022 from P27,804.1 million at the beginning of the year as the Company continues to reclassify the current portion of its long-term loan obligations.

Retirement benefit obligation increased by 15.6% to P790.3 million as of September 30, 2022 from P683.7 million at the beginning of the year. This relates to the defined benefit plan of retirements benefits for qualified employees

#### **Net cash/(debt)**

The Company's net debt amounted to P41,087.7 million as of September 30, 2022 from P46,154.5 million at the beginning of the year, as illustrated below:

<i>In Million Pesos</i>	<b>2022</b>	<b>2021</b>
Total Cash	8,795.0	9,603.1
Total Debt	49,882.7	55,757.6
Net Cash/(Debt)	(41,087.7)	(46,154.5)

*Note: Total Debt covers interest-bearing loans and borrowing and notes payables*

#### **Equity**

Total equity increased by P3,696.7 million or 11.1% to P36,862.4 million as of September 30, 2022 from P33,165.7 million at the beginning of the year mainly attributed to the participation of AGI during the Company's equity call earlier this year.

**II. For the Year ended December 31, 2021, 2020, and 2019**

Presented below are the key performance indicators for the year ended December 31, 2021, 2020, and 2019:

<i>In Million Pesos</i>	<b>2021</b>		<b>2020</b>		<b>2019</b>
NET REVENUES	13,182.6		12,181.1		28,279.0
NET PROFIT (LOSS)	(280.8)		(5,504.4)		941.2
EBITDA	7,207.8		425.4		6,107.7
TOTAL ASSETS	117,774.2		120,744.0		119,027.9
CURRENT ASSETS	18,774.3		18,708.3		19,913.2
CURRENT LIABILITIES	41,344.6		44,333.2		33,823.3
TOTAL DEBT	55,874.4		57,334.0		59,923.1
NET CASH/(DEBT)	(46,271.3)		(48,032.5)		(48,208.6)
Net profit (loss) margin (%)	-2.1%		-45.2%		3.3%
EBITDA margin (%)	54.7%		3.5%		21.6%
Net revenues growth (%)	8.2%		-56.9%		37.5%
EBITDA growth (%)	1,594.4%		-93.0%		41.7%
Net profit growth (%)	94.9%		-684.9%		-34.6%

**Discussion and analysis of operations**

**A. Results of operations for the year ended December 31, 2021 versus 2020**

<i>In Million Pesos</i>	<b>2021</b>		<b>2020</b>		<b>% Change</b>
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NET REVENUES	13,182.6		12,181.1		8.2%
Gaming	16,725.1		13,291.44		25.8%
Promotional allowance	(6,395.0)		(3,893.0)		-64.3%
Hotel, food, beverage and others	2,316.6		2,099.1		10.4%
Other revenues – net	535.8		683.7		-21.6%
GROSS PROFIT	3,171.5		2,594.6		41.0%
OPERATING PROFIT	(4,184.2)		(3,277.8)		-27.7%
NET PROFIT (LOSS)	(280.8)		(5,504.4)		105.1%
EBITDA	7,207.8		425.4		196.1%

### COVID-19 Pandemic

The Philippine lockdown levels are as follows:

Enhanced Community Quarantine	Alert 5	Red
Modified Enhanced Community Quarantine	Alert 4	Pink
General Community Quarantine	Alert 3	Orange
Modified General Community Quarantine	Alert 2	Yellow
No Community Quarantine	Alert 1	Green

An outbreak of a respiratory disease caused by a novel coronavirus was identified in January 2020. It has spread rapidly across the world prompting governments to halt non-essential travel, restricting international travel and suspension of non-essential operations to help contain the spread of the virus. The Philippine government implemented its Enhanced Community Quarantine (“ECQ”) covering the entire island of Luzon on March 16, 2020 which suspended all non-essential air, sea, and land travel as well as the temporary closure of non-essential shops and businesses.

The ECQ was set to end on April 12, 2020 but was extended to April 30, 2020 upon recommendation of the Inter-Agency Task Force (“IATF”). This was followed by another two (2) -week extension to May 15, 2020 for Metro Manila and other high-risk areas in the island of Luzon.

The General Community Quarantine (“GCQ”), a less restrictive lockdown, began on June 1, 2020 up to August 3, 2020. On August 4, 2020, Metro Manila reverted to the Modified Enhanced Community Quarantine (“MECQ”) for two (2) weeks due to the rising cases COVID-19. The move to GCQ began on August 18, 2020 to March 28, 2021.

On March 29, 2021, due to the rapidly rising number of daily cases of COVID-19, the government reverted to ECQ over the National Capital Region (“NCR”) and nearby provinces referred to as “NCR plus”. This was followed by the easing to MECQ last April 12, 2021 and to GCQ with restrictions last May 15, 2021.

The country began inoculations of the COVID-19 vaccine to front-line health workers on March 1, 2021. This was followed by the senior and adults with comorbidities tier. With the increase in vaccine supply, the private sector, informal sector, and government employees started their vaccinations on June 1, 2021.

The number of daily cases of COVID-19 started to rise again at the tail end of July driven by the highly transmissible Delta strain prompting the government to impose its strictest form of lockdown in NCR from August 6 to 20, 2021. During this period, the government stepped up its response to the pandemic while various local government units aggressively pushed its vaccination program which helped slow the spread of COVID-19. From August 21, 2021 to September 30, 2021, lockdown restrictions remained at MECQ. In mid-September, the government introduced its 5-tier alert level system where the NCR was placed under Alert Level 4.

On October 13, 2021, the IATF approved the recommendation to reduce the alert level in NCR from Alert Level 4 to Alert Level 3 until October 31, 2021. On November 2, 2021, the Philippines registered its lowest single-day new infection rate in the past eight (8) months. On November 4, 2021, IATF approved the de-escalation of NCR from Alert Level 3 to Alert Level 2 and the lifting of curfew hours.

### Net revenues

Net revenues increased by 8.2% to 13,182.6 million for the year ended December 31, 2021 from P12,181.1 million for the year ended December 31, 2020. Net revenues for the three (3) months ended December 31, 2021 decreased by 9.4% to P3,253.8 million versus P3,593.2 million for the same period last year. The decrease was driven by lower hold rates despite the 73.1% increase in overall drops as COVID-19 restrictions were eased during the period which raised the number of gaming capacity allowed to operate and travel restrictions were loosened. Net revenue split from gaming and non-gaming was 78.3% and 21.7%, respectively for 2021.

Promotional allowance for the year ended December 31, 2021 increased to P6,395.0 million from P3,893.0 million last year, while promotional allowance for the three (3) months ended December 31, 2021 decreased to P1,566.2 million from P988.4 million for the same period last year. The increase was primarily due to higher gaming activity across all segments.

### Gaming revenues

Gross gaming revenues increased by 25.8% to P16,725.1 million for the year ended December 31, 2021 from P13,291.4 million last year. Gross gaming revenues for the three (3) months ended December 31, 2021 decreased by 1.5% to P3,898.3 million compared to P3,956.2 million for the same period last year.

Casino drops for the year ended December 31, 2021 rose by 65.6% compared to last year driven by the 81.9% increase from the VIP segment, and 1.7% increase from the non-VIP segment. Blended win rate for the year ended December 31, 2021 was at 3.6% compared to 4.8% last year.

Gaming capacity roll out increased to 375 tables, 2,149 slot machines and 100 electronic table games as of December 31, 2021 from 449 tables, 2,123 slot machines and 100 electronic table games as of December 31, 2020. Average daily property visitation decreased by 12.0% to 9,016 in 2021 from 10,248 in 2020.

The table below presents key operating summary of the casino and gaming facilities for the year ended December 31, 2021 and 2020:

Gaming metrics	Six months ended		FY 2021	Six months ended		FY 2020
	Jun 2021	Dec 2021		Jun 2020	Dec 2020	
Operating Days	181	184	365	182	184	366
Average Daily Property Visitation*	8628	9,397	9,016	14,492	6050	10248
Average Gaming Units						
VIP Tables	221	188	204	212	226	219
Non VIP Tables	198	188	193	155	123	139
Slots	1,479	1,911	1,655	2,023	566	1295
ETG	440	83	64	100	17	58

Gaming metrics	Six months ended		FY 2021	Six months ended		FY 2020
	Jun 2021	Dec 2021		Jun 2020	Dec 2020	
Gaming Units (as of period end)						
VIP Tables	246	190	190	217	246	246
Non-VIP Tables	203	185	185	155	203	206
Slots	1,664	2,149	2,149	2,018	966	966
ETG	100	100	100	100	100	100
Drop Volume (in PHP Million)						
Total Drop	163,137	295,672	458,809	143,647	133,474	277,121
VIP Tables	135,050	266,255	401,306	112,441	108,152	220,593
Non VIP Tables**	12	444	456	3,725	0	3,725
Slots	27,981	28,846	25,321	27,227	25,321	52,548
ETG	94	126	220	255	0	255
Win Rate, %						
Blended Win Rate	4.9%	3.0%	3.6%	4.3%	5.4%	4.8%
VIP Tables	3.7%	42.3%	2.8%	2.5%	4.3%	3.4%
Non VIP Tables	40%	0%	68.6%	42%	0%	68.6%
Slots	6.6%	5.5%	6.0%	6.2%	6.0%	6.1%
ETG	20.8%	19.0%	19.8%	17.3%	-0.5%	17.3%
<p>* Average property visitation includes NWR main entrances, Marriott Hotel Manila, Marriott Grand Ballroom, Holiday Inn Express Manila Newport (formerly Remington Hotel), House Manila, Hilton Manila, Sheraton Manila, Belmont Hotel, Savoy Hotel and Runway Manila.</p> <p>** Minimal drops were recorded at Non VIP Tables in as chip purchases were done at the cage to lessen the person-to-person handling of cash.</p>						

### Hotel, food, beverage and others

Revenue from hotel, food, beverage and others increased by 10.4% to P2,316.6 million for the year ended December 31, 2021 from 2,099.1 million last year. While for the three (3) months ended December 31, 2021, revenue from hotel, food, beverage and others increased by 95.1% to P756.8 million from P387.9 million for the same period of 2020. The increase was primarily due to higher occupancy rates as all of the hotels were allowed to accept inbound passengers that needed to undergo the mandatory quarantine requirements.

Total room count at NWR was 2,050 as of December 31, 2021. Blended occupancy rate for all hotels averaged 70%. Occupancy rates for the three (3) hotels are as follows: Marriott Hotel Manila at 72%, Holiday Inn Express Manila Newport City at 76%, Hilton Manila at 73%, and Sheraton Manila Hotel at 54%.

The 326-room Courtyard by Marriott in the province of Iloilo registered an occupancy rate of 9% in 2021.

#### **Other revenues - net**

Other revenues decreased by 21.6% to P535.8 million for the year ended December 31, 2021 from P683.7 million for the same period last year. Other revenues for the three (3) months ended December 31, 2021 decreased by 30.5% to P164.9 million from P237.4 million for the same period last year. The decrease was primarily due to the impact of various COVID-19 restrictions during the year which affected theater, cinema and mall operations. Tenant count from retail and food and beverage was 77 for the year ended December 31, 2021 versus 89 in 2020.

Other revenues primarily consist of income from the Newport Performing Arts Theater, cinema, parking, laundry, and rental income from the mall and commercial office space, and others.

#### **Direct costs**

Direct costs decreased by 0.6% to P9,525.1 million for the year ended December 31, 2021 from P9,586.5 million last year. This decrease was primarily due to the following: (i) decline in casino operating expenses due to cost efficiency measures implemented the previous year; and (ii) a reduction in overall headcount.

Direct costs are costs directly associated with gaming operations, which include gaming license fees, casino expenses, salaries, wages and employee benefits of casino employees, entertainment, amusement and recreation costs, complimentary costs and depreciation of gaming equipment; and costs directly associated with rendering of services for the hotels and its outlets, which include depreciation of hotel buildings, cost of food and beverage, salaries, wages and benefits of hotel personnel, supplies, parking, and other related expenses.

#### **Gross profit**

Gross profit for the year and three (3) months ended December 31, 2021 were P3,657.5 million and P927.6 million, respectively.

#### **Other operating income and expenses**

General and administrative expenses for the year ended December 31, 2021 increased by 33.6% to P7,841.7 million from P5,872.5 million last year. The increase was primarily due to (i) higher in marketing expenses related to various promotional and advertising schemes used to promote NWR; and (ii) impairment loss in assets.

#### **Operating profit/(loss)**

The Company's operating losses for the year ended December 31, 2021 was P4,184.2 million compared to a loss of P3,277.8 million in 2020.

#### **Non-operating income and expenses**

Non-operating income for the year ended December 31, 2021 was P3,937.0 million compared to an expense of P2,200.2 million last year. The increase was primarily due to the one-time gain recognized in relation to the payment received by a subsidiary for services rendered abroad in relation to the Westside City project.

#### **EBITDA**

EBITDA for the year ended December 31, 2021 was P7,109.4 million compared to P425.4 million in 2020. EBITDA



for the fourth quarter of 2021 amounted to P917.3 million compared to P263.7 million for the same period last year.

<i>In Million Pesos</i>	<b>2021</b>	<b>2020</b>
Operating profit	(4,184.2)	(3,277.8)
Depreciation + Impairment + Share in equity + One-time Gain (2021)	11,392.0	3,703.3
EBITDA	7,207.8	425.4

#### **Profit /(loss) before tax**

Losses before tax for the year ended December 31, 2021 amounted to P247.3 million.

#### **Tax expense**

Tax expense for the year ended December 31, 2021 was P33.6 million compared to P26.3 million in 2020.

#### **Net profit / (loss)**

Net losses for the year ended December 31, 2021 was P280.8 million compared to a profit of P5,504.4 million in 2020.

#### **B. Results of operations for the year ended December 31, 2020 versus 2019**

<i>In Million Pesos</i>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
NET REVENUES	12,181.1	28,279.0	-56.9%
Gaming	13,291.4	27,644.8	-51.9%
Promotional allowance	(3,893.0)	(6,099.2)	-36.2%
Hotel, food, beverage and others	2099.1	5001.8	-58.0%
Other revenues - net	683.7	1,731.5	-60.5%
GROSS PROFIT	2,594.6	12,300.4	-78.9%
OPERATING PROFIT	(3,277.8)	2,324.0	-241.0%
NET PROFIT	(5,504.4)	941.2	-684.9%
EBITDA	425.4	6,107.7	-93.0%

#### **Net revenues**

Net revenues decreased by 56.9% to P12,181.1 million for the year ended December 31, 2020 from P28,279.00 million for the year ended December 31, 2019. Net revenues for the three (3) months ended December 31, 2020 decreased by 50.2% to P3,593.2 million versus P7,220.2 million for the same period last year. The decrease was driven by the impact of COVID-19 which restricted the number of gaming capacity allowed to operate, travel

restrictions, social distancing restrictions, and amenity limitations. Net revenue split from gaming and non-gaming was 77.2% and 22.8% respectively for 2020.

Promotional allowance for the year ended December 31, 2020 decreased to P3,893.0 million from P6,099.2 million last year, while promotional allowance for the three months ended December 31, 2020 decreased to P988.4 million from P1,677.2 million for the same period last year. The decrease was primarily due to the lower gaming activity and part of the Company's cost reduction efforts during the year.

### Gaming revenues

Gross gaming revenues decreased by 51.9% to P13,291.4 million for the year ended December 31, 2020 from P27,644.8 million last year. Gross gaming revenues for the three (3) months ended December 31, 2020 decreased by 41.8% to P3,956.2 million compared to P6,793.9 million for the same period last year.

Casino drops for the year ended December 31, 2020 fell by 49.2% compared to last year driven by the 43.0% decline from the VIP segment, and 64.4% decrease from the non-VIP segment. Blended win rate for the year ended December 31, 2020 was at 4.8% compared to 5.1% last year.

Gaming capacity roll out increased to 449 tables, 2,123 slot machines and 100 electronic table games as of December 31, 2020 from 355 tables, 2,034 slot machines and 100 electronic table games as of December 31, 2019. The increase was primarily due to the opening of new gaming areas at the Garden and Grand Wings. Average daily property visitation decreased by 72.8% to 10,248 in 2020 from 37,627 in 2019.

The table below presents key operating summary of the casino and gaming facilities for the year ended December 31, 2020 and 2019:

Gaming metrics	Six months ended		FY 2020	Six months ended		FY 2019
	Jun 2020	Dec 2020		Jun 2019	Dec 2019	
Operating Days	182	184	366	181	184	365
Average Daily Property Visitation*	14,492	6,050	10,248	35,626	39,596	37,627
Average Gaming Units						
VIP Tables	212	226	219	167	187	177
Non VIP Tables	155	123	139	129	160	144
Slots	2,023	566	1,295	1,822	2,032	1,927
ETG	100	17	58	100	100	100
Gaming Units (as of period end)						
VIP Tables	217	246	246	169	188	188
Non-VIP Tables	155	203	203	132	167	167
Slots	2,018	966	966	1,802	2,034	2,034
ETG	100	100	100	100	100	100
Drop Volume (in PHP Million)						
Total Drop	143,647	133,474	277,121	263,319	282,711	546,029
VIP Tables	112,441	108,152	220,593	186,196	200,968	387,164
Non VIP Tables**	3,725	0	3,725	7,789	8,271	16,060

Gaming metrics	Six months ended		FY 2020	Six months ended		FY 2019
	Jun 2020	Dec 2020		Jun 2019	Dec 2019	
Slots	27,227	25,321	<b>52,548</b>	51,222	59,749	<b>110,971</b>
ETG	255	0	<b>255</b>	0	0	<b>0</b>
Win Rate, %						
Blended Win Rate	4.3%	5.4%	<b>4.8%</b>	5.3%	4.5%	<b>4.8%</b>
VIP Tables	2.5%	4.3%	<b>3.4%</b>	3.0%	2.5%	<b>2.7%</b>
Non VIP Tables	42.0%	0%	<b>68.6%</b>	31.0%	30.8%	<b>30.9%</b>
Slots	6.2%	6.0%	<b>6.1%</b>	6.4%	6.7%	<b>6.6%</b>
ETG	17.3%	-0.5%	<b>17.3%</b>	0%	0%	<b>0%</b>

\* Average property visitation includes NWR main entrances, Marriott Hotel Manila, Marriott Grand Ballroom, Holiday Inn Express Manila Newport (formerly Remington Hotel), House Manila, Hilton Manila, Sheraton Manila, Belmont Hotel, Savoy Hotel and Runway Manila.  
\*\* No drops were recorded at Non VIP Tables in 2H 20 as chip purchases were done at the cage to lessen the person-to-person handling of cash.

### Hotel, food, beverage and others

Revenue from hotel, food, beverage and others decreased by 58.0% to P2,099.1 million for the year ended December 31, 2020 from P5,001.8 million last year. While for the three (3) months ended December 31, 2020, revenue from hotel, food, beverage and others decreased by 74.0% to P387.9 million from P1,493.4 million for the same period of 2019. The decrease was primarily due to lower average daily rates and lower occupancy rates as a result of the mobility restrictions caused by the COVID-19 pandemic.

Total room count at NWR stood at 2,222 as of December 31, 2020. Blended occupancy rate for all hotels averaged 51%. Occupancy rates for the four (4) hotels are as follows: Maxims Hotel at 37%, Marriott Hotel Manila at 54%, Holiday Inn Express Manila Newport City at 44%, Hilton Manila at 64%, and Sheraton Manila Hotel at 51%.

The 326-room Courtyard by Marriott in the province of Iloilo registered an occupancy rate of 32% in 2020.

### Other revenues - net

Other revenues decreased by 60.5% to P683.7 million for the year ended December 31, 2020 from P1,731.5 million for the same period last year. Other revenues for the three (3) months ended December 31, 2020 decreased by 61.1% to P237.4 million from P610.1 million for the same period last year. The decrease was primarily due to the implementation of restrictions impacting theater, cinema and mall operations during the lockdown period. Tenant count from retail and food and beverage was 89 for the year ended December 31, 2020 versus 92 in 2019.

Other revenues primarily consist of income from the Newport Performing Arts Theater, cinema, parking, laundry, and rental income from the mall and commercial office space, and others

### Direct costs

Direct costs decreased by 40.0% to P9,586.5 million for the year ended December 31, 2020 from P15,978.5 million last year. This decrease was primarily due to the following: (i) decrease in gaming license fees as a result of lower gaming revenues; (ii) decline in casino operating expenses due to lower demand; and (iii) a reduction in overall headcount.

Direct costs are costs directly associated with gaming operations, which include gaming license fees, casino expenses, salaries, wages and employee benefits of casino employees, entertainment, amusement and recreation costs, complimentary costs and depreciation of gaming equipment; and costs directly associated with rendering of services for the hotels and its outlets, which include depreciation of hotel buildings, cost of food and beverage, salaries, wages and benefits of hotel personnel, supplies, parking, and other related expenses.

#### **Gross profit**

Gross profit for the year and three (3) months ended December 31, 2020 were P2,594.6 million and P1,420.9 million, respectively.

#### **Other operating income and expenses**

General and administrative expenses for the year ended December 31, 2020 decreased by 41.1% to P5,872.5 million from P9,976.4 million last year. The decrease was primarily due to (i) lower in marketing expenses related to various promotional and advertising schemes used to promote NWR; and (ii) reduction in operating expenses in relation to managing both the Garden and Grand Wings.

#### **Operating profit/(loss)**

The Company's operating losses for the year ended December 31, 2020 was P3,277.8 million compared to a profit of P2,324.0 million in 2019.

#### **Non-operating income and expenses**

Non-operating expenses for the year ended December 31, 2020 was P2,200.2 million compared to P1,292.4 million last year. The increase was primarily due to the increase in interest expenses as a result of the increase in debt and lower capitalization of borrowing cost.

#### **EBITDA**

EBITDA for the year ended December 31, 2020 was P200.7 million compared to P5,494.4 million in 2019. EBITDA for the fourth quarter of 2020 amounted to P1,263.7 million compared to P1,314.3 million for the same period last year.

<i>In Million Pesos</i>	<b>2020</b>	<b>2019</b>
Operating profit	(3,277.8)	2,324.0
Depreciation + Amortization + Share in equity	3,703.3	3,783.7
EBITDA	425.4	6,107.7

#### **Profit /(loss) before tax**

Losses before tax for the year ended December 31, 2020 amounted to P5,478.1 million.

#### **Tax expense**

Tax expense for the year ended December 31, 2020 was P26.3 million compared to P90.4 million in 2019.

#### **Net profit / (loss)**

Net losses for the year ended December 31, 2020 was P5,504.4 million compared to a profit of P941.2 million in 2019.

### C. Results of operations for the year ended December 31, 2019 versus 2018

<i>In Million Pesos</i>	<b>2019</b>	<b>2018</b>	<b>% Change</b>
NET REVENUES	28,279.0	20,566.1	37.5%
Gaming	27,644.8	20,015.9	38.1%
Promotional allowance	(6,099.2)	(4,134.5)	47.5%
Hotel, food, beverage and others	5,001.8	3,485.7	43.5%
Other revenues - net	1,731.5	1,199.0	44.3%
GROSS PROFIT	12,300.4	8,325.0	47.8%
OPERATING PROFIT (LOSS)	2,324.0	1,637.8	41.9%
NET PROFIT (LOSS)	941.2	1,439.4	-34.6%
EBITDA	5,494.4	3,877.1	41.7%

#### Net revenues

Net revenues increased by 37.5% to P28,279.0 million for the year ended December 31, 2019 from P20,566.1 million for the year ended December 31, 2018. Net revenues for the three (3) months ended December 31, 2019 increased by 11.9% to P7,220.2 million compared to P6,454.5 million the same period last year. The increase was driven by the improvement in revenues for both the gaming and non-gaming segments. Net revenue split from gaming and non-gaming was 76.2% and 23.8% respectively for 2019.

Promotional allowance for the year ended December 31, 2019 increased to P6,099.2 million from P4,134.5 million last year, while promotional allowance for the three (3) months ended December 31, 2019 increased to P1,677.2 million from P1,262.3 million for the same period last year. The increase was primarily due to the increase in gaming activities during the year.

#### Gaming revenues

Gross gaming revenues increased by 38.1% to P27,644.8 million for the year ended December 31, 2019 from P20,015.9 million last year. Gross gaming revenues for the three (3) months ended December 31, 2019 increased by 8.5% to P6,793.9 million compared to P6,261.2 million for the same period last year.

Casino drops for the year ended December 31, 2019 improved by 31.0% compared to last year driven by the 33.7% increase in the VIP segment, and 25.1% increase from the non-VIP segment. Blended win rate for the year ended December 31, 2019 was at 5.1% compared to 4.8% last year.

Gaming capacity increased to 355 tables, 2,034 slot machines and 100 electronic table games (ETG) as of December 31, 2019 from 299 tables and 1,822 slot machines as of December 31, 2018. The increase was primarily due to the opening of the second floor gaming area of the Grand Wing. Average daily property visitation increased by 32.1% to 37,627 in 2019 from 28,482 in 2018.

In 2019, the Company adopted Philippine Financial Reporting Standards ("PFRS"), which requires presentation of gaming revenues net of promotional allowances or expenses that are directly related to such revenues. Promotional allowance refers to the value of points earned by loyalty card members, revenue share of junket operators, and rebates granted to patrons. With the adoption, the Company reclassified rebates granted to patrons from general and administrative expenses into promotional allowances. Furthermore, the company excluded various prizes from promotional allowances, but included such as part of general and administrative expenses.

## **Hotel, food, beverage and others**

Revenue from hotel, food, beverage and others increased by 43.5% to P5,001.8 million for the year ended December 31, 2019 from P3,485.7 million last year. While for the three (3) months ended December 31, 2019, revenue from hotel, food, beverage and others increased by 30.9% to P1,493.4 million from P1,140.6 million for the same period of 2018. The increase was primarily due to higher average daily rates, higher occupancy rates and 390 additional rooms from the Sheraton Manila Hotel which opened in January 2019.

With the opening of Sheraton Manila Hotel, total room count at Resorts World Manila rose to 2,226 as of December 31, 2019. All hotels registered high occupancy rates averaging 80%. Occupancy rates for the four hotels are as follows: Maxims Hotel at 81%, Marriott Hotel Manila at 80%, Holiday Inn Express Manila Newport City at 88%, Hilton Manila at 75%, and Sheraton Manila Hotel at 63%.

An additional 326 rooms were added to the Company's hotel portfolio with the opening of Courtyard by Marriott Iloilo in May 2018. Courtyard is the first Marriott brand in the province of Iloilo located in Megaworld's township development in Iloilo City. It registered an occupancy rate of 28% in 2019.

## **Other revenues - net**

Other revenues increased by 44.3% to P1,731.5 million for the year ended December 31, 2019 from P1,199.0 million for the same period for 2018. While other operating income increased by 93.6% to P610.1 million for the three months ended December 31, 2019 from P315.1 million for the same period for 2018.

The increase was primarily due to higher revenue from theater operations, mall and cinema. Tenant count from retail and food and beverage was 92 for the year ended December 31, 2019 versus 95 in 2018.

Other revenues primarily consist of income from the Newport Performing Arts Theater, cinema, parking, laundry, and rental income from the mall and commercial office space, and others.

## **Direct costs**

Direct costs increased by 30.5% to P15,978.5 million for the year ended December 31, 2019 from P12,241.1 million in 2018. This increase was primarily due to the following: (1) increase in gaming license fees as a result of higher gaming revenues; (2) increase in casino operating expenses due to the opening of Grand Wing second floor gaming area; and (3) increase in hotel operating expenses in connection with the opening of Sheraton Manila Hotel.

Direct costs are costs directly associated with gaming operations, which include gaming license fees, casino expenses, salaries, wages and employee benefits of casino employees, entertainment, amusement and recreation costs, complimentary costs and depreciation of gaming equipment; and costs directly associated with rendering of services for the hotels and its outlets, which include depreciation of hotel buildings, cost of food and beverage, salaries, wages and benefits of hotel personnel, supplies, parking, and other related expenses.

## **Gross profit**

Gross profit for the year and three (3) months ended December 31, 2019 were P12,300.4 million and P2,648.3 million, respectively.

## **Other operating income and expenses**

General and administrative expenses for the year ended December 31, 2019 increased by 49.2% to P9,976.4 million from P8,291.9 million in 2018. The increase was primarily due to (1) increase in marketing expenses related to various promotional and advertising schemes used to promote NWR in 2019; and (2) increase in expenses in relation to the opening of the Grand Wing.

## **Operating profit**

The Company's operating profit for the year ended December 31, 2019 was P2,324.0 million compared to P1,637.8 million in 2018.

## **Non-operating income and expenses**

Non-operating expenses for the year ended December 31, 2019 was P1,292.4 million compared to P53.5 million in 2018. The increase was primarily due to the increase in interest expenses as a result of the increase in debt and lower capitalization of borrowing cost.

## **EBITDA**

EBITDA for the year ended December 31, 2019 was P5,494.4 million compared to P3,877.1 million in 2018. EBITDA for the fourth quarter of 2019 amounted to P1,314.3 million compared to P634.2 million for the same period of 2018.

## **Profit before tax**

Profit before tax for the year ended December 31, 2019 amounted to P1,031.6 million.

## **Tax expense**

Tax expense for the year ended December 31, 2019 was P90.4 million compared to P144.9 million in 2018.

## **Net profit**

Net profit for the year ended December 31, 2019 was P941.2 million compared to P1,439.4 million in 2018.

## **Liquidity and Capital Resources**

### ***I. For the year ended December 31, 2021 and 2020***

#### **Total assets**

Total assets decreased by 2.5% or P2,970.0 million to P117,774.0 million for the year ended December 31, 2021 from P120,744.0 million at the beginning of the year.

#### **Current assets**

Cash and cash equivalents increased by 3.2% to P9,603.1 million for the year ended December 31, 2021 from P9,301.5 million at the beginning of the year. Cash and cash equivalents include cash on hand, cash in bank, investments in money market funds, and domestic and foreign bank time deposits with maturities of less than 90 days.

Trade and other receivables increased by 4.1% to P1,713.8 million as of December 31, 2021 from P1,646.0 million at the beginning of the year.

Advances to related parties decreased by 35.6% or P535.9 million to P969.3 million as of December 31, 2021 from P1,505.2 million at the beginning of the year.

Inventories slightly increased by 0.2% to P131.8 million for the year ended December 31, 2021 from P123.4 million at the beginning of the year. Inventories rose due to increased gaming activity during the year. Inventories mainly consist of casino supplies such as cards, seals and dice.

Prepayments and other current assets increased by 32.8% or P2,011.1 million to P8,143.2 million as of December 31, 2021 from P6,132.2 million at the beginning of the year primarily due to increase in Input Tax from purchase of construction materials and services, and advances to suppliers.

#### **Non-current assets**

Property, plant and equipment increased by 1.1% or P954.8 million to P90,299.4 million as of December 31, 2021 from P89,344.6 million at the beginning of the year. The increase was primarily due to: (1) completion of new gaming areas in both the Garden and Grand Wing and (2) increase in construction progress in relation to one hotel.

The Phase 3 development, called the Grand Wing, comprises three (3) luxury hotels – Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila. The new wing includes approximately 14,000 square meters of gaming space, 3,200 square meters of retail space and six (6) basement parking decks. The entire project was completed with the Hotel Okura Manila’s soft opening at the end of 2021.

#### **Total liabilities**

Total liabilities decreased by 3.3% or P2,839.2 million to P84,608.5 million as of December 31, 2021 from P87,447.7 million at the beginning of the year.

#### **Current liabilities**

Trade and other payables decreased by 46.0% or P11,294.3 million to P13,274.1 million as of December 31, 2021 from P24,568.4 million at the beginning of the year. This represents trade payables to suppliers, liability for unredeemed gaming points, unredeemed gaming chips and advance deposit.

Current loans and borrowings increased by P5,648.2 million to P27,953.5 million as of December 31, 2021 from P22,305.3 million at the beginning of the year. This was primarily due to related working capital requirements and reclassification of the current portion of the long-term debt.

Advances from related parties decreased by P1.7 million to P116.8 million as of December 31, 2021 from P118.5 million at the beginning of the year. The decrease was primarily due to payments of the company to its related parties during the year.

#### **Non-current liabilities**

Non-current loans and borrowings declined by 20.6% or P7,224.6 million to P27,804.1 million as of December 31, 2021 from P35,028.7 million at the beginning of the year.

Retirement benefit obligation decreased to P683.7 million as of December 31, 2021 from P737.4 million at the beginning of the year. This relates to the defined benefit plan to pay qualified employees retirement benefits.

#### **Net cash/(debt)**

The Company’s net debt position amounted to P46,154.5 million as of December 31, 2021 from a net debt position of P48,032.5 million at the beginning of the year, as illustrated below:

<i>In Million Pesos</i>	<b>2021</b>	<b>2020</b>
Total Cash	9,603.1	9,301
Total Debt	55,757.6	57,334.0
Net Cash/(Debt)	(46,154.5)	(48,032.5)



*Note: Total Debt covers interest-bearing loans and borrowing and notes payables*

## **Equity**

Total equity slightly decreased by 0.4% or P130.6 million to P33,165.7 million as of December 31, 2021 from P33,296.3 million at the beginning of the year. The decrease was primarily due to the net loss incurred for the year.

### **II. For the year ended December 31, 2020 and 2019**

#### **Total assets**

Total assets increased by 1.4% or P1,716.1 million to P120,744.0 million for the year ended December 31, 2020 from P119,027.9 million at the beginning of the year.

#### **Current assets**

Cash and cash equivalents decreased by 20.6% to P9,301.5 million for the year ended December 31, 2020 from P11,714.5 million at the beginning of the year. Cash and cash equivalents include cash on hand, cash in bank, investments in money market funds, and domestic and foreign bank time deposits with maturities of less than 90 days.

Trade and other receivables increased by 59.4% to P1,646.0 million as of December 31, 2020 from P1,032.4 million at the beginning of the year.

Advances to related parties increased by 84.4% or P688.7 million to P1,505.2 million as of December 31, 2020 from P816.5 million at the beginning of the year.

Inventories slightly decreased by 0.2% to P123.4 million for the year ended December 31, 2020 from P123.6 million at the beginning of the year. Inventories remained relatively flat due to minimal gaming activity during the year. Inventories mainly consist of casino supplies such as cards, seals and dice.

Prepayments and other current assets decreased by 1.5% or P94.1 million to P6,132.2 million as of December 31, 2020 from P6,226.3 million at the beginning of the year primarily due to the decline in prepaid taxes for construction related payments.

#### **Non-current assets**

Property, plant and equipment increased by 6.4% or P5,410.8 million to P89,344.6 million as of December 31, 2020 from P83,933.8 million at the beginning of the year. The increase was primarily due to: (i) completion of new gaming areas; and (ii) increase in construction progress in relation to one (1) hotel and other gaming areas at the Phase 3 development. As of December 31, 2020, the Company has spent P36,354.0 million for its Phase 3 development.

#### **Total liabilities**

Total liabilities increased by 9.2% or P7,370.6 million to P87,447.7 million as of December 31, 2020 from P80,077.1 million at the beginning of the year.

#### **Current liabilities**

Trade and other payables increased by 79.7% or P10,901.2 million to P24,568.4 million as of December 31, 2020 from P13,667.2 million at the beginning of the year. This represents trade payables to suppliers, liability for unredeemed gaming points, unredeemed gaming chips and advance deposit.

Current loans and borrowings increased by P2,830.0 million to P22,305.3 million as of December 31, 2020 from P19,475.3 million at the beginning of the year. This was primarily due to related working capital related requirements and reclassification of the current portion of the long-term debt.

Advances from related parties decreased by P562.3 million to P118.5 million as of December 31, 2020 from P680.9 million at the beginning of the year. The decrease was primarily due to payments of the company to its related parties during the year.

#### **Non-current liabilities**

Non-current loans and borrowings declined by 13.4% or P5,419.0 million to P35,028.7 million as of December 31, 2020 from P40,447.8 million at the beginning of the year.

Retirement benefit obligation increased to P737.4 million as of December 31, 2020 from P518.0 million at the beginning of the year. This relates to the defined benefit plan to pay qualified employees retirement benefits.

#### **Net cash/(debt)**

The Company's net debt position amounted to P48,032.5 million as of December 31, 2020 from a net debt position of P48,208.6 million at the beginning of the year, as illustrated below:

<i>In Million Pesos</i>	<b>2020</b>		<b>2019</b>
Total Cash	9,301.5		11,714.5
Total Debt	57,334.0		59,923.1
Net Cash/(Debt)	(48,032.5)		(48,208.6)
<i>Note: Total Debt covers interest-bearing loans and borrowing and notes payables</i>			

#### **Equity**

Total equity decreased by 14.5% or P5,654.6 million to P33,296.3 million as of December 31, 2020 from P38,950.9 million at the beginning of the year. The decrease was primarily due to the net loss posted for the year.

### **III. For the year ended December 31, 2019 and 2018**

#### **Total assets**

Total assets increased by 10.9% or P11,732.1 million to P119,027.9 million for the year ended December 31, 2019 from P107,295.8 million at the beginning of the year.

#### **Current assets**

Cash and cash equivalents increased by 15.5% to P11,714.5 million for the year ended December 31, 2019 from P10,144.9 million at the beginning of the year. Cash and cash equivalents include cash on hand, cash in bank, investments in money market funds, and domestic and foreign bank time deposits with maturities of less than 90 days.

Trade and other receivables increased by 15.2% to P1,032.4 million as of December 31, 2019 from P896.3 million at the beginning of the year.

Advances to related parties increased by 29.0% or P183.8 million to P817.2 million as of December 31, 2019 from P633.4 million at the beginning of the year. The increase was due to advances made to an associate during the year.

Inventories increased by 24.7% or P24.5 million to P123.6 million for the year ended December 31, 2019 from P99.1 million at the beginning of the year. The increase was primarily due to the opening of new gaming areas. Inventories mainly consist of casino supplies such as cards, seals and dice.

Prepayments and other current assets increased to P6,224.4 million as of December 31, 2019 from P5,596.5 million at the beginning of the year. The increase was due to the increase in prepaid taxes for construction related payments.

#### **Non-current assets**

Property, plant and equipment increased by 13.2% or P10,231.4 million to P87,963.6 million as of December 31, 2019 from P77,732.3 million at the beginning of the year. The increase was primarily due to: (1) completion of Sheraton Manila Hotel in January 2019; (2) completion of new gaming areas at the Phase 3 development; and (3) increase in construction progress in relation to one hotel and other gaming areas at the Phase 3 development. As of December 31, 2019, the Company has spent P36,354.0million for its Phase 3 development.

The Phase 3 development, called the Grand Wing, comprises three (3) luxury hotels – Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila. The new wing will also include approximately 14,000 sqm. of gaming space, 3,200 sqm. of retail space and six (6) basement parking decks. The entire project is expected to be completed within 2020.

#### **Total liabilities**

Total liabilities increased by 29.9% or P18,417.8 million to P80,075.8 million as of December 31, 2019 from P61,657.9 million at the beginning of the year.

#### **Current liabilities**

Trade and other payables increased by 28.3% or P3,011.7 million to P13,663.1 million as of December 31, 2019 from P10,651.4 million at the beginning of the year. This represents trade payables to suppliers, liability for unredeemed gaming points, and unredeemed gaming chips.

Current loans and borrowings increased by P13,125.3 million to P19,475.3 million as of December 31, 2019 from P6,350.0 million at the beginning of the year. This was primarily due to the share buyback of the Company and expansion related projects. .

Advances from related parties increased by P389.6 million to P681.6 million as of December 31, 2019 from P292.0 million at the beginning of the year. The increase was due to the advances received from a related party for the development of the Site A project at Entertainment City.

#### **Non-current liabilities**

Non-current loans and borrowings rose to P40,447.8 million as of December 31, 2019 from P38,918.0 million at the beginning of the year after converting the Company's short-term borrowings.

Retirement benefit obligation decreased to P518.0 million as of December 31, 2019 from P321.5 million at the beginning of the year. This relates to the defined benefit plan to pay qualified employees retirement benefits.

#### **Net cash/(debt)**

The Company's net debt position amounted to P48,208.6 million as of December 31, 2019 from a net debt position of P35,123.1million at the beginning of the year, as illustrated below:

<i>In Million Pesos</i>	<b>2019</b>		<b>2018</b>
Total Cash	11,714.5		10,144.9
Total Debt	59,923.1		45,268.0
Net Cash/(Debt)	(48,208.6)		(35,123.1)
<i>Note: Total Debt covers interest-bearing loans and borrowing and notes payables</i>			

## Equity

Total equity decreased by 14.7% or P6,686.8 million to P38,951.0 million as of December 31, 2019 from P45,637.9 million at the beginning of the year. The decrease was due to the dividend payment in 2019 and the reacquisition of shares.

## Tax Related Matters

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. Although the BIR issued Revenue Memorandum Circular No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended, the Supreme Court, on August 10, 2016, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, confirmed the legality of the aforesaid provision of the Provisional License subjecting the Company to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The Supreme Court affirmed that “*exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), associations(s), agency(ies) or individual(s) with whom the PAGCOR or the operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos*”. This Decision has been affirmed with finality in the Supreme Court Resolution dated November 28, 2016, which denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of the Supreme Court, last June 2018, PAGCOR advised that the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extend to all PAGCOR contractees and licensees.

The Company is registered with PEZA as a Tourism Economic Zone. Its PEZA-registered activities include Newport Entertainment and Commercial Center, Marriott Hotel Manila, Holiday Inn Express Manila Newport City, Marriott Grand Ballroom, Marriott West Wing, Courtyard by Marriott Iloilo, and Hotel Okura Manila. As such, it is entitled to certain tax incentives. Hilton Manila and Sheraton Manila Hotel, through the Company’s subsidiaries, are also included in the Group’s PEZA-registered activities.

## Prospects for the Future

The Company’s Phase 3 development was completed with the soft opening of the 188-room Hotel Okura Manila last December 2021. This brings the Company’s total room count to 2,238 across five (5) international branded hotels.

Looking ahead, the Company plans to develop the remaining two hectares of land at Newport City, completing NWR’s connectivity to Runway Manila, a 220-meter pedestrian link bridge that connects NAIA-3 and Newport City bringing more retail alternatives.

**Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation**

None. The Company does not foresee any event that may trigger material financial obligation to the Company, including default or acceleration of an obligation.

**All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period**

None. There were no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

**Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures**

The Company's major capital expenditures are mostly for the completion of its Phase 3 project through Hotel Okura Manila, and new gaming areas, which are funded through internally generated funds and loans from banks.

**Any Known Trends, Events or Uncertainties (Material Impact on Sales and Liquidity)**

The Company recognizes trends, events, and uncertainties, which can affect revenues and profits, and corollary, the liquidity of the Company. These include the ongoing unpredictable nature of the COVID-19 pandemic, natural catastrophes, regulatory development, money laundering and cheating at gaming areas, supply of raw materials, competition, and the Philippine economic/political condition.

**Any Significant Elements of Income or Loss (from continuing operations)**

None.

**CAUSES FOR ANY MATERIAL CHANGES FROM PERIOD TO PERIOD OF FS WHICH SHALL INCLUDE VERTICAL AND HORIZONTAL ANALYSES OF ANY MATERIAL (5%)**

**Material Changes in the Year 2022 Financial Statement**

**(Increase/Decrease of 5% or more versus nine (9) months ending September 30, 2022 and as at December 31, 2021)**

84.5% increase in net revenues

Due to the continued improvement in gaming activity as a result of the easing of restrictions and lower daily COVID-19 cases and due to the improvement in overall drops across all gaming segments as foot traffic ramped up in the third quarter of 2022

74.1% increase in revenue from hotel, food, beverage and others

Primarily driven by the rise in covers and the continued improvement in the average daily rate (ADR) as the hotels transitions to the leisure market with the ramp up domestic and international tourism

122.2% increase in other operating income

Primarily driven by the full resumption of entertainment shows and the improvement of mall visitation in the third quarter this year

31.0% increase in direct costs

Primarily due to the following: (1) increase in gaming license fees; (2) increase in operational expenses as the property operates at 100% capacity; and (3) increase in cost of food and beverage.

225.7% increase in gross profit

Due to the continued improvement in operations as a result of the easing of restrictions and lower daily COVID-19 cases

33.7% increase in general and administrative expenses

Primarily due to the following: (1) increase in marketing expenses related to the various promotional and advertising activities; (2) increase in salaries and wages; and (3) increase in utility expenses

8.4% decrease in cash and cash equivalents

Mainly due to operating activities and repayments of existing debts that are due within the period covered

12.3% increase in trade and other receivables

Due to the continued improvement in operations as a result of the easing of restrictions and lower daily COVID-19 cases

13.3% decrease in advances to related parties

Due to repayments of advances to related parties

6.0% increase in prepayments and other current assets

Due to the increase in long-term money market placement and input taxes

28.7% increase in trade and other payables

Due to payables to suppliers, liability for unredeemed gaming points, and unredeemed gaming chips

127.8% increase in advances from related parties

Due to additional advances from related party

22.4% decrease in non-current loans and borrowings

Due to repayments of maturing debts

15.6% increase in retirement benefit obligations

Due to additional accruals of retirement expense of the group

11.1% increase in equity

Mainly attributed to the participation of AGI during the Company's equity call earlier this year and the results of operations for the nine (9) months ended September 30, 2022

#### **Material Changes in the Year 2021 Financial Statement**

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

8.2% increase in net revenues

Due to the eased restrictions from the last five (5) months of 2021 and the overall improvement of drops across gaming segments

10.4% increase in revenue from hotel, food, beverage and others

Primarily due to higher occupancy rates as all of the hotels were allowed to accept inbound passengers that needed to undergo the mandatory quarantine requirements

21.6% decrease in other operating income

Primarily due to the impact of various cost measures done by the group to cushion the impact of COVID-19 in the business

33.6% increase in general and administrative expenses

Primarily due to (i) higher in marketing expenses related to various promotional and advertising schemes used to promote the Company; and (ii) impairment loss in assets

35.6% decrease in advances to related parties  
Due to repayment of advances to related parties

32.8% increase in prepayments and other current assets  
Primarily due to increase in Input Tax from purchase of construction materials and services, and advances to suppliers

46.0% decrease in trade and other payables  
Due to payments to suppliers and reclassification of certain liabilities from current to non-current

20.6% decrease in non-current loans and borrowings  
Due to repayments of maturing debts

**Material Changes in the Year 2020 Financial Statement**  
***(Increase/Decrease of 5% or more versus December 31, 2019)***

56.9% decrease in net revenues  
Driven by the impact of COVID-19 which restricted the number of gaming capacity allowed to operate, travel restrictions, social distancing restrictions, and amenity limitations

58.0% decrease in revenue from hotel, food, beverage and others  
Primarily due to lower average daily rates and lower occupancy rates as a result of the mobility restrictions caused by the COVID-19 pandemic

60.5% decrease in other revenues  
Primarily due to the implementation of restrictions impacting theater, cinema and mall operations during the lockdown period

40.0% decrease in direct costs  
Primarily due to the following: (i) decrease in gaming license fees as a result of lower gaming revenues; (ii) decline in casino operating expenses due to lower demand; and (iii) a reduction in overall headcount

21.6% decrease in other operating income  
Primarily due to the impact of various COVID-19 restrictions during the year, which affected theater, cinema and mall operations

41.1% decrease in general and administrative expenses  
Primarily due to reduced operation of the whole property because of the COVID-19

20.6% decrease in cash and cash equivalents  
Driven by reduced operations due to COVID-19 and repayments of suppliers and debts

59.4% increase in trade and other receivables  
Driven by reduced operations particularly in the hotels segment, which was used by the Government as quarantine hotels during the pandemic

84.4% decrease in advances to related parties  
Due to repayment of advances to related parties.

6.4% increase in property, plant and equipment  
Primarily due to: (i) completion of new gaming areas; and (ii) increase in construction progress in relation to one (1) hotel and other gaming areas at the Phase 3 development

9.2% increase in total liabilities  
Mainly due to increase in commitments to suppliers and borrowings for working capital requirements due to impact of COVID-19.

79.7% increase in trade and other payables

Driven by the increase in patron's deposit which was not utilized due to COVID-19 restrictions.

13.4% decrease in non-current loans and borrowings

Mainly due reclassification of the non-current portion of loans and borrowings to the current portion

14.5% decrease in equity

Due to the net loss posted for the year 2019

#### **Material Changes in the Year 2019 Financial Statement**

***(Increase/Decrease of 5% or more versus December 31, 2018)***

37.5% increase in net revenues

Due to the improvements in revenues for both the gaming and non-gaming segments. Gaming capacity also increased in 2019 as compared to the same period last year.

43.5% increase in revenue from hotel, food, beverage and others

Primarily due to higher average daily rates, higher occupancy rates and 390 additional rooms from the Sheraton Manila Hotel which opened in January 2019

44.3% increase in other revenues

Primarily due to higher revenue from theater operations, mall and cinema

30.5% increase in direct costs

Primarily due to the following: (1) increase in gaming license fees as a result of higher gaming revenues; (2) increase in casino operating expenses due to the opening of Grand Wing second floor gaming area; and (3) increase in hotel operating expenses in connection with the opening of Sheraton Manila Hotel

49.2% increase in general and administrative expenses

Primarily due to the following: (1) increase in marketing expenses related to various promotional and advertising schemes used to promote the Company in 2019; and (2) increase in expenses in relation to the opening of the Grand Wing

10.9% increase in total assets

Mainly due to the increase in cash and cash equivalents that flow through from operations and additional borrowings to fund to fund capital expenditures.

15.5% increase in cash and cash equivalents

Mainly due to increased operations and additional borrowings to fund the capital expenditure of the group.

15.2% increase in trade and other receivables

Due to improvement in operations both gaming and non-gaming.

29.0% increase in advances to related parties

Due to advances made to an associate during the year

24.7% increase in inventories

Primarily due to the opening of new gaming areas and the opening of the new hotel

13.2% increase in property, plant and equipment

Primarily due to: (1) completion of Sheraton Manila Hotel in January 2019; (2) completion of new gaming areas at the Phase 3 development; and (3) increase in construction progress in relation to one hotel and other gaming areas at the Phase 3 development

29.9% increase in total liabilities



Due to the increase levels of operations and capital expenditures of the Company

28.3% increase in trade and other payables

Due to increase in suppliers and patron deposits in relation to improved operations during 2019

14.7% decrease in equity

Due to the dividend payment in 2019 and the reacquisition of shares

## MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Price Information

The Company's common shares were effectively delisted from the Philippine Stock Exchange on 21 October 2019. Since 2019, no part of the Company's common shares has been or is being proposed to be publicly offered. Further, none of the shares are subject to outstanding options or warrants to purchase, or are convertible.

### Shareholders

As of 30 September 2022, the Company has a total of THIRTY BILLION SIX HUNDRED TWELVE MILLION SEVENTY-TWO THOUSAND TWO HUNDRED THIRTY-ONE (30,612,072,231) common and preferred shares outstanding.

As of 30 September 2022, the 20 largest common shareholders of the Company, as reported in the amended General Information Sheet dated 19 October 2022, are as follows:

<b>Rank</b>	<b>Stockholder</b>	<b>No. of Shares Held</b>	<b>% Total</b>
1	Adams Properties Inc.	11,873,083,333	38.79
2	Alliance Global Group, Inc.	10,148,370,724	33.15
3	Star Cruises Philippines Holdings B. V.	4,498,466,647	14.70
4	Asian Travellers Ltd.	1,784,034,000	5.83
5	Premium Travellers Ltd.	1,047,766,000	3.42
6	First Centro, Inc.	707,949,970	2.31
7	Megaworld Corporation	290,587,162	0.95
8	Megaworld Cebu Properties, Inc.	190,000,000	0.62
9	Deutsche Bank Ag Manila Obo UBS AG-SG A/C 12105824001	38,000,000	0.12
10	PCD Nominee Corp. (Non-Filipino)	13,430,284	0.04
11	Citibank N.A. Manila Obo AC 1100218234	4,749,500	0.02
12	PCD Nominee (Filipino)	3,270,8800	0.01
13	Deutsche Bank Ag Manila Obo UBS AG-HK A/C 12105904001	2,813,700	0.01
14	Deutsche Bank Ag Manila Obo DB SING DCS A/C 12069864001	2,019,600	0.01
15	Registrar of the District Court of the Hong Kong Special Administrative Region	1,200,000	0.004
16	Chan Fun Chee Holdings Limited	1,000,000	0.003
17	Deutsche Bank Ag Manila Obo BNYM SA Non TTY A/C 12140004162	800,000	0.003
18	Sim Li Lian Vivian	585,400	0.002
19	Hooi Ban Hoe	548,500	0.002
20	Lie Kiem Lan	546,400	0.002

As of 30 September 2022, the Company had three (3) shareholders holding 12,535,507,901 Preferred B Shares. The following table sets forth Preferred B shareholders of the Company as of 30 September 2022.

<b>Rank</b>	<b>Stockholder</b>	<b>No. of Shares Held</b>	<b>% Total</b>
1	Adams Properties Inc.	8,333,333,333	66.48
2	Alliance Global Group, Inc.	2,535,507,901	20.23
3	Star Cruises Philippines Holdings B. V.	1,666,666,667	13.30

### **Update on Tax Issues**

As mentioned above, the Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. In April 2013, however, the BIR issued RMC No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from income tax under the National Internal Revenue Code of 1997, as amended.

The issue on whether revenues from gaming operations of the Company are subject to income tax by the BIR under the National Internal Revenue Code, as amended, was settled in the case of *Bloomberry Resorts and Hotel, Inc. vs. Bureau of Internal Revenue*, G.R. No. 212530, August 10, 2016, where the Supreme Court ruled that: “As the PAGCOR Charter states in unequivocal terms that exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), association(s), agency(ies), or individual(s) with whom the PAGCOR or operator has any contractual relationship in connection with the operations of the casino(s) authorized to be conducted under this Franchise, so it must be that all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall likewise be exempted from all other taxes, including corporate income tax realized from the operation of casinos.” The Motion for Reconsideration filed by the BIR of the August 10, 2016 Resolution was denied with finality in an Order dated November 28, 2016. Consistent with the decision of the Supreme Court, last June 13, 2018, PAGCOR advised that the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extend to all PAGCOR contractees and licensees.

On 29 March 2022, the BIR issued Revenue Memorandum Circular No. 32-2022, wherein PAGCOR Licensees were directed to directly remit to the BIR the 5% franchise tax based on its gross gaming revenue.

### **Dividends in the Two (2) Most Recent Years and Subsequent Interim Period**

The Company is authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company’s earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issuance of shares. Dividends paid in cash are subject to the approval by the Board of Directors (“BOD”). Dividends paid in the form of additional shares are subject to approval by both the BOD and at least two-thirds (2/3) of the outstanding share capital of the shareholders at a shareholders’ meeting called for such purpose.

The Company aims to maintain an annual cash and/or share dividend pay-out of up to 20% of its net profit from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by the BOD and may be declared only from the unrestricted retained earnings of the Company. The Company’s BOD may, at any time, modify the Company’s dividend policy, depending upon the Company’s capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects.

On May 8, 2017, the Company’s BOD approved the declaration of a cash dividend of P630.2 million to holders of the Company’s common shares of record as of May 31, 2017, which was paid on various dates in 2017.

On May 6, 2019, the Company's BOD approved the declaration of a cash dividend of P187.3 million to holders of the Company's common shares of record date as of May 20, 2019, which was paid on June 14, 2019.

No dividends were declared in 2021 and 2020.

As of December 31, 2021, the Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

#### **Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction**

None. The Company did not recently sell unregistered or exempt securities nor issued securities constituting an exempt transaction.

#### **Warrants and Options Outstanding**

No warrants or stock options are held by the Company's executive officers or directors, nor are there any plans for extending warrants or options in the near future.

#### **DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

In accordance with the provisions of the Revised Manual on Corporate Governance, the Company is required to assess compliance of its Board of Directors and Management annually. In addition, the Compliance Officer is required to prepare an annual certification on the Company's compliance with the provisions of the Manual on Corporate Governance explaining reasons for any deviation, if any. There has been no material deviation from the Company's Revised Manual on Corporate Governance.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. Manual of Corporate Governance

The Board of Directors has adopted the Revised Manual of Corporate Governance on 13 June 2014 and revised the same on 8 May 2017, which upholds the protection of stockholders' and stakeholders' rights, among others.

2. Board of Directors

The essence of corporate governance is transparency. The Company has adopted a corporate governance policy, the thrust of which is to timely disclose to the Securities and Exchange Commission ("SEC") all material information about the Company which could adversely affect its viability or the interests of the stockholders and other stakeholders.

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities in providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. It performs oversight

responsibilities for the following: (i) Financial Reporting; (ii) Risk Management; (iii) Internal Control; (iv) Internal Audit; and (e) External Audit.

Further, it ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

The selection of external auditors and approval of external audit fees and services are based on the credibility, professional reputation, accreditation with SEC, and affiliation with a reputable foreign partner. The fees of the external auditors are approved by the Company after the approval by the stockholders of the engagement and prior to the commencement of each audit season.

Pursuant to the Company's Revised Manual of Corporate Governance, the Audit Committee is composed of three (3) members of the Board who have accounting and finance backgrounds, including one (1) independent director who serves as the committee chairman. As of the date of this report, the Audit Committee Chairman is Mr. Jesus B. Varela, who serves with Mr. Kingson U. Sian, and Mr. Jose Alvaro D. Rubio as members.

The 2022 attendance of the Audit Committee are as follows:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee Since Initial Appointment
Chairman (ID)	Jesus B. Varela	June 14, 2019	1	1	100%	4 years
Member (ED)	Kingson U. Sian	June 14, 2019	1	1	100%	8 years
Member (NED)	Jose Alvaro D. Rubio	June 14, 2019	1	1	100%	8 years

#### 4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval. Further, the Nomination Committee assesses the effectiveness of the Board's processes and procedures in the election and replacement of directors. As of the date of this report, the Nomination Committee Chairman is Mr. Kingson U. Sian, who serves with Mr. Jose Alvaro D. Rubio, and Mr. Enrique M. Soriano III as members.

#### 5. Remuneration and Compensation Committee

The Remuneration and Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the company successfully. Further, it evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals. As of the date of this report, the Remuneration and Compensation Committee Chairman is Dr. Andrew L. Tan, who serves with Mr. Kingson U. Sian, and Mr. Jesus B. Varela as members.

#### 6. Executive Committee

The Executive Committee advises and assists the officers of the Corporation in all matters concerning its interest and management of its business. As of the date of this report, the

Executive Committee Chairman is Kevin Andrew L. Tan, who serves with Dr. Andrew L. Tan, Mr. Chua Ming Huat, Mr. Kingson U. Sian, and Mr. Jose Alvaro D. Rubio as members.

7. Corporate Governance Committee

The Corporate Governance Committee reviews, evaluates and assesses the effectiveness and implementation of the processes and procedures provided for in the Corporate Governance Manual as well as the committees created pursuant to it. As of the date of this report, the Corporate Governance Committee Chairman is Mr. Jesus B. Varela, who serves with Mr. Kingson U. Sian, and Mr. Jose Alvaro D. Rubio as members.

8. Board Risk Oversight Committee

The Board Risk Oversight Committee develops a formal enterprise risk management plan and oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. As of date of this report, the Board Oversight Committee Chairman is Enrique Soriano III, who serves with Mr. Jesus B. Varela, and Mr. Kingson U. Sian as members.

9. Related Party Transaction Committee

The Related Party Transaction Committee evaluates existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. As of date of this report, the Related Party Transaction Committee Chairman is Mr. Jesus B. Varela, who serves with Mr. Enrique Soriano III, and Mr. Jose Alvaro D. Rubio as members.

10. Continuing Improvements for Corporate Governance

The Company will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

**Undertaking to Provide Annual Report**

The Company shall provide, without charge, to each stockholder a copy of its Annual Report on SEC Form 17-A, through the Company's website at <https://www.travellers.com.ph> upon written request addressed to:

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.  
Office of the Corporate Secretary  
10/F Newport Entertainment & Commercial Centre,  
Newport Boulevard, Newport Cyber tourism Economic Zone, Pasay City, Philippines.



# SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

ANNEX B



**The following document has been received:**

**Receiving:** JAYSON ALDAY

**Receipt Date and Time:** August 15, 2022 03:29:48 PM

## Company Information

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**SEC Registration No.:** CS200342649

**Company Name:** TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF: MAXIMS MANILA HOTEL MARRIOTT HOTEL MANILA REMINGTON HOTEL THE TERRACES AT MAXIMS, RWM M-SPA FITNESS CENTER

**Industry Classification:** K70000

**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST1081520228701991

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2021

**Submission Type:** Consolidated

**Remarks:** None

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	4	2	6	4	9
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### Company Name

T	R	A	V	E	L	L	E	R	S		I	N	T	E	R	N	A	T	I	O	N	A	L		H	O	T	E	L								
G	R	O	U	P							I	N	C	.		A	N	D						S	U	B	S	I	D	I	A	R	I	E	S		

### Principal Office ( No./Street/Barangay/City/Town)Province)

1	0	/	F		N	E	W	P	O	R	T		E	N	T	E	R	T	A	I	N	M	E	N	T		&			
C	O	M	M	E	R	C	I	A	L		C	E	N	T	R	E	,		N	E	W	P	O	R	T					
B	O	U	L	E	V	A	R	D	,		N	E	W	P	O	R	T		C	Y	B	E	R	T	O	U	R	I	S	M
E	C	O	N	O	M	I	C		Z	O	N	E	,		P	A	S	A	Y		C	I	T	Y						

Form Type

A	F	S
---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

### COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

7	9	0	8	8	0	0	0
---	---	---	---	---	---	---	---

Mobile Number

N	A
---	---

No. of Stockholders

200
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Annual Meeting

Month/Day

Every 3rd Monday of September of each calendar year
---

Fiscal Year

Month/Day

December 31
-------------

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Bernard Than
--------------

Email Address

--

Telephone Number/s

632-7908-8000
---------------

Mobile Number

--

Contact Person's Address

10/F Newport Entertainment and Commercial Centre, Newport Boulevard, Newport City , Pasay
---

**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

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


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

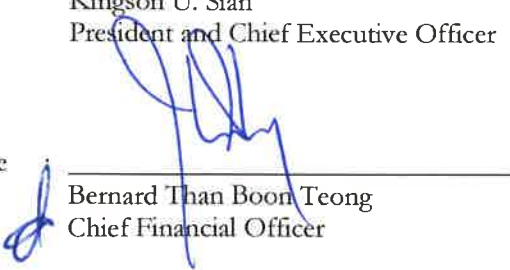
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

Signature :   
Chua Ming Huat  
Chairman

Signature :   
Kingson U. Sian  
President and Chief Executive Officer

Signature :   
Bernard Than Boon Teong  
Chief Financial Officer

Signed this 08 day of APR 2022.



## Report of Independent Auditors

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**Punongbayan & Araullo**

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

T +63 2 8988 2288

**The Board of Directors and Stockholders**  
**Travellers International Hotel Group, Inc. and Subsidiaries**  
**(A Subsidiary of Alliance Global Group, Inc.)**  
10/F Newport Entertainment & Commercial Centre  
Newport Boulevard, Newport Cybertourism Economic Zone  
Pasay City

### **Opinion**

We have audited the consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of Matter***

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 8852332, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 8, 2022



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

**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**Travellers International Hotel Group, Inc.**  
**and Subsidiaries**

December 31, 2021, 2020 and 2019

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020 (As Restated – see Note 2)
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	5	<b>P 9,603,068,223</b>	P 9,301,537,697
Trade and other receivables - net	6	<b>1,713,829,505</b>	1,646,043,069
Advances to related parties - net	23	<b>969,295,390</b>	1,505,227,486
Inventories	7	<b>131,790,692</b>	123,374,146
Prepayments and other current assets	8	<b>6,356,349,610</b>	6,132,158,587
Total Current Assets		<b>18,774,333,420</b>	18,708,340,985
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through other comprehensive income	28	<b>149,600,000</b>	127,200,000
Investments in an associate and a joint venture	9	<b>2,798,712,388</b>	2,714,934,494
Advances for future investment	10	<b>2,126,513,059</b>	1,538,277,765
Property and equipment - net	11	<b>90,299,394,953</b>	89,344,577,322
Investment property - net	12	<b>1,168,905,435</b>	1,231,650,942
Deferred tax assets	22	<b>38,226,043</b>	53,757,596
Other non-current assets - net	14	<b>2,418,478,030</b>	2,995,392,578
Total Non-current Assets		<b>98,999,829,908</b>	98,005,790,697
<b>NON-CURRENT ASSET HELD FOR SALE</b>	13	-	4,029,879,798
<b>TOTAL ASSETS</b>		<b>P 117,774,163,328</b>	P 120,744,011,480
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	15	<b>P 27,953,498,500</b>	P 22,305,289,102
Trade and other payables	16	<b>13,274,315,559</b>	24,259,999,394
Advances from related parties	23	<b>116,802,896</b>	118,549,770
Total Current Liabilities		<b>41,344,616,955</b>	46,683,838,266
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	15	<b>27,804,117,105</b>	35,028,735,809
Retirement benefit obligation	21	<b>683,699,680</b>	737,428,590
Other non-current liabilities	16	<b>14,776,017,646</b>	4,997,679,391
Total Non-current Liabilities		<b>43,263,834,431</b>	40,763,843,790
Total Liabilities		<b>84,608,451,386</b>	87,447,682,056
<b>EQUITY</b>			
Equity attributable to parent company	24		
Capital stock		<b>10,000,000,000</b>	10,000,000,000
Additional paid-in capital		<b>22,417,157,066</b>	22,417,157,066
Treasury shares, at cost		<b>( 15,597,057,010 )</b>	( 15,597,057,010 )
Revaluation reserves - net		<b>( 86,044,894 )</b>	( 236,265,060 )
Retained earnings		<b>15,937,504,424</b>	16,506,287,669
Total equity attributable to shareholders of the parent company		<b>32,671,559,586</b>	33,090,122,665
Non-controlling interests	2, 9	<b>494,152,356</b>	206,206,759
Total Equity		<b>33,165,711,942</b>	33,296,329,424
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 117,774,163,328</b>	P 120,744,011,480

*See Notes to Consolidated Financial Statements.*

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>NET REVENUES</b>				
Gaming	2, 17	<b>P 16,725,107,661</b>	P 13,291,375,194	P 27,644,831,264
Less: Promotional allowances	2	<u>( 6,394,997,426 )</u>	<u>( 3,893,038,259 )</u>	<u>( 6,099,217,521 )</u>
		<b>10,330,110,235</b>	9,398,336,935	21,545,613,743
Non-gaming:				
Hotel, food, beverage and others	2, 17	<b>2,316,639,030</b>	2,099,135,128	5,001,809,238
Other revenues - net	17, 19	<u>535,824,574</u>	<u>683,670,196</u>	<u>1,731,529,161</u>
		<b>13,182,573,839</b>	12,181,142,259	28,278,952,142
<b>DIRECT COSTS</b>	18	<u>10,011,089,979</u>	<u>10,058,291,678</u>	<u>16,159,296,041</u>
<b>GROSS PROFIT</b>		<u>3,171,483,860</u>	<u>2,122,850,581</u>	<u>12,119,656,101</u>
<b>OTHER OPERATING INCOME (EXPENSES)</b>				
General and administrative expenses	18	<u>( 7,317,674,655 )</u>	<u>( 5,400,086,079 )</u>	<u>( 9,920,266,280 )</u>
Impairment recovery (losses) on financial assets	6, 23, 26	<u>( 38,043,580 )</u>	<u>( 603,677 )</u>	<u>55,249,172</u>
Other income	25	<u>-</u>	<u>-</u>	<u>69,386,881</u>
		<u>( 7,355,718,235 )</u>	<u>( 5,400,689,756 )</u>	<u>( 9,795,630,227 )</u>
<b>OPERATING PROFIT (LOSS)</b>		<u>( 4,184,234,375 )</u>	<u>( 3,277,839,175 )</u>	<u>2,324,025,874</u>
<b>OTHER INCOME (CHARGES) - Net</b>				
Other income	25	<b>5,849,603,560</b>	-	-
Finance costs	20	<u>( 2,016,370,135 )</u>	<u>( 2,566,227,543 )</u>	<u>( 2,085,721,915 )</u>
Share in net profit and dilution loss of an associate and a joint venture	9	<b>83,777,894</b>	287,937,504	613,273,759
Finance income	20	<u>19,958,194</u>	<u>78,077,879</u>	<u>180,038,942</u>
		<u>3,936,969,513</u>	<u>( 2,200,212,160 )</u>	<u>( 1,292,409,214 )</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		<u>( 247,264,862 )</u>	<u>( 5,478,051,335 )</u>	<u>1,031,616,660</u>
<b>TAX EXPENSE</b>	22	<u>( 33,572,786 )</u>	<u>( 26,305,278 )</u>	<u>( 90,504,543 )</u>
<b>NET PROFIT (LOSS)</b>		<u>( 280,837,648 )</u>	<u>( 5,504,356,613 )</u>	<u>941,112,117</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Actuarial gains (losses) on remeasurement of retirement benefit obligation - net	21, 24	<b>132,158,863</b>	<u>( 150,172,308 )</u>	<u>( 237,647,764 )</u>
Net unrealized fair value gains (losses) on financial assets at fair value through other comprehensive income	24, 28	<b>22,400,000</b>	<u>( 9,000,000 )</u>	<u>33,000,000</u>
Tax income (expense)	22, 25	<u>( 4,338,697 )</u>	<u>8,965,769</u>	<u>12,902,405</u>
		<u>150,220,166</u>	<u>( 150,206,539 )</u>	<u>( 191,745,359 )</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>( P 130,617,482 )</u>	<u>( P 5,654,563,152 )</u>	<u>P 749,366,758</u>
Net profit (loss) attributable to:				
Parent company's shareholders		<u>( P 568,783,245 )</u>	<u>( P 5,499,895,421 )</u>	<u>P 945,207,913</u>
Non-controlling interests		<u>287,945,597</u>	<u>( 4,461,192 )</u>	<u>( 4,095,796 )</u>
		<u>( P 280,837,648 )</u>	<u>( P 5,504,356,613 )</u>	<u>P 941,112,117</u>
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		<u>( P 418,563,079 )</u>	<u>( P 5,650,101,960 )</u>	<u>P 753,462,554</u>
Non-controlling interests		<u>287,945,597</u>	<u>( 4,461,192 )</u>	<u>( 4,095,796 )</u>
		<u>( P 130,617,482 )</u>	<u>( P 5,654,563,152 )</u>	<u>P 749,366,758</u>
<b>Earnings (loss) per share:</b>				
<b>Basic and diluted</b>	30	<u>( P 0.039 )</u>	<u>( P 0.381 )</u>	<u>P 0.061</u>

*See Notes to Consolidated Financial Statements.*

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Attributable to Shareholders of Parent Company					Non-controlling Interests (see Note 9)	Total	
	Capital Stock (see Note 24)	Additional Paid-in Capital (see Note 24)	Treasury Shares (see Note 24)	Revaluation Reserves (see Note 24)	Retained Earnings (see Note 24)			Total
Balance at January 1, 2021	10,000,000,000	22,417,157,066	( 15,597,057,010)	( 236,265,060)	16,506,287,669	33,090,122,665	206,206,759	33,296,329,424
Total comprehensive income (loss) for the year	-	-	-	150,220,166	( 568,783,245)	( 418,563,079)	287,945,597	( 130,617,482)
Balance at December 31, 2021	<b>10,000,000,000</b>	<b>22,417,157,066</b>	<b>( 15,597,057,010)</b>	<b>( 86,044,894)</b>	<b>15,937,504,424</b>	<b>32,671,559,586</b>	<b>494,152,356</b>	<b>33,165,711,942</b>
Balance at January 1, 2020	10,000,000,000	22,417,157,066	( 15,597,057,010)	( 86,058,521)	22,006,183,090	38,740,224,625	210,667,951	38,950,892,576
Total comprehensive income for the year	-	-	-	( 150,206,539)	( 5,499,895,421)	( 5,650,101,960)	( 4,461,192)	( 5,654,563,152)
Balance at December 31, 2020	<b>10,000,000,000</b>	<b>22,417,157,066</b>	<b>( 15,597,057,010)</b>	<b>( 236,265,060)</b>	<b>16,506,287,669</b>	<b>33,090,122,665</b>	<b>206,206,759</b>	<b>33,296,329,424</b>
Balance at January 1, 2019	10,000,000,000	22,417,157,066	( 8,324,412,515)	105,686,838	21,248,304,212	45,446,735,601	214,763,747	45,661,499,348
Acquisition of treasury shares	-	-	( 7,272,644,495)	-	-	( 7,272,644,495)	-	( 7,272,644,495)
Cash dividends	-	-	-	-	( 187,329,035)	( 187,329,035)	-	( 187,329,035)
Total comprehensive income (loss) for the year	-	-	-	( 191,745,359)	945,207,913	753,462,554	( 4,095,796)	749,366,758
Balance at December 31, 2019	<b>10,000,000,000</b>	<b>22,417,157,066</b>	<b>( 15,597,057,010)</b>	<b>( 86,058,521)</b>	<b>22,006,183,090</b>	<b>38,740,224,625</b>	<b>210,667,951</b>	<b>38,950,892,576</b>

*See Notes to Consolidated Financial Statements.*

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020 (As Restated – see Note 2)	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		( P 247,264,862 )	( P 5,478,051,335 )	P 1,031,616,660
Adjustments for:				
Depreciation	18	3,487,930,128	3,415,318,051	3,170,381,239
Interest expense	20	2,048,500,699	2,307,210,578	1,952,473,214
Impairment loss on property and equipment	11	1,970,737,642	132,628,909	-
Share in net profit and dilution loss of an associate and a joint venture - net	9	( 83,777,894 )	( 287,937,504 )	( 613,273,759 )
Unrealized foreign exchange losses (gains) - net		( 51,413,890 )	154,940,892	128,716,813
Interest income	20	( 19,958,194 )	( 78,077,879 )	( 180,038,942 )
Loss (gain) on sale of property and equipment - net	11	-	336,703	( 318,279 )
Operating profit before working capital changes		7,104,753,629	166,368,415	5,489,556,946
Increase in trade and other receivables		( 67,786,436 )	( 613,611,653 )	( 136,128,921 )
Decrease (increase) in advances to related parties		3,998,841,307	120,966,755	( 183,067,684 )
Decrease (increase) in inventories		( 8,416,546 )	213,987	( 24,455,177 )
Decrease (increase) in prepayments and other current assets		( 224,191,023 )	92,131,777	( 627,763,878 )
Increase (decrease) in trade and other payables		( 11,474,353,623 )	10,339,086,382	2,629,599,899
Increase (decrease) in advances from related parties		( 83,311,213 )	410,846,608	388,890,697
Increase (decrease) in retirement benefit obligation		50,540,473	52,265,411	( 47,908,340 )
Increase (decrease) in other non-current liabilities		10,082,305,183	( 10,172,614,306 )	88,852,492
Cash generated from operations		9,378,381,751	395,653,376	7,577,576,034
Cash paid for income taxes		( 22,379,930 )	( 37,601,604 )	( 91,829,380 )
Net Cash From Operating Activities		9,356,001,821	358,051,772	7,485,746,654
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	11	( 3,769,345,692 )	( 5,383,337,901 )	( 10,048,727,989 )
Decrease in other non-current assets		576,914,548	873,611,246	1,430,614,737
Increase in advances for future investment	10	( 21,264,706 )	( 588,235,294 )	( 588,235,294 )
Interest received		20,138,022	84,146,002	182,810,512
Proceeds from sale of property and equipment	11	462,979	620,815	3,080,460
Net Cash Used in Investing Activities		( 3,193,094,849 )	( 5,013,195,132 )	( 9,020,457,574 )
<i>Balance Carried Forward</i>		P 6,162,906,972	( P 4,655,143,360 )	( P 1,534,710,920 )



	Notes	2021	2020	2019
<i>Balance Brought Forward</i>		<b>P 6,162,906,972</b>	(P 4,655,143,360)	(P 1,534,710,920)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of interest-bearing loans and borrowings	15	( 15,430,426,228 )	( 9,783,115,910 )	( 2,413,750,000 )
Proceeds from availment of interest-bearing loans and borrowings	15	13,824,464,068	7,167,130,435	17,000,000,000
Interest paid		( 4,260,149,783 )	( 5,104,897,840 )	( 3,974,716,870 )
Payments of lease liabilities	11	( 10,135,611 )	( 37,817,111 )	( 40,519,188 )
Deposit received	16	-	9,901,072,000	-
Acquisition of treasury shares	24	-	-	( 7,272,644,495 )
Dividends paid	24	-	-	( 187,329,035 )
Net Cash From (Used In) Financing Activities		( 5,876,247,554 )	2,142,371,574	3,111,040,412
<b>EFFECTS OF EXCHANGE RATES CHANGES ON CASH</b>		<b>14,871,108</b>	99,853,873	( 6,765,024 )
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>301,530,526</b>	( 2,412,917,913 )	1,569,564,468
<b>CASH AT BEGINNING OF YEAR</b>		<b>9,301,537,697</b>	11,714,455,610	10,144,891,142
<b>CASH AT END OF YEAR</b>		<b>P 9,603,068,223</b>	P 9,301,537,697	P 11,714,455,610

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

- 1) The Group capitalized borrowing costs amounting to P2,500.3 million, P2,864.5 million, and P2,175.4 million in 2021, 2020 and 2019, respectively, representing the actual borrowing costs incurred on loans obtained for the development of a portion of the Group's properties (see Note 11).
- 2) The Group recognized amortization of debt issuance costs amounting to P29.6 million, P27.0 million and P68.7 million in 2021, 2020 and 2019, respectively (see Note 15).
- 3) In 2021, the Group derecognized right-of-use asset and lease liability amounting to P52.1 million due to the pre-termination of its lease of casino shufflers (see Note 11).
- 4) In 2021, MPBHI's share in the advances for future advances amounting to P567.0 million was set-off against its outstanding receivable to the Group (see Notes 10 and 23).
- 5) In 2020 and 2019, the Group applied to Construction in Progress the advances to suppliers amounting to P649.1 million and P393.0 million, respectively, representing advanced payments for remaining fitout work, which was substantially completed in the current year (see Note 11).
- 6) In 2020, a receivable was recognized amounting to P1,782.9 million from Manila Bayshore Property Holdings, Inc. (MBPHI) for the transfer of land from PAGCOR. Advances from MBPHI prior to the transfer amounting to P973.2 million was offset against the amount of receivable recognized (see Notes 10 and 23).

*See Notes to Consolidated Financial Statements.*

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

**1.1 Corporate Information**

Travellers International Hotel Group, Inc. (the Company or Parent Company) was incorporated in the Philippines on December 17, 2003 primarily to engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses, which include holding investments in and operating casinos and other gaming activities as part of its main operations. On October 14, 2010, the Philippine Securities and Exchange Commission (SEC) approved the Company's amendment to its Articles of Incorporation, as approved in a resolution by the Company's stockholders on August 29, 2010, to include in its primary purposes the guaranteeing of obligations of other related entities. The Company's casinos and restaurants in Resorts World Manila started commercial operations on August 28, 2009 while the Company's hotel and restaurant operations in Maxims Manila Hotel (Maxims), Marriott Hotel Manila (Marriott) and Holiday Inn Express Manila Newport City (Holiday Inn Express; formerly, Remington Hotel) started on various dates in 2009 to 2011. The Marriott Grand Ballroom (MGB), a world-class events and convention center, formally opened its doors to the public in 2015, while the Marriott West Wing (MWW), an expansion of Marriott, opened in 2016. In 2018, the Company opened its Courtyard by Marriott Iloilo project (Courtyard Iloilo), as well as Hilton Manila which is owned by the Company's wholly owned subsidiary, Deluxe Hotels and Recreation Inc. (DHRI) Further, in January 2019, the Company opened Sheraton Manila Hotel, which is owned by the Company's wholly owned subsidiary, Lucky Star Hotels and Recreation Inc. (LSHRI). In 2020, Maxims ceased its operations and is temporarily converted as a dormitory to house essential employees of the Company. In 2021, Maxims was impaired, as management decided to cease the operation of such hotel and the use of its brand. The Company engages in casino operations under the Provisional License Agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) dated June 2, 2008 (see Note 25.3).

The Parent Company's common shares were listed and traded in the Philippine Stock Exchange (PSE) from November 2013 until October 21, 2019, when it voluntarily delisted from the PSE. The Parent Company is considered as a quasi-public entity because it still has more than 200 shareholders (see Note 24.1).

As at December 31, 2021 and 2020, the Company holds direct ownership interests in the following entities (together with the Company, collectively referred to as "the Group") that were established to engage in businesses related to the main business of the Company:

<u>Name of Subsidiaries/Associate/Joint Venture</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>	
		<u>2021</u>	<u>2020</u>
Subsidiaries:			
Agile Fox Amusement and Leisure Corporation (AFALC)	(a)	100.0%	100.0%

<u>Name of Subsidiaries/Associate/Joint Venture</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>	
		<u>2021</u>	<u>2020</u>
Subsidiaries:			
APEC Assets Limited (APEC)	(b)	100.0%	100.0%
Aquamarine Delphinium Leisure and Recreation Corporation (ADLRC)	(a)	100.0%	100.0%
Bright Pelican Leisure and Recreation, Inc. (BPLRI)	(a)	100.0%	100.0%
Brightleisure Management, Inc. (BLMI)	(c)	100.0%	100.0%
Brilliant Apex Hotels and Leisure Corporation (BAHLC)	(a)	100.0%	100.0%
Coral Primrose Leisure and Recreation Corporation (CPLRC)	(a)	100.0%	100.0%
DHRI	(a)	100.0%	100.0%
Entertainment City Integrated Resorts & Leisure, Inc. (ECIRLI)	(a)	100.0%	100.0%
FHTC Entertainment & Productions Inc. (FHTC)	(d)	100.0%	100.0%
Golden Peak Leisure and Recreation, Inc. (GPLRI)	(a)	100.0%	100.0%
Grand Integrated Hotels and Recreation, Inc. (GIHRI)	(a)	100.0%	100.0%
Grandservices, Inc. (GSI)	(c)	100.0%	100.0%
Grandventure Management Services, Inc. (GVMSI)	(c)	100.0%	100.0%
Lucky Panther Amusement and Leisure Corporation (LPALC)	(a)	100.0%	100.0%
LSHRI	(a)	100.0%	100.0%
Luminescent Vertex Hotels and Leisure Corporation (LVHLC)	(a)	100.0%	100.0%
Magenta Centaurus Amusement and Leisure Corporation (MCALC)	(a)	100.0%	100.0%
Majestic Sunrise Leisure & Recreation, Inc. (MSLRI)	(a)	100.0%	100.0%
Netdeals, Inc. (NDI)	(e)	100.0%	100.0%
Newport Star Lifestyle, Inc. (NSLI)	(f)	100.0%	100.0%
Royal Bayshore Hotels & Amusement, Inc. (RBHAI)	(c)	100.0%	100.0%
Sapphire Carnation Leisure and Recreation Corporation (SCLRC)	(a)	100.0%	100.0%
Scarlet Milky Way Amusement and Leisure Corporation (SMWALC)	(a)	100.0%	100.0%
Sparkling Summit Hotels and Leisure Corporation (SSHLC)	(a)	100.0%	100.0%
Valiant Leopard Amusement and Leisure Corporation (VLALC)	(a)	100.0%	100.0%
Vermillion Triangulum Amusement and Leisure Corporation (VTALC)	(a)	100.0%	100.0%
Westside Theatre Inc. (WTI)	(d)	100.0%	100.0%
Westside City Resorts World, Inc. (WCRWI)	(g)	95.0%	95.0%
Associate –			
Manila Bayshore Property Holdings, Inc. (MBPHI)	(h)	32.6%	32.6%
Joint Venture –			
Front Row Theatre Management Inc. (FRTMI)	(d), (i)	50.0%	50.0%

Explanatory Notes:

- (a) Established to engage, operate and manage gaming enterprises, amusement and leisure activities, theaters and cinema houses, private clubs, hotels/motels, apartments and similar facilities, shopping malls and incidental activities thereto.
- (b) A foreign corporation established to provide transportation and other related services to valued patrons of the Company.
- (c) Established to provide manpower needs in the casino, hotel, food and beverage operations of the Company. In 2019, RBHAI started its operations to provide manpower support for the pre-operation of Hotel Okura Manila.
- (d) Established to engage in entertainment production including, among others, performing arts/theater, music, motion picture, concert, dance and ballet, audio recording, interactive media production, and incidental activities thereto, including marketing, distribution, advertising and public relations.
- (e) Established to conduct and carry on the business of web and internet solutions, promotion and marketing of business establishments, locally and abroad, with the use of the web and the internet as its primary medium.
- (f) Established to facilitate enhancements to services of various institutions, within and outside the Philippines by providing related services to promote the sale consumption, utilization and patronage of goods, merchandise and services of producers, retailers, wholesalers and traders.
- (g) Established to primarily engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses which include holding investments in and opening casinos and other gaming activities as part of its main operations. WCRWI has three wholly owned subsidiaries namely, Purple Flamingos Amusement and Leisure Corporation (PFALC), Red Falcon Amusement and Leisure Corporation (RFALC), and the newly acquired subsidiary, Captain View Group Limited (Captain View). Captain View is a foreign entity incorporated in the British Virgin Islands and is engaged in rendering of consultancy and advisory services, among others. PFALC and RFALC have not yet started commercial operations as of December 31, 2021.
- (h) Established to engage in real estate business, particularly construction of condominium units and buildings (see Note 9).
- (i) FRTMI is a joint venture between FHTC and Viva Live, Inc., (VLI) each owning 50.0% interest and exercising joint control (see Note 9).

As at December 31, 2021, NDI has ceased operations while all other subsidiaries have not yet started commercial operations, except for APEC, BLMI, DHRI, FHTC, GIHRI, GSI, GVMSI, LSHRI and RBHAI.

The subsidiaries, associate and joint venture under the Group are all incorporated in the Philippines, except for APEC and Captain View which are incorporated in the British Virgin Islands. The principal place of business of these domestic subsidiaries, associate and joint venture is within Metro Manila, Philippines.

As at December 31, 2021 and 2020, the following stakeholders have direct ownership interests in the Parent Company's outstanding common shares:

<u>Name of Stockholders</u>	<u>Explanatory Notes</u>	<u>Percentage of Effective Ownership</u>
Alliance Global Group, Inc. (AGI)	(c)	27.5%
Adams Properties, Inc. (Adams)	(a)	24.5%
Star Cruises Philippines Holdings B.V. (SCP)	(b)	19.6%
Asian Travellers Ltd. (ATL)	(d)	12.4%
Premium Travellers Ltd. (PTL)	(d)	7.3%
First Centro, Inc. (FCI)	(e)	4.9%
Megaworld Corporation (Megaworld)	(f)	2.0%
Other related parties		1.3%
Public ownership		<u>0.5%</u>
		<u>100%</u>

Explanatory Notes:

- (a) A domestic company and a subsidiary of AGI with registered office located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (b) A foreign holding entity, wholly owned by Genting Hongkong Limited (GHL), duly incorporated and with registered offices at Herikerbergweg 238 Luna Arena, 1101 CM Amsterdam, Zuidoost, The Netherlands.
- (c) AGI, the Company's parent company, is a publicly listed domestic holding company with diversified investments in real estate, food and beverage, quick service restaurant, and tourism-oriented business. It has control over the Company through its power over the operations and policy arising from its substantive rights and current ability to direct the relevant activities of the Company. The registered office of AGI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (d) Foreign entities duly incorporated and with registered offices at Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.
- (e) A wholly owned subsidiary of AGI engaged in the business of developing and selling its own real estate properties and acting as agent or broker for sale transactions of real properties of other entities. The registered office of FCI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (f) A publicly listed subsidiary of AGI which is presently engaged in property-related activities, such as, project design, construction and property management. The registered office of Megaworld is located at 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

In line with the petition for voluntary delisting in 2019, the Parent Company bought back 1.3 billion common shares from the public shareholders in the stock market, resulting to changes in the effective ownership of the stockholders (see Note 24.1).

The Company's registered office, which is also its principal place of business, is located at 10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City.

### ***1.2 Continuing Impact of COVID-19 Pandemic on the Group's Business***

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- Converted certain hotels into temporary quarantine facilities;
- Re-arranged casino layout to maximize capacity while strictly adhering to minimum health protocols;
- Negotiated for longer payment terms from suppliers and implemented cost savings measure such as reduction in marketing and advertising expenses; implemented four-day workweek; and sought and received bridge loans for the payment of the loans to manage the Company's cash flows; and,
- Implemented additional health and safety protocols for its employees and visitors such as the frequent disinfection of facilities and COVID-19 testing for its employees.

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed below.

- Total revenues increase in 2021 by 8.2% compared to that of 2020, as a result of continuation of business operations despite the different quarantine classifications imposed by the government in 2021, except when brief lockdowns were implemented on March and September 2021, as compared to when the Company had temporary closure from March to June 2020; and,
- Increase in manpower that is able to work on site due to the assistance on the vaccination of the Company's personnel in 2021.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, it projects that the Group would report positive results of operations in the near future and would remain liquid to meet current obligation as it falls due. In addition, the Group has positive earnings before interests, taxes, depreciation, and amortization for the year. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the COVID-19 pandemic.

### ***1.3 Approval of Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 8, 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

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

(c) *Prior Period Reclassification of Accounts*

In 2021, the Group reclassified certain liabilities amounting to P308.4 million previously reported as part of Trade payables under Trade and Other Payables to Long-term deposits from patrons under Other Non-current Liabilities in its 2020 consolidated statement of financial position (see Note 16). The reclassification was made to correct the presentation and account classification of such liabilities in 2020. Such did not affect the balances in 2019, hence, no third consolidated statement of financial position is presented.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

## **2.2 Adoption of Amended PFRS**

(a) *Effective in 2021 that are Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

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

Discussed as follows are the relevant information about these pronouncements:

- (i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Lease – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact to the Group's consolidated financial statements as the Group did not have any financial instruments subject to LIBOR.
- (ii) PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*. The Group opted to adopt early the application of the amendments which is effective from April 1, 2021. The amendments extend for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concessions from its lessors in 2021.

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

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
  - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
  - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)



- (vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

### ***2.3 Basis of Consolidation, Investments in Subsidiaries, Associate and Joint Venture***

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries, associate and joint venture are prepared for the same reporting period as that of the Company, using consistent accounting policies.

The Parent Company accounts for its investments in subsidiaries, associate and joint venture as follows:

#### ***(a) Investments in Subsidiaries***

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold (see Note 2.13).

(b) *Investments in Associate*

Associate is an entity over which the Company is able to exert significant influence but which is neither a subsidiary nor interest in a joint venture. Investments in associate are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associate are subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associate.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are reported as part of Share in Net Profit of an Associate and a Joint Venture account in profit or loss.

Impairment loss is provided when there is objective evidence that the investment in associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company will resume recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

If the investment in associate is subsequently sold, the Company will recognize in profit or loss the difference between the consideration received and the carrying amount of the investment.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investments.

In computing for the share in net profit or loss of associate, unrealized gains or losses on transactions between the Parent Company and its associate are eliminated to the extent of the Parent Company's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a Group perspective.

(c) *Investment in Joint Venture*

Investments in joint arrangements are classified either as joint operations or joint venture, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. For interest in joint venture, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a joint venture is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in Net Profit of an Associate and a Joint Venture in profit or loss.

Impairment loss is provided when there is objective evidence that the investments in joint venture will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized. Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investments.

(d) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## **2.4 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## **2.5 Financial Assets**

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

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

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

(i) *Financial Assets at Amortized Cost*

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

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

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash, Trade and Other Receivables, Advances to Related Parties, Restricted short-term placements and Investments in time deposits under Prepayments and Other Current Assets, and Refundable deposits, and Receivable from employees under Other Non-current Assets in the consolidated statement of financial position.

For purposes of cash flows reporting and presentation, cash includes cash on hand and demand deposits which are subject to insignificant risk of changes in value.

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

(ii) *Financial Assets at Fair Value Through Other Comprehensive Income*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated its proprietary club shares as at FVOCI and is presented as Financial assets at FVOCI account in the consolidated statements of financial position.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for any debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

If applicable, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Any dividends earned on holding equity instruments are recognized in profit or loss, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(b) *Impairment of Financial Assets*

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

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and other financial assets carried at amortized cost. Allowance for ECL represents the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due (see Note 26.2).

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets are (or where applicable, a part of a financial asset or part of a group of financial assets) derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(d) *Put Option Accounted for as a Financial Guarantee Contract*

The put option meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option events). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event (see Note 25.5).

In accounting for financial guarantee, the Group considers whether risk transferred is significant or not. When the risk is significant it is accounted for under PFRS 9, otherwise it is accounted for under PFRS 4, *Insurance Contracts*, wherein the general provision for accounting of insurance contracts shall apply. When accounted for in accordance with PFRS 9, the financial guarantee is initially recognized at fair value, which is equivalent to the premium received at inception of the contract. Subsequent to initial recognition, financial guarantee is measured at the higher of the amount initially recognized or at the amount determined in accordance with the ECL model.

In measuring the put option under ECL model, the Group applies the general approach of ECL measurement, wherein the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

## ***2.6 Derivative Financial Instruments***

A derivative is a financial instrument wherein its value changes in response to a specified change in variable; it requires no initial net investment or on an initial investment that is smaller than would be required for other types of financial instruments that would be expected to have a similar response to changes in market factors; and, it is settled on a future date.

Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9 that is settled by the Group to or collected from the patron when the outcome of the wager has been determined. See Note 2.15 for the accounting policy regarding gaming transactions covered under PFRS 9.

The derivative liability arising from outstanding or unwon slot machine jackpot is recognized as Slot jackpot liability included under Trade and Other Payables account in the consolidated statement of financial position (see Note 2.11).

The Group's derivative instruments provide economic hedges but are not designated as accounting hedges and any gains or losses arising from changes in fair value are recognized directly in profit or loss for the period.

## ***2.7 Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost, which includes purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities, is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of operating and other supplies is the current replacement cost.



## **2.8 Prepayments and Other Assets**

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Advances to suppliers that will be applied as payment for purchase of inventories are classified and presented as part of Prepayments under Prepayments and Other Current Assets account. On the other hand, advances to suppliers that will be applied as payment for construction or acquisition of property and equipment, and investment properties are classified and presented under the Other Non-current Assets account. The classification and presentation are based on the eventual realization of the asset to which it was advanced for.

## **2.9 Property and Equipment**

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

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

Buildings and building improvements	30 years
Gaming machines and other equipment	5 to 10 years
Transportation equipment	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.20). The account is not depreciated until such time that the assets are completed and available for use.

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

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

### ***2.10 Investment Property***

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property, which pertains to a portion of buildings and building improvements held under operating leases, is stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation of investment property is computed on a straight-line basis over the asset's estimated useful life of 30 years.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Investment property, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers to investment property are made when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another property. Transfers from investment property are made when there is a change in use evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

The cost of property for purposes of subsequent accounting for transfers from investment property to owner-occupied property is the carrying amount at the date of change of use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy from the preceding paragraphs.

### ***2.11 Financial Liabilities***

Financial liabilities of the Group, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities, License fee payables, and Liability for unredeemed gaming points), Advances from Related Parties and Other Non-current Liabilities, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as expenses in profit or loss as Finance Costs under Other Income (Charges) in the consolidated statement of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.20).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges (except capitalized borrowing cost), including direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other non-current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the Company's BOD.

Financial liabilities are classified at FVTPL if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

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

A substantial modification to the terms of a financial liability is accounted for as an extinguishment of the existing liability and the recognition of a new or modified liability at its fair value. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability. The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the original effective interest rate. The difference between the carrying value of the original liability and fair value of the new liability is recognized as gain or loss on extinguishment of liability in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such a case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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

### ***2.12 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy, and must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.13 Business Combination***

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

### ***2.14 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Contingent asset is not recognized but is only disclosed where an inflow of economic benefits is probable. The asset is only recognized when it is virtually certain that the inflow of economic benefits will arise to the Group.

### ***2.15 Revenue and Expense Recognition***

Revenue arises mainly from gaming transactions, hotel accommodations, food and beverage operations, and other incidental activities related to the main operations of the Group.

The Group participates in games of chance with customers, with both the Group and the customer having the chance to win or lose money or other items of economic value based on the outcome of the game. The payout for wagers placed on gaming activities typically is known at the time the wager is placed (i.e., fixed odds wagering). These gaming transactions are accounted for as derivative transactions in accordance with PFRS 9 (see Note 2.6). Gaming revenues from these transactions are recognized at fair value, which represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gaming revenues generated from table games and slot machines are determined from the net wins (losses) from gaming activities, which represent the difference between coins and currencies deposited into the gaming machines or operations and the payments to customers and, for other games, the difference between gaming wins and losses, less sales incentives and other adjustments (i.e., promotional allowances). Promotional allowances, presented as a reduction of gaming revenues in the consolidated statement of comprehensive income, include rebates under the casino rebates program and the provision for the value of the gaming points earned by members (i.e., using a membership card provided by the Group) by reference to the relative fair values of the complimentary goods or services. Members earn points on gaming activity, and such points are redeemable for complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions.

On the other hand, the Group also participates in games in which a customer has a chance to win or lose money or other items of economic value, with the Group receiving a fee for administering the game, rather than the Group being at risk to win or lose based on the outcome of the game (i.e., certain tournaments, including card games, and bingo operations). These gaming-related activities are covered under PFRS 15.

For revenue contracts covered by PFRS 15, and as an accounting policy to determine whether to recognize revenue, the Group follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

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

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

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

A performance obligation is satisfied over time when it meets one of the following criteria:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

Otherwise, a performance obligation is satisfied at a point in time.

The Group enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c).

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less.

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

- (a) *Hotel accommodation* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.
- (b) *Food, beverage and others* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoice for consumer goods transferred are due upon receipt by the customer.
- (c) *Bingo and tournament income* – Revenues from these gaming-related activities are recognized over time as the services for administering the games are rendered. The amount of revenue recognized is equivalent to the fee collected for administering the game.
- (d) *Rendering of services* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include income from other non-gaming and incidental activities such as cinema and production shows, parking space, commissions, and other services (see Note 19).

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards (see Notes 2.7 and 2.9).

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

## **2.16 Leases**

The Group accounts for its leases as follows:

### *(a) Group as Lessee*

The Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.



On the consolidated statement of financial position, right-of-use assets have been included as part of Property and Equipment account. On the other hand, lease liabilities have been included as part of Trade and Other Payables account and Other Non-current Liabilities account for the current portion and non-current portion, respectively.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

*(b) Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

***2.17 Foreign Currency Transactions and Translation***

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

***2.18 Impairment of Non-financial Assets***

The Group's investments in an associate and a joint venture, advances for future investment, property and equipment (including right-of-use assets), investment property and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's cash generating unit's recoverable amount exceeds its carrying amount.

### ***2.19 Employee Benefits***

The Group provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

#### *(a) Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the consolidated profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued employee benefits under Trade and Other Payables account in the consolidated statement of financial position.

#### *(b) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurement, comprising of actuarial gains and losses from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period which they arise.

Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is included as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plan*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g., Social Security System). Under this plan, the Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group for authorized causes before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) *Compensated Absences and Other Employee Benefits*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Group recognizes a liability and an expense for other employee benefits based on a formula that takes into consideration the profit attributable to the Group's employees after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. These are included in Accrued employee benefits under Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.20 *Borrowing Costs***

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

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

## **2.21 *Income Taxes***

The Group is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR [see Notes 22.1 and 25.3(e)].

For hotel operations, the Group is subject to the 5% gross income tax (GIT) on income solely derived from servicing foreign tourists (see Note 22.2).

For other sources of income, the Group is subject to the Regular Corporate Income Tax (RCIT) rate. The related income tax expense presented in profit or loss in the consolidated statement of comprehensive income is determined using the liability method of deferred tax accounting described in the succeeding paragraphs.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

## ***2.22 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.23 Equity***

Capital stock, which consists of common and preferred shares, represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the issuance of shares of stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise accumulated unrealized gains and losses due to the revaluation of financial assets at FVOCI and remeasurements of retirement benefit obligation.

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Parent Company's shareholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

### ***2.24 Non-current Asset Held for Sale***

Non-current asset classified as held for sale includes construction in progress that the Group intends to sell within one year from the date of classification as held for sale (see Note 13).

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for sale is measured at the lower of its carrying amount, immediately prior to their classification as held for sale, and its fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss and included as part of Other Income in the consolidated statement of comprehensive income.

### ***2.25 Earnings (Loss) Per Share***

Basic earnings or loss per share (EPS) is determined by dividing the net profit for the period attributable to common shareholders by the weighted average number of common shares issued and outstanding during the period, after giving retroactive effect to any stock dividends declared and stock splits in the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares.

### ***2.26 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Group's accounting policies, management has made the judgments presented below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### ***(a) Determination of the Accounting Treatment of Gaming Revenues under PFRS 9 and PFRS 15***

The Group exercises judgment in determining whether its gaming transactions and gaming-related activities are within the scope of PFRS 9 or PFRS 15. In making this judgment, management considers whether both the Group and the patrons have the chance to win or lose money or other items of economic value based on the outcome of the game; or, only the patron has the chance to win or lose money or other items of economic value, with the Group only receiving a fee for administering the game, rather than the Group being at risk to win or lose based on the outcome of the game. When the Group takes a position against a patron, the resulting unsettled wager or position is a financial instrument that would likely meet the definition of derivative financial instrument and is accounted for under PFRS 9.

Relative to this, the management has determined that its gaming revenues from table games and slot machines are within the scope of PFRS 9 while gaming-related revenues from administering bingo and tournament games are within the scope of PFRS 15.

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

(i) *Food, Beverage and Others*

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(ii) *Hotel Accommodations*

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(c) *Determination of Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. In determining the transaction price, the Group considers the effect of any sales incentives or discounts. In the allocation of the transaction price, the Group considers the amount at which it would sell or purchase the promotional merchandise, hotel, food and beverage, and other incentives separately as the stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties (i.e., VAT).

(d) *Determination of ECL on Trade and Other Receivables, and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables, and advances to related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, and customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables, and advances to related parties are disclosed in Notes 26.2(b) and 26.2(c), respectively.



(e) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For the lease of land, the renewal option is subject to mutual agreement of the lessor and the lessee. This type of renewal option is not considered under PFRS 16, since the option does not create an enforceable rights and obligations for the Group. Thus, only the 25 years non-cancellable term were considered.

For lease of commercial space, the factors considered relevant are (a) if renewal option creates a rights and obligations to the Group that are enforceable, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. The Group did not consider the renewal option over the lease of commercial space, as the option to renew is exclusive on the lessor, hence, does not create enforceable rights and obligations to the Group.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(f) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-managed properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*(g) Distinction Between Operating and Finance Leases where the Group is the Lessor*

The Group has entered into various lease agreements. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

*(h) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions of contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 25.

*(i) Determination of Joint Control and Significant Influence*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

The Group determined that it has significant influence in MBPHI; hence, the investee is considered as an associate (see Note 9). On the other hand, the Group determined that it has joint control and rights to net assets of FRTMI, which is a joint arrangement based on the structure, legal form, terms and other facts and circumstances of the arrangement (see Note 9).

*(j) Determination of Accounting Treatment of Put Option*

The Group determined that the put option contract entered by the Group meets the definition of financial guarantee under PFRS 4 [(see Note 25.5(iv))]. Although a financial guarantee meets the definition of insurance contract under PFRS 4, if the risk transferred is significant, the issuer of the guarantee contract should apply PFRS 9.

The Group determined that the risk transferred to the Group is significant, hence, the put option should be accounted for under PFRS 9 [see Note 2.5(d)].

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

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

(a) *Estimation of ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 26.2(b) and (c).

Further, the measurement of the put option value under the ECL model requires the use of significant assumptions with regards to the possibility of any of the put option events from happening in the future and the possible change in the valuation of the collateral within the 12-month assessment. Explanation of the inputs and assumptions used are detailed in Note 25.5(iv).

(b) *Determination of Net Realizable Values of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Group's inventories, which include perishable goods and operating supplies, are affected by certain factors which may cause inventory losses. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of food and beverages and operating supplies. Both aspects are considered key sources of estimation uncertainty which may cause significant adjustments to the Group's inventories within the next reporting period.

In 2021, 2020 and 2019, no inventory write-down was recognized by the Group as management believes that the carrying value of inventories does not exceed its net realizable value (see Note 7).

(c) *Estimation of Useful Lives of Property and Equipment, Right-of-use Assets, and Investment Property*

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

The carrying amounts of property and equipment, and right-of-use assets are presented in Note 11, while the investment property is presented in Note 12. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. There was no change in estimated useful lives of property and equipment and investment property in 2021 and 2020.

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

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

(e) *Fair Value Measurement of Derivative Financial Instruments*

Fair value measurement for gaming revenues under PFRS 9 represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less any promotional allowances and other similar adjustments.

(f) *Impairment of Non-Financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss recognized on the property and equipment is discussed in Note 11.1. There were no other impairment losses recognized on the Group's investments in an associate and a joint venture, advances for future investment, right-of-use assets, investment property and other non-financial assets based on management's evaluation in 2021, 2020 and 2019.

(g) *Determination of Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 12 is determined by the Group based on the appraisal report prepared by independent appraisers using the relevant valuation methodology as discussed in Note 28.4.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect the prices and the value of the assets. As of December 31, 2021 and 2020, the Group determined that there were no significant circumstances that may affect the fair value determination of investment property.

(h) *Valuation of Retirement Benefit Obligation*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the retirement benefit obligation in the next reporting period. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of retirement benefit obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 21.2.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying amount of net deferred tax assets and relevant disclosures as at December 31, 2021 and 2020 are presented in Note 22.1.

(j) *Measurement of Gaming Points and Estimation of Liability for Unredeemed Gaming Points*

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and the fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Liability for unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

## 4. SEGMENT INFORMATION

### 4.1 *Business Segments*

The Group is organized into two major business segments – casino and non-casino segments. These components of the Group, engaged in business activities from which revenues and expenses, including revenues and expenses that relate to transactions with other component, are reviewed regularly by the ExeCom, acting as the chief operating decision-makers of the Group. The ExeCom makes decisions about resources to be allocated to each of the segments of the Group and assesses its performances, for which discrete financial information is made available to make the decisions.

Presented below is the basis of the Group in reporting its primary segment information.

- (a) The Casino segment is engaged in casino operations. This segment includes the operation of Resorts World Manila.
- (b) The Non-casino segment includes the operations of various brands of hotels (Maxims, Marriott, Holiday Inn Express, Courtyard by Marriott Iloilo, Hilton Manila, Sheraton Manila, and Hotel Okura), leasing (Newport Entertainment Commercial Center and others), convention center (MGB), performing arts theater (Newport Performing Arts Theater), cinema (Newport Cinemas) and other activities which are peripheral to the casino operations.

The Group has not identified any segment based on geographical location (see Note 4.4).

#### ***4.2 Segment Assets and Liabilities***

Segment assets are allocated based on their physical location and use or direct association with a specific segment. They include all operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories, property and equipment and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, and interest-bearing loans and borrowings.

### 4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

### 4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2021, and 2020 and 2019 can be analyzed as follows:

	Casino			Non-casino			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
<b>NET REVENUES</b>									
Sales to external customers	<b>P10,330,110,236</b>	P 9,398,336,935	P21,545,613,743	<b>P 2,852,463,603</b>	P 2,782,805,324	P 6,733,338,399	<b>P 13,182,573,839</b>	P 12,181,142,259	P 28,278,952,142
Intersegment revenues	-	-	-	<b>817,933,883</b>	<u>1,076,649,562</u>	<u>1,469,415,008</u>	<b>817,933,883</b>	<u>1,076,649,562</u>	<u>1,469,415,008</u>
Segment revenues	<b>10,330,110,236</b>	9,398,336,935	21,545,613,743	<b>3,670,397,486</b>	3,859,454,886	8,202,753,407	<b>14,000,507,722</b>	13,257,791,821	29,748,367,150
<b>COSTS AND OTHER OPERATING EXPENSES</b>									
Cost of sales, services and expenses excluding depreciation	<b>10,580,797,887</b>	9,965,413,438	17,417,393,240	<b>3,265,949,636</b>	2,301,630,223	6,323,273,728	<b>13,846,747,523</b>	12,267,043,661	23,740,666,968
Depreciation	<b>703,557,174</b>	700,932,567	588,271,438	<b>2,784,372,954</b>	2,714,385,484	2,582,109,801	<b>3,487,930,128</b>	3,415,318,051	3,170,381,239
Other income – net	-	-	-	<b>( 5,933,381,455)</b>	( 287,937,510)	( 69,386,881)	<b>( 5,933,381,455)</b>	( 287,937,510)	( 69,386,881)
Finance costs and other charges (income) – net	<b>6,506,134</b>	( 10,767)	1,514,365,580	<b>2,022,036,371</b>	2,266,851,811	( 221,956,366)	<b>2,028,542,505</b>	2,266,841,044	1,292,409,214
Profit (loss) before tax	<b>( 960,750,959)</b>	( 1,267,998,303)	2,025,583,485	<b>1,531,439,980</b>	( 3,135,475,122)	( 411,286,875)	<b>570,669,021</b>	( 4,403,473,425)	1,614,296,610
Tax expense	-	-	-	<b>33,572,786</b>	26,305,278	90,504,543	<b>33,572,786</b>	26,305,278	90,504,543
<b>SEGMENT NET PROFIT (LOSS)</b>	<b>(P 960,750,959)</b>	<b>(P 1,267,998,303)</b>	<b>P 2,025,583,485</b>	<b>P 1,497,847,194</b>	<b>(P 3,161,780,400)</b>	<b>(P 501,791,418)</b>	<b>P 537,096,235</b>	<b>(P 4,429,778,703)</b>	<b>P 1,523,792,067</b>
<b>ASSETS AND LIABILITIES</b>									
Segment assets	<b>P 9,649,849,623</b>	P 9,256,889,792	P10,716,332,314	<b>P108,124,313,705</b>	P111,487,121,688	P108,311,614,144	<b>P117,774,163,328</b>	P120,744,011,480	P119,027,946,458
Segment liabilities	<b>5,248,138,585</b>	6,765,475,878	5,215,641,067	<b>79,360,312,801</b>	80,682,206,178	74,861,412,815	<b>84,608,451,386</b>	87,447,682,056	80,077,053,882

Currently, the Group's operation is substantially concentrated in one location and any revenues derived from operations outside such location is not considered by management to significantly affect the decisions of the ExeCom; hence, the Group did not present any information related to geographical segments (see Note 4.1).

Revenues to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

#### 4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net revenues</b>			
Total segment revenues	<b>P 14,000,507,722</b>	P 13,257,791,821	P 29,748,367,150
Elimination of intersegment revenues	<u>( 817,933,883)</u>	<u>( 1,076,649,562)</u>	<u>( 1,469,415,008)</u>
Revenues as reported in consolidated profit or loss	<u><b>P 13,182,573,839</b></u>	<u>P 12,181,142,259</u>	<u>P 28,278,952,142</u>
<b>Net profit or loss</b>			
Segment net profit (loss)	<b>P 537,096,235</b>	(P 4,429,778,703)	P 1,523,792,067
Elimination of intersegment transactions	<u>( 817,933,883)</u>	<u>( 1,074,577,910)</u>	<u>( 582,679,950)</u>
Net profit (loss) as reported in consolidated profit or loss	<u><b>(P 280,837,648)</b></u>	<u>(P 5,504,356,613)</u>	<u>P 941,112,117</u>
<b>Assets</b>			
Segment assets	<u><b>P 117,774,163,328</b></u>	<u>P 120,744,011,480</u>	<u>P 119,027,946,458</u>
Total assets reported in the consolidated statements of financial position	<u><b>P 117,774,163,328</b></u>	<u>P 120,744,011,480</u>	<u>P 119,027,946,458</u>
<b>Liabilities</b>			
Segment liabilities	<u><b>P 84,608,451,386</b></u>	<u>P 87,447,682,056</u>	<u>P 80,077,053,882</u>
Total liabilities reported in the consolidated statements of financial position	<u><b>P 84,608,451,386</b></u>	<u>P 87,447,682,056</u>	<u>P 80,077,053,882</u>



## 5. CASH

Cash includes the following components as at December 31:

	<u>2021</u>	<u>2020</u>
Cash on hand	<b>P 7,166,669,838</b>	P 6,285,413,792
Cash in banks	<u>2,436,398,385</u>	<u>3,016,123,905</u>
	<b><u>P 9,603,068,223</u></b>	<b><u>P 9,301,537,697</u></b>

Cash in banks generally earn interest based on daily bank deposit rates.

The balance of Cash does not include Restricted short-term placements and Investments in time deposits, which are shown under Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 8).

Interest income from Cash, Restricted short-term placements and Investments in time deposits for the years ended December 31, 2021, 2020 and 2019 is presented as Finance Income in the consolidated statements of comprehensive income (see Note 20).

## 6. TRADE AND OTHER RECEIVABLES

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Trade receivables		<b>P 1,847,012,789</b>	P 1,745,476,352
Note receivable		<b>20,685,368</b>	21,040,182
Interest receivables		<b>1,243,940</b>	2,121,956
Others	23.4	<u>102,972,755</u>	<u>97,446,346</u>
		<b>1,971,914,852</b>	1,866,084,836
Allowance for impairment	26.2(b)	<u>(258,085,347)</u>	<u>(220,041,767)</u>
		<b><u>P 1,713,829,505</u></b>	<b><u>P 1,646,043,069</u></b>

All trade receivables do not earn interest and are subject to credit risk exposure.

Note receivable pertains to unsecured noninterest-bearing advances granted by the Group in December 2018 to a certain third party. An allowance was provided for the full amount as of December 31, 2021.

Other receivables include certain non-trade receivables and receivables arising from availments of employees of certain condominium units and parking slots in accordance with the Group's employee housing program (see Note 23.4). The non-current portion of such receivables amounting to P115.3 million and P118.3 million as of December 31, 2021 and 2020 is presented as Receivables from employees under Other Non-current Assets account in the consolidated statements of financial position (see Note 14).

In 2021, certain trade receivables were found to be impaired using the provision matrix as determined by management; hence, an adequate amount of allowance for impairment has been recognized [see Note 26.2(b)]. The reconciliation below shows the details of the allowance for impairment at the beginning and end of each reporting period.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		<b>P 220,041,767</b>	P 219,438,090
Impairment losses		<u>38,043,580</u>	<u>603,677</u>
Balance at end of year	26.2(b)	<b><u>P 258,085,347</u></b>	<u>P 220,041,767</u>

Impairment losses or recovery is presented as part of Impairment Losses (Recovery) on Financial Assets in the consolidated statements of comprehensive income.

## 7. INVENTORIES

Inventories as at the end of 2021 and 2020 are stated at cost, which is lower than net realizable value. The details of inventories are shown below.

	<u>2021</u>	<u>2020</u>
Operating supplies	<b>P 111,968,612</b>	P 100,892,620
Food and beverage	<b>18,742,426</b>	19,735,531
Others	<u>1,079,654</u>	<u>2,745,995</u>
	<b><u>P 131,790,692</u></b>	<u>P 123,374,146</u>

Inventories include membership program items representing supplies and other inventory items of the Group's loyalty and membership program. Operating supplies consists of cards, dice and seals, engineering and other supplies used in the operations of the Company.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Restricted short-term placements	5, 25.3(c)	<b>P 2,961,842,891</b>	P 2,954,766,368
Input VAT		<b>2,523,591,602</b>	2,361,374,950
Prepayments		<b>711,983,386</b>	658,580,685
Investments in time deposits	5	<b>124,806,266</b>	122,840,813
Others		<u>34,125,465</u>	<u>34,595,771</u>
		<b><u>P 6,356,349,610</u></b>	<u>P 6,132,158,587</u>

Restricted short-term placements [see Note 25.3(c)] are made for varying periods ranging from 30 to 90 days in 2021 and 2020, and earn effective interests of 0.3% to 0.4% annum in both 2021 and 2020, and 5.6% to 6.2% per annum in 2019 (see Note 20).

Prepayments include prepaid taxes, insurance and short-term rentals, which are expected to be realized in the next reporting period.

Investments in time deposits are placed for a period of 360 days and earn effective interest of 0.9%, 1.9% and 2.6% in 2021, 2020, and 2019, respectively (see Note 20).

## 9. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE, AND NON-CONTROLLING INTERESTS

### (a) Investments in an Associate and a Joint Venture

The movements in the carrying value of Investments in an Associate and a Joint Venture account as of December 31, which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 2,714,934,494</b>	P 2,426,996,990
Share in net profit of an associate and a joint venture	<u>83,777,894</u>	<u>287,937,504</u>
Balance at end of year	<b><u>P 2,798,712,388</u></b>	<b><u>P 2,714,934,494</u></b>

The financial information of MBPHI, which is considered a significant associate, is shown below. MBPHI has no significant other comprehensive income or loss for the applicable periods.

	<u>2021</u>	<u>2020</u>
Current assets	<b>P14,987,068,437</b>	P15,887,514,202
Non-current assets	<u>3,005,053,314</u>	<u>1,960,669,560</u>
Total assets	<b><u>P17,992,121,751</u></b>	<b><u>P17,848,183,762</u></b>
Current liabilities	<b>P 7,454,946,818</b>	P 6,654,747,906
Non-current liabilities	<u>1,823,770,796</u>	<u>2,885,780,554</u>
Total liabilities	<b><u>P 9,278,717,614</u></b>	<b><u>P 9,540,528,460</u></b>
Revenue	<b><u>P 2,338,329,702</u></b>	<b><u>P 4,698,569,951</u></b>
Net profit	<b><u>P 419,700,521</u></b>	<b><u>P 884,188,242</u></b>

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

	<u>2021</u>	<u>2020</u>
Net assets of MBPHI	<b>P 8,713,404,137</b>	P 8,307,655,302
Proportion of ownership interest by the Group	<u>32.6%</u>	<u>32.6%</u>
Carrying amount of investment	<b><u>P 2,837,955,727</u></b>	<b><u>P 2,705,803,332</u></b>

In 2015, the Group entered into a joint venture agreement with VLI to form FRTMI, a joint venture and newly incorporated entity in the same year. The investment made by the Group amounting to P10.0 million is accounted for under the equity method and has a carrying value of P9.1 million and P9.2 million as of December 31, 2021 and 2020, respectively. FRTMI started commercial operations in June 2016. FRTMI's existing assets and equity significantly represent capital infusion from the joint venturers.

There are no significant risks, commitments, or contingencies related to the Group's interests in associate and joint venture during the reporting periods.

*(b) Non-controlling Interests*

Non-controlling interests pertain to the 5.0% equity ownership of minority stockholders in WCRWI. The financial information of WCRWI is shown below.

	<u>2021</u>	<u>2020</u>
Assets	<b>P 9,925,604,869</b>	P15,013,381,248
Liabilities	<b>6,125,911,889</b>	11,303,680,075
Equity	<b>3,799,692,980</b>	3,709,701,173

Management determined that the difference between the 5.0% equity ownership of minority stockholders over the equity of WCRWI and the amount of non-controlling interests recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

## 10. ADVANCES FOR FUTURE INVESTMENT

Advances for future investment pertain to the advances made by the Company to PAGCOR starting 2014 in connection with the development of Site A (see Note 25.3). In 2021 and 2020, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment.

A portion of the annual payments made to PAGCOR is being shouldered by Manila Bayshore Property Holdings, Inc. (MBPHI), a related party under common ownership to the Company in the form of advances as part of their development agreement on the residential components of Site A.

In 2020 and 2016, MBPHI received parcels of land amounting to P1.8 billion and P3.7 billion, respectively. As consideration for the transfers, the advances for future investment was reduced by the value of the land received by MBPHI. At the same time, receivable from MBPHI was recognized by the Company for the same amount, which are settled through offsetting arrangements with MBPHI (see Note 23.5). There was no similar transaction in 2021.

As of December 31, 2021 and 2020, the carrying values are presented as Advances for Future Investment in the consolidated statements of financial position.

## 11. PROPERTY AND EQUIPMENT

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

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Property and equipment	11.1	<b>P89,435,091,701</b>	P88,379,044,987
Right-of-use assets	11.2	<b><u>864,303,252</u></b>	<u>965,532,335</u>
		<b><u>P90,299,394,953</u></b>	<u>P89,344,577,322</u>

### 11.1 Carrying Values of Property and Equipment

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

	<u>Land</u>	<u>Buildings and Building Improvements</u>	<u>Gaming Machines and Other Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>December 31, 2021</b>							
Cost	P7,027,739,421	P 55,363,206,851	P 6,895,410,356	P 350,076,178	P 7,805,900,483	P 36,707,014,150	P114,149,347,439
Accumulated impairment loss	-	( 2,103,366,551)	-	-	-	-	( 2,103,366,551)
Accumulated depreciation	-	( 11,570,682,573)	( 4,620,542,142)	( 301,938,508)	( 6,117,725,964)	-	( 22,610,889,187)
Net carrying amount	<b><u>P7,027,739,421</u></b>	<b><u>P 41,689,157,727</u></b>	<b><u>P 2,274,868,214</u></b>	<b><u>P 48,137,670</u></b>	<b><u>P 1,688,174,519</u></b>	<b><u>P 36,707,014,150</u></b>	<b><u>P 89,435,091,701</u></b>
<b>December 31, 2020</b>							
Cost	P7,027,739,421	P 51,601,414,076	P 6,774,413,199	P 350,076,178	P 7,607,715,858	P 34,477,125,494	P107,838,484,226
Accumulated impairment loss	-	( 132,628,909)	-	-	-	-	( 132,628,909)
Accumulated depreciation	-	( 9,697,465,680)	( 4,039,567,060)	( 248,613,344)	( 5,341,164,246)	-	( 19,326,810,330)
Net carrying amount	<b><u>P7,027,739,421</u></b>	<b><u>P 41,771,319,487</u></b>	<b><u>P 2,734,846,139</u></b>	<b><u>P 101,462,834</u></b>	<b><u>P 2,266,551,612</u></b>	<b><u>P 34,477,125,494</u></b>	<b><u>P 88,379,044,987</u></b>
<b>January 1, 2020</b>							
Cost	P7,027,739,421	P 49,937,483,331	P 6,508,258,045	P 350,076,178	P 7,159,797,983	P 28,018,644,167	P 99,001,999,125
Accumulated depreciation	-	( 7,945,682,367)	( 3,396,630,254)	( 195,158,747)	( 4,571,467,500)	-	( 16,108,938,868)
Net carrying amount	<b><u>P7,027,739,421</u></b>	<b><u>P 41,991,800,964</u></b>	<b><u>P 3,111,627,791</u></b>	<b><u>P 154,917,431</u></b>	<b><u>P 2,588,330,483</u></b>	<b><u>P 28,018,644,167</u></b>	<b><u>P 82,893,060,257</u></b>

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

	<u>Land</u>	<u>Buildings and Building Improvements</u>	<u>Gaming Machines and Other Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation	P7,027,739,421	P 41,771,319,487	P 2,734,846,139	P 101,462,834	P 2,266,551,612	P 34,477,125,494	P 88,379,044,987
Additions	-	2,721,367,626	213,062,966	-	218,318,516	3,250,542,610	6,403,291,718
Reclassifications	-	1,020,653,954	-	-	-	( 1,020,653,954)	-
Disposals	-	( 35,514)	( 421,069)	-	( 6,396)	-	( 462,979)
Impairment loss	-	( 1,970,737,642)	-	-	-	-	( 1,970,737,642)
Depreciation charges for the year	-	( 1,853,410,184)	( 672,619,822)	( 53,325,164)	( 796,689,213)	-	( 3,376,044,383)
Balance at December 31, 2021, net of accumulated depreciation	<b><u>P7,027,739,421</u></b>	<b><u>P 41,689,157,727</u></b>	<b><u>P 2,274,868,214</u></b>	<b><u>P 48,137,670</u></b>	<b><u>P 1,688,174,519</u></b>	<b><u>P 36,707,014,150</u></b>	<b><u>P 89,435,091,701</u></b>

	Land	Buildings and Building Improvements	Gaming Machines and Other Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Balance at January 1, 2020, net of accumulated depreciation	P7,027,739,421	P 41,991,800,964	P 3,111,627,791	P 154,917,431	P 2,588,330,483	P 28,018,644,167	P 82,893,060,257
Additions	-	225,695,952	307,570,191	-	466,007,329	7,897,703,163	8,896,976,635
Reclassifications	-	1,439,221,836	-	-	-	( 1,439,221,836)	-
Disposals	-	-	( 360,682)	-	( 596,836)	-	( 957,518)
Impairment loss	-	( 132,628,909)	-	-	-	-	( 132,628,909)
Depreciation charges for the year	-	( 1,752,770,356)	( 683,991,161)	( 53,454,597)	( 787,189,364)	-	( 3,277,405,478)
Balance at December 31, 2020, net of accumulated depreciation	<u>P7,027,739,421</u>	<u>P 41,771,319,487</u>	<u>P 2,734,846,139</u>	<u>P 101,462,834</u>	<u>P 2,266,551,612</u>	<u>P 34,477,125,494</u>	<u>P 88,379,044,987</u>

Construction in progress pertains to the accumulated costs incurred on the casino and hotel sites being constructed as part of the Group's investment commitments in accordance with its Provisional License Agreement with PAGCOR [see Note 25.3(c)].

In 2020, the Group applied to Construction in Progress the advances to suppliers amounting to P649.1 million, representing advanced payments for remaining fitout work, which was substantially completed.

On October 28, 2019, a co-development agreement (CDA) was entered into by WCRWI and Parent Company with Suntrust Home Developers, Inc. (SUN), wherein WCRWI and the Parent Company agreed to lease the portion of Site A to SUN for the development and management of the hotel casino (see Note 25.5). Consequently, construction activities at Site A was suspended on October 31, 2019, following the agreement. As part of the agreement, the construction costs already incurred by the Group on Site A are to be reimbursed by SUN (see Note 25.5). Accordingly, Construction in Progress amounting to P4.0 billion was reclassified to Non-current Asset as Held for Sale and was presented as such in the 2020 consolidated statement of financial position, to reflect the intention of the management to sell the asset (see Note 13). The asset was eventually derecognized in 2021 upon completion of the asset transfer to SUN.

Total property and equipment includes capitalized borrowing costs amounting to P2,500.3 million in 2021 and P2,864.5 million in 2020 representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 15). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 3.8% to 9.2% and 4.5% to 8.8% in 2021 and 2020, respectively.

The Group sold certain property and equipment to third parties for a total consideration of P0.5 million, P0.6 million, P3.1 million in 2021, 2020, and 2019, respectively. The related loss on sale in 2020 amounting to P0.30 million and gain on sale in 2019 amounting to P0.3 million, are presented under Other Revenues in the 2020 and 2019 consolidated statements of comprehensive income (see Note 19). There was no outstanding receivable related to these transactions as of December 31, 2021 and 2020.

In 2021 and 2020, management assessed that certain property and equipment was below its recoverable value. Property and equipment related to Maxims Hotel was impaired as the management decided that the hotel and its brand will no longer be used by the Group. Further, those related to Courtyard by Marriott Hotel Iloilo was further impaired as there has been no improvement in its operations. The related impairment losses recognized from such properties amounting to P1,970.7 million and P132.6 million, respectively, is presented as part of Other Operating Income (Expenses) in the 2021 and 2020 statements of comprehensive income (see Note 18). No impairment was recognized in 2019.

The amount of depreciation is allocated as follows (see Note 18):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Direct costs	<b>P2,435,729,396</b>	P 2,347,301,618	P 2,147,005,523
General and administrative expenses	<u>940,314,987</u>	<u>930,103,860</u>	<u>883,414,766</u>
	<b><u>P 3,376,044,383</u></b>	<b><u>P 3,277,405,478</u></b>	<b><u>P 3,030,420,289</u></b>

As of December 31, 2021 and 2020, fully depreciated assets amounting to P8.7 billion and P7.7 billion, respectively, are still being used in operations.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

### ***11.2 Right-of-use Assets and Lease Liabilities***

The Group has leases for certain piece of land, commercial space and gaming equipment. In 2014, the Group entered into a lease agreement with NPF covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years. Upon effectivity of the lease agreement, the Group paid P1.0 billion to NPF applicable to the first 20 years of the lease; after which, the Group will have to pay the lessor on an annual basis for the last five years. The prepayment is presented as part of right-of-use asset, upon adoption of PFRS 16 on January 1, 2019.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as Right-of-use assets under Property and Equipment and as Lease liabilities under Trade and Other Payable and Other Non-current Liabilities for the current and non-current portion, respectively. The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	<u>Number of right-of-use assets leased</u>	<u>Remaining term</u>	<u>Number of leases with extension option</u>
Commercial space	1	-	-
Land	2	14 years/18 years	1
Gaming equipment	1	-	-

The carrying amount of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movement during the years is shown below.

	<u>Commercial Space</u>	<u>Land</u>	<u>Gaming Equipment</u>	<u>Total</u>
Balance at January 1, 2021	P -	P 913,443,490	P 52,088,845	P 965,532,335
Depreciation	-	( 49,140,238)	-	( 49,140,238)
Pre-termination	-	-	( 52,088,845)	( 52,088,845)
Balance at December 31, 2021	<b><u>P -</u></b>	<b><u>P 864,303,252</u></b>	<b><u>P -</u></b>	<b><u>P 864,303,252</u></b>

	Commercial Space	Land	Gaming Equipment	Total
Balance at January 1, 2020	P 1,024,187	P 962,583,724	P 77,091,490	P1,040,699,401
Depreciation	( 1,024,187)	( 49,140,234)	( 25,002,645)	( 75,167,066)
Balance at December 31, 2020	<u>P -</u>	<u>P 913,443,490</u>	<u>P 52,088,845</u>	<u>P 965,532,335</u>

The depreciation amounting to P49.1 million, P75.2 million and P77.2 million in 2021, 2020 and 2019, respectively, is presented as part of Depreciation under General and Administrative Expenses in the consolidated statements of comprehensive income (see Note 18).

In 2021, the Parent Company derecognized its right-of-use asset and lease liability pertaining to its lease of casino shufflers as a result of pretermination. There were no fees or penalties incurred related to such pretermination. Further, there were no gains nor losses recognized as a result of the derecognition.

As at December 31, 2021 and 2020, the outstanding lease liabilities are as follows:

	<u>2021</u>	<u>2020</u>
Current	<b>P 5,021,922</b>	P 32,101,697
Non-current	<b><u>264,906,136</u></b>	<u>286,727,963</u>
	<b><u>P 269,928,058</u></b>	<u>P 318,829,660</u>

The current portion of the lease liabilities are presented in Trade and Other Payables account, while the non-current portion is presented under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 16).

The undiscounted maturity analysis of lease liabilities at December 31, 2021 and 2020 are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 19 years	Total
<b>December 31, 2021</b>								
Lease payments	P 5,503,050	P 5,503,050	P 5,503,050	P 5,582,767	P 5,742,203	P 29,045,833	P 471,302,613	P 528,182,566
Finance charges	( 481,128)	( 459,809)	( 436,586)	( 411,291)	( 383,737)	( 1,411,152)	( 254,670,805)	( 258,254,508)
Net present value	<b><u>P 5,021,922</u></b>	<b><u>P 5,043,241</u></b>	<b><u>P 5,066,464</u></b>	<b><u>P 5,171,476</u></b>	<b><u>P 5,358,466</u></b>	<b><u>P 27,634,681</u></b>	<b><u>P 216,631,808</u></b>	<b><u>P 269,928,058</u></b>
<b>December 31, 2020</b>								
Lease payments	P 36,544,953	P 36,544,953	P 5,503,050	P 5,503,050	P 5,582,767	P 100,689,301	P 405,629,543	P 595,997,617
Finance charges	( 4,443,256)	( 1,921,567)	( 459,809)	( 436,586)	( 411,291)	( 1,590,524)	( 267,904,924)	( 277,167,957)
Net present value	<b><u>P 32,101,697</u></b>	<b><u>P 34,623,386</u></b>	<b><u>P 5,043,241</u></b>	<b><u>P 5,066,464</u></b>	<b><u>P 5,171,476</u></b>	<b><u>P 99,098,777</u></b>	<b><u>P 137,724,619</u></b>	<b><u>P 318,829,660</u></b>

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 318,829,660</b>	P 337,431,196
Pre-termination	<b>( 52,088,845)</b>	-
Interest expense	<b>13,322,854</b>	19,215,575
Repayment of lease liabilities	<b>( 10,135,611)</b>	( 37,817,111)
Balance at end of year	<b><u>P 269,928,058</u></b>	<u>P 318,829,660</u>



The total interest expense incurred on the lease liabilities amounting to P13.3 million in 2021, P19.2 million in 2020 and P21.2 million in 2019 is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 20).

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating short-term leases and low-value assets are presented as Rentals under General and Administrative Expenses in the consolidated statements of comprehensive income (see Note 18).

## 12. INVESTMENT PROPERTY

The Group's investment property mainly consists of buildings and building improvements primarily held to earn rentals under operating leases. Rental income amounting to P222.1 million, P232.5 million and P518.1 million in 2021, 2020 and 2019, respectively, are presented as part of Rentals under Other Revenues – Net account in the consolidated statements of comprehensive income (see Note 19). Direct costs incurred, generally pertaining to depreciation charges, amounting to P62.7 million each in 2021, 2020 and 2019, are presented as part of Depreciation and Amortization under Direct Costs in the consolidated statements of comprehensive income (see Note 18).

The net carrying amounts of investment property as at the beginning and end of 2021 and 2020 are shown below.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Cost	<b>P 1,892,772,408</b>	P 1,892,772,408	P 1,892,772,408
Accumulated depreciation	<b>( 723,866,973)</b>	( 661,121,466)	( 598,375,959)
	<b><u>P 1,168,905,435</u></b>	<u>P 1,231,650,942</u>	<u>P 1,294,396,449</u>

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

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at January 1, net of accumulated depreciation		<b>P 1,231,650,942</b>	P 1,294,396,449
Depreciation charges for the year	18	<b>( 62,745,507)</b>	( 62,745,507)
Balance at December 31, net of accumulated depreciation		<b><u>P 1,168,905,435</u></b>	<u>P 1,231,650,942</u>

In the latest appraisal report, the Group's investment property, which is part of the Newport City Project (Site B), has an aggregate fair market value of P98.0 billion as of December 31, 2021. Fair value is determined using the income capitalization approach, which uses a financial modeling technique based on explicit assumptions regarding the prospective cash flows from the properties. Under this method, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the properties.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 28.4.

### 13. NON-CURRENT ASSET AS HELD FOR SALE

Non-current asset held for sale consists of the land development cost for the construction of Site A that the Group has discontinued in 2019, following the CDA with SUN [see Notes 11.1 and 25.5(ii)].

The sale did not take place in 2020 as certain obligations under the CDA relating to the development of properties, project management and other conditions have not yet been performed. The carrying value of these assets, as presented in the 2020 consolidated statement of financial position, amounted to P4.0 billion as of December 31, 2020 and is equal to its fair value less cost to sell.

In 2021, these obligations as part of the CDA have been fulfilled, hence, the transfer of assets to SUN has been completed. Accordingly, the Group derecognized the Non-current Asset Held for Sale in the 2021 consolidated statement of financial position. The consideration amounted to P9.9 billion, which represents the share of the Group from the payment made by SUN. This resulted to a gain amounting to P5.8 billion and is presented as Other income under Other Income (Charges) in the 2021 consolidated statement of comprehensive income.

### 14. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Advances to suppliers		<b>P1,926,998,013</b>	P 2,514,149,971
Receivables from employees	6, 23.4	<b>115,288,876</b>	118,254,343
Refundable deposits		<b>102,742,601</b>	102,710,186
Miscellaneous	23.4	<b><u>273,448,540</u></b>	<u>260,278,078</u>
		<b><u>P2,418,478,030</u></b>	<u>P 2,995,392,578</u>

Advances to suppliers which pertain to mobilization funds provided to the Group's suppliers for use primarily in the construction of the Group's buildings and building improvements and are reduced proportionately upon receipt of progress billings from the said suppliers.

Miscellaneous non-current assets include original advance payment made by the Group to a related party under common ownership for the purchase of certain condominium units and parking lots to be used by in-house entertainers and for employee housing program. In 2021, there was no availment of new condominium units. As of December 31, 2021 and 2020, the cost of the remaining units amounted to P189.6 million and P196.2 million, respectively. No transfer of title has been made yet as of said date (see Note 23.4). The remainder of miscellaneous non-current assets pertains to certain non-financial deposits which will be realized beyond 12 months from the end of the reporting periods.

## 15. INTEREST-BEARING LOANS AND BORROWINGS

The composition of the Group's outstanding loans is shown below.

	<u>2021</u>	<u>2020</u>
Current	<b>P 27,953,498,500</b>	P22,305,289,102
Non-current	<b><u>27,804,117,105</u></b>	<u>35,028,735,809</u>
	<b><u>P 55,757,615,605</u></b>	<u>P57,334,024,911</u>

The outstanding principal balance and other relevant details of the Group's outstanding loans, including explanatory notes are as follows:

<u>Principal</u>	<u>Interest Rate</u>	<u>Nature</u>	<u>Term</u>	<u>Notes</u>
<b>2021:</b>				
P2.2 billion	Fixed at 4.75%	Unsecured	90 days	(a)
P1.0 billion	Floating rate subject to repricing	Unsecured	31 days	(c)
P0.2 billion	Floating rate subject to repricing	Unsecured	11 days	(c)
P0.1 billion	Floating rate subject to repricing	Unsecured	10 days	(c)
P0.3 billion	Floating rate subject to repricing	Unsecured	29 days	(c)
P1.0 billion	Fixed at 5.8%	Unsecured	180 days	(d)
P1.5 billion	Fixed at 4.5%	Unsecured	90 days	(b)
P2.0 billion	Fixed at 4.5%	Unsecured	90 days	(b)
P1.5 billion	Fixed at 4.5%	Unsecured	90 days	(b)
P1.5 billion	Fixed at 4.5%	Unsecured	92 days	(b)
P3.0 billion	Fixed at 4.0%	Unsecured	29 days	(b)
P1.5 billion	Fixed at 4.0%	Unsecured	30 days	(b)
P9.3 billion	Fixed at 7.0%	Unsecured	7 years	(a)
P5.9 billion	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	7 years	(a)
P4.4 billion	Fixed at 6.6%	Unsecured	7 years	(b)
P2.7 billion	Fixed at 7.3% plus spread of 1.15% subject to floor rate of 5.3%	Unsecured	7 years	(c)
P2.7 billion	Floating rate subject to repricing with a floor rate of 5.25%	Unsecured	5 years	(d)
P2.8 billion	Fixed at 8.2%	Unsecured	5 years	(c)
P5.0 billion	Floating rate subject to repricing	Unsecured	5 years	(c)
P7.5 billion	Fixed at 4.75%	Unsecured	7 years	(a)

<u>Principal</u>	<u>Interest Rate</u>	<u>Nature</u>	<u>Term</u>	<u>Notes</u>
2020:				
P2.2 billion	Fixed at 4.75%	Unsecured	90 days	(a)
P2.0 billion	Floating rate subject to repricing	Unsecured	91 days	(c)
P1.0 billion	Floating rate subject to repricing	Unsecured	90 days	(c)
P1.0 billion	Floating rate subject to repricing	Unsecured	60 days	(c)
P1.0 billion	Floating rate subject to repricing	Unsecured	90 days	(c)
P1.0 billion	Fixed at 5.8%	Unsecured	180 days	(d)
P1.0 billion	Fixed at 6.2%	Unsecured	140 days	(f)
P12.1 billion	Fixed at 7.0%	Unsecured	7 years	(a)
P7.4 billion	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	7 years	(a)
P6.1 billion	Fixed at 6.6%	Unsecured	7 years	(b)
P3.7 billion	Fixed at 7.3% plus spread of 1.15% subject to floor rate of 5.3%	Unsecured	7 years	(c)
P4.0 billion	Floating rate subject to repricing with a floor rate of 5.25%	Unsecured	5 years	(d)
P4.1 billion	Fixed at 8.2%	Unsecured	5 years	(c)
P3.5 billion	Fixed at 5.7%	Unsecured	5 years	(e)
P7.5 billion	Fixed at 4.75%	Unsecured	7 years	(a)

- a) In prior years, a local bank approved a credit line which grants the Company to borrow P33.5 billion. Total drawdowns made in prior years, which included loans converted into long-term loan, totaled to P31.0 billion. In 2021, the Company rolled the short-term loans to another term amounting to P2.2 billion. No further additions or conversion were noted during the year. The loans are outstanding as of December 31, 2021 and 2020.
- b) In 2016, the Company entered into a credit line agreement with a maximum loanable amount of P7.0 billion from a local bank. The Company fully utilized the said credit line in 2017. Total loans drawn remained outstanding as of December 31, 2021 and 2020.

In 2021, the Company also opened an omnibus credit facility with the same bank in the amount of P15.0 billion and drew P11.0 billion. This was subsequently rolled to another short term of the same amount which will mature next year, resulting to a total unutilized credit line of P4.0 billion as of December 31, 2021.

- c) In 2017, the Company entered into various credit line agreements with a total maximum loanable amount of P10.0 billion from a local bank. As of December 31, 2018, total drawdowns amounted to P10.0 billion, half of which pertains to short term and the other half pertains to term loan, which the latter remained outstanding as of December 31, 2021. In 2019, the Company obtained another term loan facility with the bank amounting to P5.0 billion. This was utilized through the conversion of the P5.0 billion omnibus loan to a long-term loan.

In 2021, the Company availed another long-term facility with the bank amounting to P5.0 billion, which is fully utilized during the year. These loans also remained outstanding as of December 31, 2021. Following the additions made, the Company obtained other various short-term loans in 2021 amounting to P4.7 billion, resulting to a total unutilized credit line of P0.3 billion as of December 31, 2021.

- d) In 2018, the Company obtained a credit line of P5.0 billion from a local bank. The Company loaned P4.0 billion long term loan from such facility in 2018, which remained outstanding as of December 31, 2021 and 2020.

In 2019, the Company also obtained an omnibus loan from the same bank amounting to P1.0 billion, thus fully utilizing the credit line. The loan remained outstanding as of December 31, 2021 and 2020.

- e) In 2018, the Company executed a Credit Agreement with a local bank for an Omnibus Credit Line Facility for P3.5 billion. The Company has fully availed the line facility in 2018 and settled P2.5 billion in the same year. The remaining P1.0 billion was settled early in 2019.

Further, in 2019, the Company renewed the credit line and availed the same through three separate drawdowns of omnibus loans, which upon maturity were converted into a long-term loan for the same amount. The said loan was settled during 2021.

- f) In 2019, the Company procured a credit facility with a local bank which consist of an omnibus line amounting to P2.0 billion. The Company utilized a portion of the credit line amounting to P1.0 billion in 2020 and the related loan was settled in 2021.

The outstanding loans as of December 31, 2021 and 2020, net of related discounts, are presented as Interest-bearing Loans and Borrowings in the consolidated statements of financial position. There are no assets used and/or required as collaterals as of December 31, 2021 and 2020 for the Group's interest-bearing loans and borrowings.

Starting 2017, when the Company obtained certain long-term loans, the Company is required to maintain certain financial ratios such as debt service coverage, debt-to-equity and current ratios. In 2021, the Company was not able to meet some financial covenants of the loans such as current ratio and debt service coverage ratio for which the Company was able to secure debt covenant waivers certified by the banks before December 31, 2021.

Certain portion of finance costs attributable to these loans amounting to P1,920.6 million, P2,023.9 million and P1,884.1 million in 2021, 2020 and 2019, respectively, are presented as part of Interest expense under the Finance Costs in the consolidated statements of comprehensive income (see Note 20).

The portion of finance costs for both 2021 and 2020 that were capitalized is included as part of additions to Construction in progress under Property and Equipment account in the consolidated statements of financial position (see Note 11.1). Unpaid interests as at December 31, 2021 and 2020 are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16). The changes in the Interest-bearing Loans and Borrowings account are shown in the succeeding page.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P57,334,024,911</b>	P 59,923,030,012
Cash flows from financing activities:		
Repayment of borrowings	<b>( 15,430,426,228)</b>	( 9,783,115,910)
Additional borrowings	<b>13,824,464,068</b>	7,167,130,435
Non-cash financing activities –		
Amortization of debt issuance costs	<b><u>29,552,854</u></b>	<u>26,980,374</u>
Balance at end of year	<b><u>P55,757,615,605</u></b>	<u>P57,334,024,911</u>

## 16. TRADE AND OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This account consists of:

	<u>Notes</u>	<u>2021</u>	<u>2020</u> [As Restated – see Note 2.1(c)]
Trade and other payables:			
Trade payables	23.2	<b>P 4,457,460,612</b>	P 6,259,736,608
Accrued expenses:			
Advertising		<b>1,433,956,154</b>	1,272,939,064
Employee benefits	23.6	<b>1,225,206,781</b>	1,087,627,446
Contract services		<b>812,402,664</b>	895,553,999
Casino operating expenses		<b>764,844,591</b>	685,836,388
Repairs and maintenance		<b>560,990,898</b>	516,816,969
Interest	15	<b>559,539,464</b>	313,316,369
Rental		<b>427,803,018</b>	465,626,137
Management fees	23.3, 23.6 25.2	<b>397,223,000</b>	236,095,884
License fee payables	22.1	<b>341,328,168</b>	516,846,603
Utilities		<b>186,666,668</b>	168,037,758
Donation	25.3(d)	<b>14,346,801</b>	10,907,256
Others		<b>459,646,305</b>	410,014,713
Slot jackpot liability	28.2(b)	<b>488,754,892</b>	259,221,496
Liability for unredeemed gaming points		<b>201,220,177</b>	201,492,558
Withholding taxes		<b>166,611,160</b>	84,791,252
Retention payable		<b>144,602,112</b>	382,454,425
Lease liabilities	11.2	<b>5,021,922</b>	32,101,697
Deposit from SUN	25.5(ii)	<b>-</b>	9,901,072,000
Miscellaneous		<b><u>626,690,172</u></b>	<u>559,510,772</u>
		<b><u>P 13,274,315,559</u></b>	<u>P 24,259,999,394</u>

	Notes	<u>2021</u>	2020 [As Restated – see Note 2.1(c)]
Other non-current liabilities:			
Long-term deposits from patrons		<b>P 10,048,277,857</b>	P 308,362,500
Non-trade payable to a related party	23.8	<b>3,055,613,559</b>	3,055,613,559
Retention payable		<b>1,144,269,433</b>	1,086,954,229
Lease liabilities	11.2	<b>264,906,136</b>	286,727,963
Security and miscellaneous deposits	23.7	<b><u>262,950,661</u></b>	<u>260,021,140</u>
		<b><u>P 14,776,017,646</u></b>	<u>P 4,997,679,391</u>

Trade payables include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips in custody or under the Group's control, casino deposit certificates from patrons, and other gaming related liabilities.

Employee benefits under Accrued expenses include the current portion of the Group's obligations to its current and former employees that is expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrued salaries and other employee benefits at the end of the reporting period.

Other accrued expenses include accruals for local and overseas travel, training and recruitment, dues and subscription, flight operations and other incidental hotel operating expenses.

The liability for unredeemed gaming points represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group.

Miscellaneous payables include other non-trade obligations under the ordinary course of business, and government-related liabilities.

Long-term deposits from patrons relate to cash deposited by patron groups as part of the Group's loyalty program. Patrons covered by the program receive loyalty incentive amounting to a certain percentage of the deposited cash. These deposits are expected to be reclaimed by the patrons beyond 12 months from yearend.

Non-trade payable to a related party under common ownership pertains to the outstanding payable arising from the Courtyard Iloilo transaction (see Notes 11 and 23.8).

Retention payables represent portions of progress billings received from contractors for the construction work performed which is retained by the Group to bind contractors in completing the agreed tasks. After the settlement of the applicable retention payables due during the reporting periods, the remainder is payable to the contractors for more than 12 months from the completion date of the construction or developments.

Security and miscellaneous deposits are perpetual in nature. Hence, the carrying amounts of these financial liabilities are reasonable estimation of their respective fair values.

## 17. REVENUES

When the Group prepares its investor presentations and when the Group's ExeCom evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's ExeCom can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

For presentation and disclosure purposes, gaming revenues are accounted for as derivative transactions under PFRS 9. For bingo, tournament income and non-gaming revenues other than rentals accounted for under PFRS 16, all other revenue sources are short-term in nature and satisfied over time (except food, beverage and others category that is satisfied at point in time). A summary of additional disaggregation from the segment revenues, particularly on non-gaming revenues, is shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Revenues:				
Gaming	2.6, 2.15	<b>P16,725,107,661</b>	P13,291,375,194	P27,644,831,264
Less: Promotional allowances		<u>( 6,394,997,426)</u>	<u>( 3,893,038,259)</u>	<u>( 6,099,217,521)</u>
		<b><u>10,330,110,235</u></b>	<u>9,398,336,935</u>	<u>21,545,613,743</u>
Non-gaming:				
Food, beverage and others	2.15	<b>765,662,099</b>	903,734,415	2,726,766,033
Hotel accommodations	2.15	<b>1,550,976,931</b>	1,195,400,713	2,275,043,205
Other revenues – net	2.15			
	2.16, 19	<u>535,824,574</u>	<u>683,670,196</u>	<u>1,731,529,161</u>
		<b><u>2,852,463,604</u></b>	<u>2,782,805,324</u>	<u>6,733,338,399</u>
		<b><u>P13,182,573,839</u></b>	<u>P12,181,142,259</u>	<u>P28,278,952,142</u>



## 18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature in 2021 are shown below.

	<u>Notes</u>	<u>Direct Costs</u>	<u>General and Administrative Expenses</u>	<u>Total</u>
Depreciation	11, 12	P 2,498,474,903	P 989,455,225	P 3,487,930,128
Gaming license fees	22.1	3,147,619,690	-	3,147,619,690
Salaries, wages and employee benefits	21.1, 23.6	2,110,872,077	566,887,184	2,677,759,261
Impairment loss on property and equipment	11	-	1,970,737,642	1,970,737,642
General marketing		-	1,566,514,306	1,566,514,306
Utilities and communication		379,981,124	178,221,321	558,202,445
Casino operating expenses		471,180,190	-	471,180,190
Repairs and maintenance		106,040,514	328,822,136	434,862,650
Food and beverage		409,225,875	-	409,225,875
Outside services		399,643,634	281,900	399,925,534
Supplies		262,661,512	10,231,982	272,893,494
Taxes and licenses		-	256,316,995	256,316,995
Management fees	23.3, 23.6 25.2	-	234,788,658	234,788,658
Transportation and travel		-	174,443,506	174,443,506
Donations and contributions	25.3(d)	-	124,751,847	124,751,847
Dues and subscriptions		-	90,381,422	90,381,422
Security		-	81,225,719	81,225,719
Professional services		-	76,666,430	76,666,430
Rentals	11.2	404,329	61,999,213	62,403,542
Commission		-	32,500,069	32,500,069
Entertainment, amusement and recreation		28,957,341	5,346,231	34,303,572
Flight operations		-	-	-
Miscellaneous		<u>196,028,790</u>	<u>568,102,869</u>	<u>764,131,659</u>
		<b><u>P 10,011,089,979</u></b>	<b><u>P 7,317,674,655</u></b>	<b><u>P 17,328,764,634</u></b>

Miscellaneous under General and Administrative Expenses account in 2021, 2020 and 2019 include, among others, penalties, freight and handling charges, representation, insurance, credit and collection charges, and other incidental administrative expenses.

The details of operating expenses by nature in 2020 are shown below.

	<u>Notes</u>	<u>Direct Costs</u>	<u>General and Administrative Expenses</u>	<u>Total</u>
Depreciation	11, 12	P 2,410,047,125	P 1,005,270,926	P 3,415,318,051
Salaries, wages and employee benefits	21.1, 23.6	2,635,753,976	711,211,288	3,346,965,264
Gaming license fees	22.1	2,636,024,717	-	2,636,024,717
General marketing		-	1,318,339,261	1,318,339,261
Outside services		665,253,141	158,040	665,411,181
Repairs and maintenance		148,892,229	303,867,875	452,760,104
Utilities and communication		322,906,790	119,737,189	442,643,979
Food and beverage		441,031,308	-	441,031,308
Taxes and licenses		-	331,568,639	331,568,639
Casino operating expenses		318,685,528	-	318,685,528
Supplies		219,518,554	11,426,720	230,945,274
Transportation and travel		-	215,823,410	215,823,410
Security		-	214,169,897	214,169,897
Management fees	23.3, 23.6 25.2	-	180,709,178	180,709,178
Impairment loss on property and equipment	11	-	132,628,909	132,628,909
Donations and contributions	25.3(d)	-	119,647,530	119,647,530
Professional services		-	107,787,175	107,787,175
Dues and subscriptions		-	88,874,811	88,874,811
Rentals	11.2	5,316,910	75,464,119	80,781,029
Commission		-	50,553,937	50,553,937
Entertainment, amusement and recreation		31,548,612	-	31,548,612
Flight operations		19,138,932	-	19,138,932
Miscellaneous		<u>204,173,856</u>	<u>412,847,175</u>	<u>617,021,031</u>
		<u>P 10,058,291,678</u>	<u>P 5,400,086,079</u>	<u>P15,458,377,757</u>

The details of operating expenses by nature in 2019 are shown below.

	<u>Notes</u>	<u>Direct Costs</u>	<u>General and Administrative Expenses</u>	<u>Total</u>
Gaming license fees	22.1	P 5,908,762,626	P -	P 5,908,762,626
Salaries, wages and employee benefits	21.1, 23.6	4,663,215,999	1,045,469,092	5,708,685,091
General marketing		-	3,916,279,707	3,916,279,707
Depreciation	11, 12	2,209,751,030	960,630,209	3,170,381,239
Food and beverage		1,400,679,269	-	1,400,679,269
Casino operating expenses		1,056,185,565	-	1,056,185,565
Utilities and communication		225,787,763	737,228,969	963,016,732
Management fees	23.3, 23.6 25.2	-	544,495,296	544,495,296
Repairs and maintenance		180,770,812	314,737,212	495,508,024
Supplies		227,504,410	101,430,775	328,935,185
Security		-	289,204,252	289,204,252
Transportation and travel		-	284,647,374	284,647,374
Taxes and licenses		-	259,994,212	259,994,212
Entertainment, amusement and recreation		88,024,085	154,516,004	242,540,089
Donations and contributions	25.3(d)	-	234,453,338	234,453,338
Rentals	11.2	57,833,959	123,541,484	181,375,443
Professional services		-	169,844,572	169,844,572
Commission		-	165,723,141	165,723,141
Dues and subscriptions		-	96,120,556	96,120,556
Flight operations		45,164,491	-	45,164,491
Miscellaneous		<u>95,616,032</u>	<u>521,950,087</u>	<u>617,566,119</u>
		<u>P 16,159,296,041</u>	<u>P 9,920,266,280</u>	<u>P 26,079,562,321</u>

## 19. OTHER REVENUES

The breakdown of this account is as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Rentals	12, 23.7, 25.1	<b>P 248,258,053</b>	P 358,280,593	P 668,412,286
Service fees		<b>125,713,238</b>	47,847,963	116,680,239
Bingo	2.15	<b>12,987,715</b>	19,715,737	111,021,402
Laundry		<b>6,814,256</b>	5,761,980	42,183,595
Productions shows		<b>5,811,749</b>	18,105,318	268,606,383
Parking		<b>2,643,942</b>	11,033,063	114,602,864
Cinema		<b>1,744,128</b>	7,810,984	158,291,457
Commissions		<b>1,262,613</b>	3,144,740	47,843,026
Tournament income	2.15	-	23,249,525	82,978,228
Gain on sale of property and equipment - net	11	-	-	318,279
Others - net	11	<b><u>130,588,880</u></b>	<u>188,720,293</u>	<u>120,591,402</u>
		<b><u>P 535,824,574</u></b>	<u>P 683,670,196</u>	<u>P 1,731,529,161</u>

Others include revenues from limousine, dormitory, spa, and other service charges.

## 20. OTHER INCOME (CHARGES)

The details of this account are as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Finance costs:				
Interest expense	11.2, 15, 21.2, 23.8	<b>P 2,048,500,699</b>	P 2,307,210,578	P 1,952,473,214
Foreign currency (gains) losses – net		<b>( 36,542,781)</b>	254,990,013	121,951,790
Bank charges		<b><u>4,412,217</u></b>	<u>4,026,952</u>	<u>11,296,911</u>
		<b><u>P 2,016,370,135</u></b>	<u>P 2,566,227,543</u>	<u>P 2,085,721,915</u>
Finance income – Interest income	5, 8	<b><u>P 19,958,194</u></b>	<u>P 78,077,879</u>	<u>P 180,038,942</u>

## 21. EMPLOYEE BENEFITS

### 21.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below (see Notes 18 and 23.6).

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits		<b>P 2,568,717,512</b>	P 3,248,390,538	P 5,645,016,703
Post-employment defined benefits	21.2	<u>109,041,749</u>	<u>98,574,726</u>	<u>63,668,388</u>
	18	<u><b>P 2,677,759,261</b></u>	<u>P 3,346,965,264</u>	<u>P 5,708,685,091</u>

### 21.2 Post-employment Defined Benefit

#### (a) Characteristics of the Defined Benefit Plan

In 2017, the Group established a partially-funded, non-contributory multi-employer post-employment benefit plan which is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's Remuneration and Compensation Committee, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years credited service subject to the approval of the Group's Retirement Committee. The post-employment benefit plan provides benefits ranging from 85% to 200% of the plan salary for every year of credited service.

#### (b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made periodically to update the retirement benefit costs. All amounts presented below and in the succeeding page are based on the actuarial valuation reports obtained from an independent actuary in 2021, 2020 and 2019.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Present value of the obligation	<b>P 990,172,955</b>	P 998,139,956
Fair value of plan assets	<u>( 306,781,127)</u>	<u>( 260,711,366)</u>
	<b>683,391,828</b>	737,428,590
Effect of the asset ceiling	<u>307,852</u>	<u>-</u>
	<u><b>P 683,699,680</b></u>	<u>P 737,428,590</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 998,139,956</b>	P 740,748,955
Current service cost	<b>109,041,749</b>	97,059,516
Interest expense	<b>39,010,167</b>	38,297,140
Benefits paid	<b>( 16,967,497)</b>	( 20,530,150)
Past service cost	-	1,515,210
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	<b>( 135,222,442)</b>	130,351,734
Experience adjustments	<b>( 11,613,612)</b>	( 9,017,762)
Changes in demographic assumptions	<b>7,784,634</b>	<u>19,715,313</u>
Balance at end of year	<b><u>P 990,172,955</u></b>	<u>P 998,139,956</u>

The movements in the fair value of plan assets in 2021 and 2020 are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 260,711,366</b>	P 222,730,601
Contribution to the plan	<b>50,676,188</b>	55,259,190
Interest income	<b>11,126,704</b>	12,374,747
Benefits paid	<b>( 8,990,085)</b>	( 20,530,149)
Loss on plan assets (excluding amounts included in net interest)	<b>( 6,743,046)</b>	( 9,123,023)
Balance at end of year	<b><u>P 306,781,127</u></b>	<u>P 260,711,366</u>

The composition of the fair value of plan assets at the end of 2021 and 2020 by category and risk characteristics is shown below.

	<u>2021</u>	<u>2020</u>
Cash	<b>P 49,649,427</b>	P 5,051,470
Treasury bills	<b>44,733,718</b>	139,236,051
Unit investment trust fund (UITF)	<b><u>212,397,982</u></b>	<u>116,423,845</u>
Balance at end of year	<b><u>P 306,781,127</u></b>	<u>P 260,711,366</u>

The fair values of cash and treasury bills are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The fair value of the UITF are estimated by reference to net asset value published by the trust fund managers at the end of each reporting period and is categorized within Level 2.

The plan assets earned an actual return of P4.4 million in 2021 and P3.3 million in 2020.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the retirement benefit obligation are as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit and loss:</i>				
Current service cost	21.1	<b>P109,041,749</b>	P 97,059,516	P 63,668,338
Net interest expense	20	<b>27,883,463</b>	25,922,393	19,655,284
Past service cost	21.1	<u>-</u>	<u>1,515,210</u>	<u>-</u>
		<b><u>P136,925,212</u></b>	<b><u>P 124,497,119</u></b>	<b><u>P 83,323,622</u></b>
<i>Reported in other comprehensive loss (income):</i>				
Actuarial losses (gains)				
arising from:				
Changes in financial assumptions		<b>(P135,222,442)</b>	P 130,351,734	P 53,721,452
Experience adjustments		<b>( 11,613,612)</b>	( 9,017,762)	127,523,904
Changes in demographic assumptions		<b>7,784,634</b>	19,715,313	61,810,580
Loss on plan assets (excluding amounts included in net interest expense)		<b>6,743,046</b>	9,123,023	( 5,408,172)
Effect of asset ceiling		<b><u>149,511</u></b>	<u>-</u>	<u>-</u>
		<b><u>(P132,158,863)</u></b>	<b><u>P 150,172,308</u></b>	<b><u>P 237,647,764</u></b>

In 2020, the Group incurred past service cost amounting to P1.5 million. No similar transactions occurred in 2021 and 2019.

Actuarial gains in 2021 arising from the changes in financial assumptions pertains to the substantial increase in discount rate, which decreased the actuarially determined obligation as of December 31, 2021. Experience adjustment pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The amounts of retirement benefit expense recognized in profit or loss are presented as part of Salaries, wages and employee benefits under the General and Administrative Expenses (for current and past service cost) and the Finance Costs (for interest expense, net of interest income) accounts in the consolidated statements of comprehensive income (see Notes 18 and 20).

The amounts recognized in other comprehensive income were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rate	<b>5.08%</b>	3.95%	5.22%
Salary growth rate	<b>4.00%</b>	4.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 25-31 years for males and 25-30 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Benefit Obligation*

The Group is exposed to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the retirement benefit obligation. Currently, the plan has relatively balanced investments in cash, treasury bills, and UITF. Due to the long-term nature of the plan obligation, a level of continuing investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(iii) *Inflation Risk*

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement benefit obligation are described as follows.



(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of December 31, 2021 and 2020:

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<b>December 31, 2021</b>			
Discount rate	+/- 100 basis points	(P 126,542,205)	P 108,182,755
Salary growth rate	+/- 100 basis points	126,728,075	( 110,262,018)
December 31, 2020			
Discount rate	+/- 100 basis points	(P 132,732,360)	P 112,296,814
Salary growth rate	+/- 100 basis points	131,525,632	( 113,931,224)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Remuneration and Compensation Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government treasury bills or bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

The plan assets as of December 31, 2021 and 2020 significantly consist of debt securities for long-term investment and UITF for liquidity purposes.

There has been no change in the Group's strategies to manage its risks from previous periods.

*(iii) Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P683.7 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about five to ten years' time when the current fair value of plan assets is not enough to cover the expected retirement benefit payments.

The expected maturity of undiscounted expected benefits payments within the next ten years as of December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Within one year	<b>P 27,279,583</b>	P 11,330,752
More than one to five years	<b>176,912,779</b>	125,116,821
More than five years to ten years	<b><u>642,817,225</u></b>	<u>597,613,259</u>
	<b><u>P 847,009,587</u></b>	<u>P 734,060,832</u>

Management expects that a substantial portion of the undiscounted expected benefit payments is probable after ten years from the end of the reporting period. The weighted average duration of the retirement benefit obligation at the end of the reporting periods is 10 to 14 years.

## 22. TAXES

### *22.1 Current and Deferred Taxes*

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- RCIT rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the Group's current income tax expense were lower by P1.2 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 consolidated statement of comprehensive income.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax asset in 2020 by P9.5 million which was also recognized in the 2021 consolidated statement of comprehensive income.

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are shown below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20% and 15%	<b>P 3,968,619</b>	P 13,714,258	P 34,329,741
RCIT at 25%	<b>3,935,154</b>	13,037,836	28,920,943
MCIT at 1%	<b>16,219,685</b>	975,120	14,245,926
Adjustment in 2020 income taxes due to change in income tax rate	<b>( 1,182,175)</b>	-	-
GIT at 5%	<u>-</u>	<u>-</u>	<u>5,626,839</u>
	<u><b>22,941,283</b></u>	<u>27,727,214</u>	<u>83,123,449</u>
Deferred tax expense (income)			
arising from:			
Adjustment in 2020 income taxes due to change in income tax rate	<b>9,534,763</b>	-	-
Origination (reversal) of other temporary differences	<b>1,096,740</b>	( 1,421,936)	7,381,094
Utilization of previously unrecognized deferred tax asset (DTA) on net operating loss carryover (NOLCO)	-	5,972,318	-
Reversal of previously unrecognized DTA on NOLCO	<u>-</u>	<u>( 5,972,318)</u>	<u>-</u>
	<u><b>10,631,503</b></u>	<u>( 1,421,936)</u>	<u>7,381,094</u>
	<u><b>P 33,572,786</b></u>	<u>P 26,305,278</u>	<u>P 90,504,543</u>
<i>Reported in other comprehensive income (loss)</i>			
Deferred tax expense (income) arising from origination and reversal of temporary difference	<u><b>P 4,338,697</b></u>	<u>(P 8,965,769)</u>	<u>(P 12,902,405)</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit (loss) at 25% in 2021 and at 30% in 2020 and 2019	<b>(P 60,482,167)</b>	(P 1,742,862,067)	P 309,484,998
Adjustment for income subjected to lower tax rates	<b>( 988,631)</b>	( 7,310,342)	( 45,787,078)
Tax effects of:			
Non-taxable income	<b>( 5,645,060,261)</b>	( 4,000,302,137)	( 8,585,886,601)
Non-deductible expenses	<b>4,292,314,737</b>	4,433,414,660	7,617,188,933
Unrecognized DTA on NOLCO	<b>969,888,718</b>	1,305,462,560	788,659,723
Change in unrecognized net DTA on Other temporary differences	<b>491,060,700</b>	43,143,194	( 7,401,358)
Utilization of previously recognized NOLCO	<b>( 21,512,898)</b>	-	-
Effect of change in income tax rate	<b>8,352,588</b>	-	-
Utilization of previously unrecognized NOLCO	-	( 5,972,318)	-
Unrecognized DTA on MCIT	<u>-</u>	<u>731,728</u>	<u>14,245,926</u>
	<b><u>P 33,572,786</u></b>	<b><u>P 26,305,278</u></b>	<b><u>P 90,504,543</u></b>

Total recognized DTA of the Group arising from the retirement benefit obligation, unutilized excess MCIT and net unrealized foreign currency losses of certain subsidiaries amounting to P38.2 million and P53.8 million as of December 31, 2021 and 2020, respectively, is presented as Deferred Tax Assets account in the consolidated statements of financial position.

The Group did not recognize certain DTA on other deductible temporary difference as management has assessed that it may not be able to realize their related tax benefits. The net unrealized foreign currency gains arose from foreign currency denominated financial instruments that are significantly coming from casino transactions. Hence, the reversal of this taxable temporary difference significantly goes through profit or loss from gaming, which is not subject to corporate income tax.

As of the end of the reporting periods, the total unrecognized net deferred tax assets relate to the items presented in below.

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
NOLCO	<b>P10,280,574,136</b>	<b>P 2,650,146,661</b>	P 6,851,204,719	P 2,055,361,416
Impairment of nonfinancial asset Allowance for impairment under ECL model	<b>1,970,737,642</b>	<b>492,684,411</b>	132,628,909	39,788,673
Retirement benefit obligation	<b>313,361,531</b>	<b>78,340,383</b>	314,709,869	94,412,961
MCIT	<b>63,808,599</b>	<b>15,952,150</b>	74,443,366	22,333,010
Unrealized foreign currency gains - net	<b>13,207,062</b>	<b>13,181,256</b>	58,330,946	58,330,946
	<b>( 3,690,160)</b>	<b>( 922,540)</b>	<u>10,920,953</u>	<u>3,276,286</u>
	<b><u>P12,637,998,810</u></b>	<b><u>P 3,249,382,321</u></b>	<b><u>P 7,442,238,762</u></b>	<b><u>P 2,273,503,292</u></b>

In 2021, the Group applied its NOLCO from previous years amounting to P30.4 million against its taxable income. The details of the Group's NOLCO incurred which can be claimed as deduction from their respective future taxable income within three years from the year the taxable loss was incurred are shown below. Further, pursuant to Section 4(bbbb) of R.A 11494, *Bayanihan to Recover as One* (Bayanihan II), the NOLCO for taxable year 2021 and 2020 shall be claimed as deduction within five years immediately following the year of such loss.

<u>Year Incurred</u>	<u>Amount</u>	<u>Applied Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2021	P 3,724,191,018	P -	P -	P 3,724,191,018	2026
2020	4,095,420,177	( 37,887)	-	4,095,382,290	2025
2019	2,491,407,871	( 30,407,043)	-	2,461,000,828	2022
2018	<u>284,450,304</u>	<u>( 165,907)</u>	<u>( 284,284,397)</u>	<u>-</u>	
	<b><u>P 10,595,469,370</u></b>	<b><u>(P 30,610,837)</u></b>	<b><u>(P 284,284,397)</u></b>	<b><u>P 10,280,574,136</u></b>	

The Group is subject to MCIT which is computed at 1% (2% in 2020 and 2019) of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

<u>Year Incurred</u>	<u>Amount</u>	<u>Applied Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2021	P 1,865,923	P -	P -	P 1,865,923	2024
2020	975,120	-	-	975,120	2023
2019	14,245,926	-	-	14,245,926	2022
2018	<u>60,202,660</u>	<u>-</u>	<u>( 60,202,660)</u>	<u>-</u>	
	<b><u>P 77,289,629</u></b>	<b><u>P -</u></b>	<b><u>(P 60,202,660)</u></b>	<b><u>P 17,086,969</u></b>	

The Group opted to claim itemized deductions in computing for its income tax due for the reporting periods.

Under the Provisional License Agreement with PAGCOR, the Company is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues (see Note 2.21). The license fees are directly remitted by the Group to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 25.3(e)].

In August 2016, the Philippine Supreme Court (SC), in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR.

Total license fees recognized amounted to P3.1 billion, P2.6 billion and P5.9 billion in 2021, 2020 and 2019, respectively, and are presented as Gaming license fees as part of Direct Costs account in the consolidated statements of comprehensive income (see Note 18). The outstanding liabilities are presented as License fee payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

## ***22.2 Registration with the Philippine Economic Zone Authority (PEZA)***

The Company was registered with PEZA on December 16, 2008 as a Tourism Economic Zone Enterprise as owner of the 172-room Maxims Hotel and 342-room Marriott Hotel in the Newport City Cybertourism Zone. In 2012, Remington Hotel (now known as Holiday Inn Express Manila Newport City) and the Newport Entertainment and Commercial Centre were also registered with the PEZA. As a PEZA-registered enterprise, the Company is entitled to certain tax incentives which include:

- (a) Income tax holiday (ITH) for four years on income solely derived from servicing foreign tourists. Upon expiry of the ITH period, the Company shall pay the 5% GIT, in lieu of all national and local taxes, provided that the Company shall have the option to forego the ITH incentive entitlement and immediately avail of the 5% GIT incentive upon the start of commercial operations subject to the Company's submission to PEZA of its Board Resolution on said waiver of the ITH incentive;
- (b) Value Added Tax (VAT) zero rating on transactions with local suppliers of goods, properties and services directly related to its registered operations; and,
- (c) Tax and duty-free importation of capital requirement for use in the technical viability and operation of the registered activity of the Group.

The Group Company completed the construction of 228-room MWW in 2016, and MGB, a 4,000-seater convention center, in 2015. In 2016, the Company obtained the supplemental agreements with PEZA covering these additional facilities. ITH for Maxims Hotel, Marriott Hotel, and Holiday Inn Express Manila Newport City have expired. Accordingly, the Company paid the GIT on income from servicing foreign tourists, which is presented as part of current tax expense under Tax Expense in the statements of comprehensive income (see Note 22.1).

In 2019 and 2018, the Company registered Hotel Okura Manila and Courtyard by Marriott Iloilo, respectively, with PEZA. As the Company voluntarily waived the ITH incentive for Courtyard by Marriott Iloilo, it was directly made subject to the GIT incentive upon start of commercial operation in April 2018. On December 3, 2021, the BIR issued Revenue Regulations No. 21-2021 (RR 21-2021) to implement certain provisions of the Tax Code in relation to fiscal incentives, as amended by the CREATE Act. RR 21-2021 clarified that VAT-zero rating and exemption shall only apply to registered export enterprises and customs duty exemption on importation shall only apply to domestic enterprises for a maximum period of 12 years from the date of registration, unless otherwise extended by the Strategic Investment Priority Plan.

In addition, DHRI and LSHRI were also registered with PEZA in 2014 and 2013, respectively, as Tourism Economic Zone Enterprise at Newport City, Cybertourism Zone. As PEZA-registered entities, DHRI and LSHRI are also qualified enterprises for certain incentives granted by the PEZA Board as discussed in the foregoing.

## 23. RELATED PARTY TRANSACTIONS

The Group's related parties with transactions and balances include its stockholder, companies under common ownership, management or control, associate, the Group's key management personnel and others as described below and in the succeeding pages.

### 23.1 Summary of Related Party Transactions

The summary of the Group's transactions and outstanding balances with its related parties is as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Balance	
		2021	2020	2019	2021	2020
<b>Related Parties Under Common Ownership:</b>						
Repayment (obtaining) of cash advances, net	23.5	P 1,746,874	P 19,081,902	P 2,874,010	(P 116,802,896)	(P 118,549,770)
Management fees	23.3	10,352,449	13,072,705	32,617,619	( 49,808,195)	( 39,455,745)
Consultancy fees	23.3	25,772,447	-	-	5,766,857	-
Granting (collection) of cash advances, net	23.5	( 7,363,386)	( 143,597,914)	162,215,810	66,473,562	73,836,948
Prepayment of condominium units	23.4	-	-	-	189,620,688	196,188,167
Reimbursement of construction costs	23.8	81,564,339	188,310,128	209,916,250	3,056,180,769	3,056,180,769
<b>Associate:</b>						
Granting (collection) of cash advances, net	23.5	( 535,190,325)	809,698,775	-	774,508,450	1,309,689,775
Obtaining of cash advances	23.5	-	-	( 391,764,706)	-	-
<b>Stockholder:</b>						
Casino transactions	23.2	-	23,697,780	236,735,346	-	( 66,579)
Management fees	23.6	151,282,459	100,326,466	312,928,400	( 225,387,007)	( 96,767,702)
<b>Officers and Employees:</b>						
Key management compensation	23.6	201,917,925	267,540,892	383,583,918	( 9,903,998)	( 8,467,683)
Receivables from employee housing program	23.4	( 2,726,988)	5,777,020	2,927,640	129,933,586	132,660,574
Granting (collection) of cash advances, net	23.5	5,149,190	23,333,262	9,405,254	116,639,281	111,490,091
<b>Other Related Parties Under Common Management or Control :</b>						
Granting (collection) of cash advances, net	23.5	1,472,425	( 702,074)	10,503,967	20,072,260	18,599,835
Donations	25.3(d)	119,946,847	103,557,015	234,453,338	( 13,436,801)	( 10,907,256)

Under the ECL model, the Company recognized recovery in 2019 amounting to P0.9 million. There were no recoveries for 2021 and 2020.

### 23.2 Casino Transactions

The Group recognized outstanding payables to GHL representing show money received by the Company from foreign patrons in previous years which the counterparty later remit to the other. There is no outstanding balance as of December 31, 2021. The outstanding balance, which is unsecured, noninterest-bearing and payable in cash upon demand as of December 31, 2020 is presented as part of Trade payables under Trade and Other Payables account in the 2020 consolidated statement of financial position (see Note 16).

### 23.3 Management and Consultancy Fees

On July 19, 2010, the Group entered into a management agreement with a related party under common ownership, whereby the latter shall provide management services to the Group, such as the handling of billings to and collections from tenants, and overall administration of the Group's leasing operations.

As a consideration for such services, the Group shall pay the related party based on certain rates of collection, plus commission. The consideration for the services rendered by the related party is presented as part of Management fees under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 18).

In 2021 and 2020, the Group obtained certain management services from another related party under common ownership for the Group's ongoing construction and development activities. The consideration for the services rendered by the related party is capitalized as part of Construction in progress under Property and Equipment account in the consolidated statements of financial position (see Note 11.1).

The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, of management fees are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

In August 2021, the Group entered into a Services and Consultancy Agreement with a related party under common ownership to provide top management guidance in planning for the related party's casino operations. The related party agreed to pay a non-refundable monthly fee of US\$100,000, exclusive of value-added tax, in exchange of such services. The contract has expired on December 31, 2021.

The outstanding receivable, which is unsecured, non-interest bearing and payable in cash, is presented as part of Trade receivables under Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6).

#### ***23.4 Advance Payment to a Related Party***

The Group entered into a contract to buy and sell with a related party under common ownership, whereby the Group shall purchase condominium units and parking lots from the latter to be used by in-house entertainers and for employee housing program. The remaining balance for each reporting period are presented as part of Miscellaneous under Other Non-Current Assets account in the consolidated statements of financial position (see Note 14).

In 2021, there was no availment of the new condominium units. The outstanding receivables, secured to the extent of the related condominium units, noninterest-bearing and payable in lump sum payment or salary deductions, arising from the availment of certain employees amounting to P129.9 million and P132.7 million as of December 31, 2021 and 2020, respectively, are presented as part of Others under Trade and Other Receivables account with respect to the current portion and as Receivables from employees under Other Non-current Assets account with respect to the non-current portion in the statements of financial position (see Notes 6 and 14). Management assessed that the related impact of discounting is not significant to the Group's consolidated financial statements.

#### ***23.5 Advances to and from Related Parties***

In the normal course of business, the Group obtains from and grants cash advances to its related parties, including those under common ownership, and officers and employees which are subject for liquidation or salary deduction, for working capital requirements and other purposes. The details of Advances to Related Parties account as at December 31 are shown in the succeeding page.



	<u>Note</u>	<u>2021</u>	<u>2020</u>
Associate		<b>P 774,508,450</b>	P 1,309,698,775
Officers and employees		<b>116,639,281</b>	111,490,091
Related parties under common ownership of stockholders		<b>66,473,562</b>	73,836,948
Other related parties under common ownership, management or control		<u>20,072,260</u>	<u>18,599,835</u>
		<b>977,693,553</b>	1,513,625,649
Allowance for impairment	26.2(c)	<u>( 8,398,163)</u>	<u>( 8,398,163)</u>
		<b><u>P 969,295,390</u></b>	<b><u>P 1,505,227,486</u></b>

Significant outstanding advances to subsidiaries include DHRI and LSHRI, which pertain to the funding for the construction and development of their respective hotels as ancillary to the main operations of the Parent Company.

The changes in Advances to Related Parties account are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		<b>P1,505,277,486</b>	P 816,495,467
Additions		<b>33,714,466</b>	1,892,242,115
Offsetting	10	<b>( 566,970,588)</b>	( 973,159,225)
Repayments		<b>( 2,725,974)</b>	( 230,350,871)
		<b><u>P 969,295,390</u></b>	<b><u>P 1,505,227,486</u></b>

The net changes representing the effects of additions, offsetting, repayments, and impairment recovery and losses for 2021 and 2020, is shown under working capital changes of Advances to Related Parties in the consolidated statements of cash flows.

Advances from Related Parties pertain to related parties under common ownership of stockholders with outstanding balances amounting to P116.8 million and P118.5 million as of December 31, 2021 and 2020, respectively.

The changes in Advances from Related Parties account are shown below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	<b>P 118,549,770</b>	P 680,862,387
Additions	-	410,846,608
Offsetting	-	( 973,159,225)
Repayments	<b>( 1,746,874)</b>	-
Balance at end of year	<b><u>P 116,802,896</u></b>	<b><u>P 118,549,770</u></b>

In 2016, the Group recognized a receivable from MBPHI amounting to P3.7 billion for the transferred parcels of land which shall be used for the residential components of Site A (see Note 10). Consequently, the outstanding advances from MBPHI, before the transfer, amounting to P3.0 billion in 2016 were fully settled through offsetting arrangements with MBPHI. In 2018 and 2017, MBPHI provided additional advances to the Group which were offset against the outstanding receivable in 2016 resulting to a net payable of P189.6 million as of 2018.

In 2020 and 2019, MBPHI provided additional advances to the Group amounting to P391.8 million in both years. The Group also recognized a receivable from MBPHI amounting to P1.8 billion for another transfer of land for residential development. Outstanding advances from MBPHI before the transfer amounting to P973.2 million were set-off against the amount of receivable recognized.

In 2021, the Group granted advances to MBPHI amounting to P31.8 million. Moreover, MBPHI's share on the advances for future investment amounting to P567.0 million was set-off against its outstanding receivable to the Group.

The advances to and from related parties have no fixed repayment terms and are unsecured, noninterest-bearing and generally payable in cash upon demand, or through offsetting arrangements with the related parties (see Note 27.2). Parties agreed that costs, if any, arising from those transactions shall be shouldered by the Group.

### ***23.6 Operations and Management Agreement with GHL/Key Management Personnel Compensation***

Some of the Group's administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability, which is unsecured, noninterest-bearing and payable in cash upon demand, arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

Compensation of other key management personnel which is presented as part of Salaries, wages and employee benefits under the General and Administrative Expenses account in the consolidated statements of comprehensive income is shown below (see Notes 18 and 21.1).

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term benefits	<b>P 168,992,544</b>	P 237,192,084	P 353,472,883
Post-employment defined benefits	<u>32,925,381</u>	<u>30,348,808</u>	<u>30,111,035</u>
	<b><u>P 201,917,925</u></b>	<b><u>P 267,540,892</u></b>	<b><u>P 383,583,918</u></b>

The short-term benefits are generally payable semi-monthly. The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

### ***23.7 Operating Lease Agreements***

The Company leases office spaces to certain related parties under common control and ownership with terms ranging from six to seven years, subject to renewal options.

Total income recognized from these transactions are presented as part of Rentals under Other Revenues - Net in the consolidated statements of comprehensive income (see Note 19).

In 2019, lease of office spaces to related parties were terminated following a change in management strategy.

### **23.8 Reimbursement for Construction Costs**

In 2018, a related party under common ownership turned over Courtyard Iloilo to the Company (see Note 11). The parties agreed that the Company will reimburse the costs incurred by the related party in constructing the hotel and its related facilities amounting to P4.0 billion. The unpaid portion, which is unsecured and repayable starting 2021, shall bear interest of 6% commencing in 2019. As of December 31, 2021 and 2020, the outstanding balance amounting to P3.1 billion is presented as Non-trade payable to a related party under Other Non-current Liabilities account in the statements of financial position (see Note 16). The related interest expense amounting to P164.2 million and P188.3 million is presented as part of finance costs under Other Income (Charges) in the 2021 and 2020 statements of comprehensive income (see Note 20).

### **23.9 Retirement Plan**

The Group's retirement fund is a multi-employer retirement plan, which is administered by a trustee bank. The retirement fund includes investments in cash, treasury bills and UITF with a total fair value of P306.8 million and P260.7 million as of December 31, 2021 and 2020, respectively. The details of the contributions of the Group and the fair value of the plan assets are presented in Note 21.2.

## **24. EQUITY**

### **24.1 Capital Stock**

As of December 31, 2021 and 2020, the details of capital stock and treasury shares are as follow:

	<u>Number of Shares</u>		<u>Amount</u>
Authorized and issues shares			
Preferred A – P0.10 par value	73,000,000,000	P	7,300,000,000
Preferred B – P0.01 par value	20,000,000,000		200,000,000
Common – P0.10 par value	73,000,000,000		<u>2,500,000,000</u>
<b>Total authorized and issues shares</b>		<b>P</b>	<b><u>10,000,000,000</u></b>
Treasury shares – at cost			
Preferred A	73,000,000,000		7,300,000,000
Preferred B	10,000,000,000		100,000,000
Common	10,565,185,650		<u>8,197,057,010</u>
<b>Total treasury shares</b>		<b>P</b>	<b><u>15,597,057,010</u></b>

On June 8, 2013, the Parent Company approved the reclassification of its authorized capital from P10.0 billion divided into 9.9 billion voting, participating and reissuable preferred shares, redeemable at the option of the Parent Company, and 100.0 million common shares, both with a par value of P1.00 per share, into P10.0 billion divided into 25.0 billion common shares with par value of P0.10 per share, 73.0 billion redeemable, non-voting, non-participating and reissuable preferred A shares with par value of P0.10 per share; and, 20.0 billion redeemable, voting, participating and reissuable preferred B shares with par value of P0.01 per share. All the preferred shares are convertible into common shares and redeemable at the option of the Parent Company under such terms and conditions as may be determined by the Parent Company. The reclassification was subsequently approved by the SEC on June 26, 2013. On March 12, 2014, the SEC approved another amendment to the Group's articles of incorporation to remove the convertibility feature of its preferred A and preferred B shares.

Also, on June 8, 2013, the Parent Company's BOD approved the reissuance of 10.0 billion preferred B shares previously held under treasury at par value or P100.0 million. The preferred B shares are entitled to receive dividends at a rate, price, amount of participation, and other terms and conditions to be fixed by the Group prior to the dividend issue date.

On November 5, 2013 and December 6, 2013, the Parent Company issued through Initial Public Offering (IPO) 1,573,222,300 common shares and exercised its over-allotment option of 23,645,550 common shares, respectively, at an issue price of P11.28 per common share. Such issuances resulted in an increase in APIC of P16.6 billion, which is net of IPO-related expenses of P1.3 billion.

On August 13, 2019, the BOD of the Parent Company approved the voluntary delisting of the common shares from the main board of the PSE. The Parent Company made a tender offer for up to 1,582,867,900 common shares held by the public shareholders, at a tender offer price of P5.50 per common share. At the end of tender offer on September 23, 2019, the Parent Company was able to buy back 1,321,060,500 shares for P7.3 billion, which brings down the public ownership of common shares from 10% to 1.8%. Accordingly, the PSE approved the petition for voluntary delisting and the Parent Company's shares ceased to be traded publicly on October 21, 2019.

Following the delisting of shares in the PSE, the Company is still gathering the total number of shareholders of common shares owning at least 100 shares each. However, the management initially assessed that the Parent Company has breached the 200 or more shareholders, hence, qualifying as a quasi-public entity.

## ***24.2 Retained Earnings***

The information of approved cash dividends, which did not violate any of the Group's covenants related to its borrowings, are summarized below.

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of Payment</u>	<u>Dividend Per Share</u>	<u>Amount</u>
May 6, 2019	May 20, 2019	June 14, 2019	<u>P 0.01</u>	<u>P 187,329,035</u>

Cash dividends declared in 2019 was fully paid in the same year. No dividends were declared in 2021 and 2020. The Parent Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

### 24.3 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	<b>Financial Assets at FVOCI</b>	<b>Retirement Benefit Obligation</b>	<b>Total</b>
	[(see Note 28.2(a))]	(see Note 21.2)	
Balance as of January 1, 2021	P 78,451,080	(P 314,716,140)	(P 236,265,060)
Remeasurements of retirement benefit obligation	-	132,158,863	132,158,863
Fair value gains on financial assets at FVOCI	22,400,000	-	22,400,000
Tax effect	-	( 4,338,697)	( 4,338,697)
Other comprehensive income	<u>22,400,000</u>	<u>127,820,166</u>	<u>150,220,166</u>
Balance as of December 31, 2021	<b><u>P 100,851,080</u></b>	<b><u>(P 186,895,974)</u></b>	<b><u>(P 86,044,894)</u></b>
Balance as of January 1, 2020	P 87,451,080	(P 173,509,601)	(P 86,058,521)
Remeasurements of retirement benefit obligation	-	( 150,172,308)	( 150,172,308)
Fair value losses on financial assets at FVOCI	( 9,000,000)	-	( 9,000,000)
Tax effect	-	8,965,769	8,965,769
Other comprehensive loss	<u>( 9,000,000)</u>	<u>( 141,206,539)</u>	<u>( 150,206,539)</u>
Balance as of December 31, 2020	<u>P 78,451,080</u>	<u>(P 314,716,140)</u>	<u>(P 236,265,060)</u>
Balance as of January 1, 2019	P 54,451,080	P 51,235,758	P 105,686,838
Remeasurements of retirement benefit obligation	-	( 237,647,764)	( 237,647,764)
Fair value gains on financial assets at FVOCI	33,000,000	-	33,000,000
Tax effect	-	12,902,405	12,902,405
Other comprehensive income (loss)	<u>33,000,000</u>	<u>( 224,745,359)</u>	<u>( 191,745,359)</u>
Balance as of December 31, 2019	<u>P 87,451,080</u>	<u>(P 173,509,601)</u>	<u>(P 86,058,521)</u>

Management determined that the deferred tax effect on the cumulative fair value gains of financial assets at FVOCI is not material to the consolidated financial statements as of December 31, 2021 and 2020.

## 25. COMMITMENTS AND CONTINGENCIES

### 25.1 Operating Lease Commitment – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office, commercial and other spaces. The leases have terms ranging from three to seven years, with renewal options, and include annual escalation rate of 3% to 10%. The future minimum lease receivables, wherein significant renewals were entered into by the parties in 2021 and 2020, under these non-cancellable operating leases as at December 31 are presented in the succeeding page.

	<u>2021</u>	<u>2020</u>
Within one year	<b>P 356,159,779</b>	P 283,692,935
After one year but not more than five years	<b>214,397,116</b>	365,400,506
More than five years	<b><u>200,000</u></b>	<u>-</u>
	<b><u>P 570,756,895</u></b>	<b><u>P 649,093,441</u></b>

Total rentals from these operating leases in 2021, 2020 and 2019 amounted to P220.1 million, P232.5 million, and P518.1 million, respectively, and presented as part of Rentals under the Other Revenues – net in the consolidated statements of comprehensive income (see Note 19).

## ***25.2 Various Hotel Agreements***

### *(a) Marriott Group (Marriott and Courtyard Iloilo)*

The Group has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as Marriott Group) for the license, supervision, direction, control and management of operations of the Group's Marriott, including the monitoring of its compliance with Marriott Group's standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants the Group a nonexclusive and nontransferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with the Group's Marriott hotels and brands.

### *(b) Holiday Inn Express*

In 2017, the Group also entered into a Hotel Management Agreement (HMA) with Holiday Inns (Philippines), Inc. for the license, supervision, direction, control and management of operations of Holiday Inn Express (formerly Remington Hotel), including the monitoring of its compliance with the hotel group standards.

The HMA includes security arrangements, refurbishment of the existing structure, rebranding, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The parties also entered into a Franchise Agreement for the non-exclusive use and non-transferable license to use the brand marks for the hotel services and other related goods offered in connection with the Group's Holiday Inn Express.

(c) *Hotel Okura Manila*

Also in 2017, the Company and Hotel Okura Co., Ltd (Okura) signed another HMA for the license, supervision, direction, control and management of operations of the Hotel Okura Manila, which includes advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The HMA with Okura grants the Group a nonexclusive and nontransferable right to use the Okura trademarks for hotel services and other related goods and services offered only in connection with the Hotel Okura Manila.

In 2019, Hotel Okura Co., Ltd.'s wholly owned subsidiary, Okura Nikko Hotel Management Co., Ltd., entered into a Deed of Assignment and Assumption of Management Agreement with the Group relating to Okura.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement (OSA) was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD (Starwood), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to the Parent Company. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) *Hilton Manila*

Also in 2017, a Management Agreement (MA) was executed between DHRI and Hilton International Manage LLC (Hilton) for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by the Group for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total amounts recognized from these transactions in 2021, 2020 and 2019 totaled P70.5 million, P59.4 million and P181.2 million, respectively, and are presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 18).

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2021 and 2020 amounted to P36.9 million and P17.4 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

### ***25.3 Provisional License Agreement with PAGCOR***

On June 2, 2008, PAGCOR issued a Provisional License authorizing the Group to participate in the development of a portion of certain entertainment sites (Site A and Site B), which is part of a larger scale integrated tourism project envisioned by the PAGCOR, and to establish and operate casinos, and engage in gambling activities in Sites A and B (collectively referred to as the Project). The term of the Group's License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR Charter.

#### *(a) Debt–Equity Ratio Requirement*

The Provisional License Agreement provides, among others, that the Group's License may be revoked or suspended upon failure of the Group to comply with the 70% debt – 30% equity ratio requirement of PAGCOR (see Note 29). As at December 31, 2021 and 2020, the Group is in compliance with this provision.

#### *(b) Accession of WCRWI to the Provisional License*

On March 18, 2013, the Parent Company and WCRWI entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, WCRWI acceded to the rights, title, interests and obligations of the Group under the Provisional License and other relevant agreements with PAGCOR. Accordingly, PAGCOR recognized and included WCRWI as a co-licensee and co-holder of the Provisional License and other relevant agreements with PAGCOR.

Further, on June 10, 2013, the Company and WCRWI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and other relevant agreements with PAGCOR. Specifically, the parties agreed that WCRWI would have all the rights and obligations under the Provisional License with respect to Site A and that the Company would have all the rights and obligations with respect to Site B.

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and WCRWI as co-licensees and co-holders of the Provisional License and other relevant agreements with PAGCOR. As co-licensees and co-holders, the Company and WCRWI are bound by certain investment commitments [see Note 25.3(c)].



(c) *Investment Commitments*

As required by the Provisional License Agreement, the Company and WCRWI are required to complete the U.S. \$1.3 billion (about P66.0 billion) investment commitment in phases, wherein the amount is divided into Site A and Site B with the minimum investment of U.S. \$1.1 billion (about P55.8 billion) and U.S. \$216.0 million (about P11.0 billion), respectively [see Note 25.3(b)]. The agreement with Suntrust covers a development of a portion of Site A. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment, development costs, financing costs and all other expenses directly related to the completion of the Project (see Notes 11 and 12).

WCRWI held the groundbreaking rites at Site A on October 1, 2014. Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in the year, PAGCOR approved a revised project implementation plan for the Westside City Project (Site A) (see Note 10).

As a requirement in developing the aforementioned Project, the Group transferred U.S. \$100.0 million (about P5.1 billion) to an escrow account with a universal bank mutually agreed by PAGCOR and the Group.

At any given time, the escrow account shall have a maintaining balance of not lower than U.S. \$50.0 million (about P2.5 billion) (see Note 8).

If the funds fall below the maintaining balance at any given time, the Group is allowed a 15-day grace period to achieve the maintaining balance, failure in which will cause the Group to be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar day period, or a fraction thereof, until the balance is maintained.

While the Project is on-going, all funds for the development of the Project shall pass through the escrow account and all drawdowns of funds therefrom must be applied to the Project, unless the Group is allowed to use other funds.

As at December 31, 2021, the Group has spent P93.6 billion (about \$1.8 billion) for its casino projects pursuant to its investment commitments under the Provisional License Agreement.

The Group has restricted short-term placements amounting to U.S. \$58.3 million (about P3.0 billion) and U.S. \$61.5 million (about P3.0 billion) as at December 31, 2021 and 2020, respectively, to meet its requirements with PAGCOR in relation to the Company's investment commitments (see Note 8).

(d) *Requirement to Establish a Foundation*

The Group, with the approval of PAGCOR, is required to incorporate and register a foundation for the restoration of cultural heritage not later than 60 days from the signing of the Provisional License Agreement. In compliance with the said requirement, Resorts World Philippines Cultural Heritage Foundation Inc. (the Foundation), formerly Manila Bayshore Heritage Foundation, Inc., was incorporated in the Philippines on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by the Group by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) cultural heritage; (ii) education; and, (iii) environment and health. As of December 31, 2021, the following are the completed and on-going projects of the Foundation:

- Donation of relief goods to Typhoon Yolanda Victims;
- Construction of school buildings in partnership with the Philippine Department of Education (DepEd) whereby six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;
- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;
- Funding of the construction of a cadet barracks at the Philippine Military Academy (PMA) in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City;
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center; and,

- Donation of funds for the redevelopment of the Baguio City Post Office Park;
- Construction of the Philippine Military Academy Alumni Association, Inc. Center for Leadership Excellence; and
- Donation of funds for the Construction of the Naga City Hospital Phase II.

Donations made to the Foundation are recorded as part of Donations and contributions under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2021 and 2020 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(e) *Tax Contingencies of Casino Operations*

The Company is subject to license fees at 25% and 15% rates, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended (see Note 22.1).

In August 2016, the SC confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality in the SC Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

***25.4 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)***

As a PAGCOR licensee, the Group committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila.

As at December 31, 2021 and 2020, contributions made to ECEMI amounted to P1.3 million and is presented as part of Advances to Related Parties account in the consolidated statements of financial position (see Note 23.5).

## ***25.5 Co-Development Agreement between WCRWI and SUN***

The principal terms of the co-development agreement are as follows (see Note 11.1):

- (i) *WCRWI and the Parent Company Shall Lease the Project Site (i.e. “the site upon which the hotel casino is to be erected”) to SUN.*

WCRWI and Parent Company shall lease to SUN the site upon which a hotel casino will be erected at an annual rental of US\$10.6 million (P540.6 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

In line with the foregoing, on February 21, 2020, WCRWI and the Parent Company entered into a lease agreement with SUN. The parties agreed that the lease shall start from a certain period that may be agreed upon by the parties or also known as the hand-over schedule. As of December 31, 2021, the hand-over schedule on rent is not yet met. As such, the Group has not recognized the lease in its consolidated financial statements.

- (ii) *SUN Shall Finance the Development and Construction of a Hotel Casino.*

SUN shall finance the development and construction of a hotel casino on the leased area. SUN shall also pay a certain a fixed amount to WCRWI for the initial cost of the project.

In 2020, the Group received payment of US\$200.0 million (approximately P9.9 billion) in relation to the CDA. As the obligations relating to such CDA have not been completed yet as at December 31, 2020 (see Note 13), the gain was not recognized and the entire amount received was recorded as Deposit from SUN under Trade and Other Payables in the 2020 consolidated statement of financial position (see Note 16).

In 2021, these conditions specified in the CDA have been fulfilled and the transfer of assets has been completed (see Note 13). Accordingly, such deposit was derecognized in the 2021 consolidated statement of financial position and the gain arising from such transaction amounting to P5.8 billion was recognized as Other income in the 2021 consolidated statement of comprehensive income.

- (iii) *WCRWI Shall Enter into an Agreement with SUN, for the Latter to Operate and Manage a Hotel Casino.*

WCRWI and SUN shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCRWI and SUN. The operations and management agreement was entered into by the parties on May 4, 2020.

In accordance with the agreement, WCRWI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

- (a) 1% of the gross gaming revenue on VIP of the Casino of the hotel casino; and,

- (b) 3% of the gross gaming revenue on slot machines and mass market tables of the Casino of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of December 31, 2021, the hotel casino has not yet commenced its operation.

*(iv) WCRWI and the Parent Company as Warrantors*

Fortune Noble Limited (Fortune) [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SUN, conditionally agreed to subscribe to 2.55 billion new SUN Shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and the Parent Company agreed to act as the warrantors, wherein, a put option over the shares of SUN was included. The put option enables Fortune to transfer ownership over SUN to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.

The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration for the acquisition by Fortune of the 1.1 billion SUN shares as at the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and, (b) the aggregate of the shares subscription price for the subscription of 2.6 billion new SUN shares including interest as well from the date of Shares Subscription Completion up to the date of completion of the put option.

Management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9 [see Note 3.1(j)]. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model [see Note 2.5(d)].

In accordance with the ECL model, the option price that the WCRWI and Parent Company is committed to pay was computed with the value of the collateral or the shares they will receive using the put option. Management determined that the committed option price as of December 31, 2021 and 2020 amounted to P3.9 billion and P3.8 billion, respectively, and the SUN shares are priced in PSE at P1.12 per share in 2021 (P4.1 billion in total) and P1.66 per share in 2020 (P6.1 billion in total). As the option price is fully secured by the value of SUN shares and as management assessed that the probability of default was assessed to be remote, the Company assigned a nil value to the instrument as at December 31, 2021 and 2020.

## **25.6 Others**

The Group has unutilized credit lines amounting to P18.8 billion and P6.3 billion as of December 31, 2021 and 2020, respectively (see Note 15).

In 2019, the Group received P69.4 million as additional recoveries for third party claims paid by the Company to the victims in an accident in 2017 which was caused by a certain individual that has resulted to physical damages on the Group's properties and death and injuries to several employees and guests. The Company presented the income from these recoveries as part of Other Income – net in the 2019 consolidated statement of comprehensive income.

Also, the Group, in the normal course of its business, makes other various construction and other commitments, and incurs certain contingent liabilities which are not reflected as at the end of the reporting periods in the financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the consolidated financial statements.

## 26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 27. The main types of risks are market risk (foreign currency, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes. The relevant financial risks to which the Group is exposed to are described below.

### 26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

#### (a) 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, trade and other receivables, trade and other payables, 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, are as follows:

	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
<b>2021</b>				
Financial assets	\$ 9,726,591	P 488,739,893	\$ 290,986,213	P 1,874,851,883
Financial liabilities	( 6,934,130)	( 348,424,852)	( 96,609,766)	( 622,465,925)
	<u>\$ 2,792,461</u>	<u>P 140,315,041</u>	<u>\$ 194,376,447</u>	<u>P 1,252,385,958</u>

	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
2020				
Financial assets	\$ 24,938,327	P 1,197,937,481	\$ 339,234,336	P 2,101,047,856
Financial liabilities	( 5,544,137)	( 266,318,181)	( 52,948,492)	( 327,936,484)
	<u>\$ 19,394,190</u>	<u>P 931,619,300</u>	<u>\$ 286,285,844</u>	<u>P 1,773,111,372</u>

The sensitivity of the income before tax for the year with regard to the Group's financial assets and the USD – Philippine peso exchange rate assumes +/- 11.3% and +/- 9.5% changes in exchange rate for the years ended December 31, 2021 and 2020, respectively. The HKD – Philippine peso exchange rate assumes +/- 11.3% and +/- 9.7% changes for 2021 and 2020, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, 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, loss before tax would have been higher by P15.9 million and P88.5 million in 2021 and 2020, respectively, while profit before tax would have decreased by P2.2 million 2019. If in 2021 and 2020, the Philippine peso had strengthened against the HKD, with all other variables held constant, consolidated loss before tax would have increased by P141.5 million and P171.9 million in 2021 and 2020 and profit before tax would have decreased by P233.6 million in 2019.

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

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

(b) *Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Majority of long-term borrowings are therefore usually at fixed rates. At December 31, 2021 and 2020, the Group is exposed to changes in market interest rates through cash and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 5 and 15). All other interest-bearing financial assets and liabilities have fixed rates.

The following illustrates the sensitivity of the Group's profit (loss) before tax to a reasonably possible change in interest rates of +/- 1.2% and +/- 2.3% for Philippine pesos in 2021 and 2020, respectively. These percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence.

The sensitivity analysis is based on the Group's consolidated financial instruments held at the end of each reporting periods, with effect estimated from the beginning of the year. All other variables are held constant, if interest rate increased by 1.2% in 2021 and 2.3% in 2020, consolidated loss before tax in 2021 and 2020 would have increased by P14.8 million and P9.5 million, respectively. Conversely, if the interest rate decreased by the same percentages, consolidated profit before tax would have been lower by the same amounts in 2021 and 2020.

## 26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, placing deposits to banks and entering into financial guarantee contract.

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. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Cash	5	<b>P 9,603,068,223</b>	P 9,301,537,697
Restricted short-term placements	8	<b>2,961,842,891</b>	2,954,766,368
Trade and other receivables - net	6	<b>1,713,829,505</b>	1,646,043,069
Advances to related parties - net	23.5	<b>969,295,390</b>	1,505,227,486
Investments in time deposits	8	<b>124,806,266</b>	122,840,813
Financial guarantee contract	25.5(iv)	<b>3,934,580,206</b>	3,801,526,769
Other non-current assets:			
Receivables from employees	14	<b>115,288,876</b>	118,254,343
Refundable deposits	14	<b>102,742,601</b>	102,710,186
		<b><u>P19,525,453,958</u></b>	<b><u>P 19,552,906,731</u></b>

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

(a) *Cash, Restricted Short-term Placements and Other Deposits in Bank, and Investments in Time Deposits*

The credit risk for cash and similar financial assets herein is considered negligible or the probability of default from the reputable depository banks are remote since there has been no history of default from these counterparties and because of their high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

(b) *Trade and Other Receivables*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The trade receivables relate mostly to receivables from third parties and government arising from hotel accommodations, food and beverage operations, lease transactions, and other revenue-generating activities.



The Group assessed that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates for these financial assets.

The expected loss rates on trade and other receivables are based on the payment and aging profiles of such receivables over a period of 36 months before December 31, 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on months past due, as follows:

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year	Total
<b>December 31, 2021</b>					
Expected loss rate	0.00%	68.54%	84.64%	100.00%	
Gross carrying amount	P 1,663,554,920	P 108,504,368	P 105,066,742	P 94,788,822	P 1,971,914,852
Loss allowance	-	74,369,079	88,927,446	94,788,822	258,085,347
<b>December 31, 2020</b>					
Expected loss rate	2.48%	62.62%	88.37%	100.00%	
Gross carrying amount	P 1,645,222,916	P 94,111,431	P 55,201,692	P 71,548,797	P 1,866,084,836
Loss allowance	40,776,841	58,934,335	48,781,794	71,548,797	220,041,767

Other components of trade and other receivables such as note receivable, interest receivables and claim receivables are also evaluated by the Group for impairment and assessed that no ECL should be provided based on the available liquid assets and credit standing of the counterparties. The balance of receivables from employees, which are secured to the extent of the related condominium units, does not include significant past-due accounts and had no experience of defaults since these are settled through lump sum payment or salary deductions.

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables beyond the normal credit terms of 90 days for hotel operations and 180 days for lease operations; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

A reconciliation of the allowance for ECL as at December 31, 2021 and 2020 to the opening loss allowance is presented in Notes 6 and 23.5.

(c) *Advances to Related Parties*

Advances to related parties pertain to cash grants to the Group's officers and employees, associate and related parties under common ownership.

For officers and employees, the Group assessed that it is not exposed to significant credit risk as there were no historical experiences of default and that these advances are generally collectible through salary deductions. For advances to an associate, the Group deemed that exposure at default is low as it has an outstanding advances from such counterparty. Further, the associate has sufficient assets which can cover for the outstanding balance should default occur. Based on the foregoing, the Group did not provide an ECL on such balances.

With respect to its advances to related parties under common ownership, the Group did not recognize an impairment loss for 2021 and 2020. Total impairment recovery in 2019 amounted to P0.9 million and is presented as part of Impairment Recovery (Losses) on Financial Assets account in the 2019 consolidated statement of comprehensive income.

(d) *Refundable Deposits*

Management has assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit ratings) that sustain the entire operations and other related projects of the Group.

(e) *Other Assets with Exposure to Credit Risks*

Management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis [see Note 25.5(iv)].

### 26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2021, the Group's financial liabilities have contractual maturities which are presented below.

		<u>Current</u>		<u>Non-current</u>
	<u>Upon Demand</u>	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 19 Years</u>
Interest-bearing loans and borrowings	P -	P 17,211,044,811	P12,385,188,777	P33,232,378,991
Trade and other payables (except tax-related liabilities, license fees payable, liability for unredeemed gaming points)	94,830,968	12,410,725,319	15,492,152	-
Slot jackpot liability	-	488,754,892	-	-
Advances from related parties	116,802,896	-	-	-
Other non-current liabilities	-	-	-	<u>14,776,017,645</u>
	<u><b>P 211,633,864</b></u>	<u><b>P 30,110,252,022</b></u>	<u><b>P12,400,680,929</b></u>	<u><b>P48,008,396,636</b></u>

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2020 as follows:

	Upon Demand	Current Within 6 Months	6 to 12 Months	Non-current 1 to 19 Years
Interest-bearing loans and borrowings	P -	P 16,013,698,592	P 9,359,942,882	P 40,282,122,855
Trade and other payables (except tax-related liabilities, license fees payable, liability for unredeemed gaming points)*	91,170,737	13,363,755,310	14,164,546	9,901,072,000
Slot jackpot liability	-	259,221,496	-	-
Advances from related parties	118,549,770	-	-	-
Other non-current liabilities*	-	-	-	4,997,679,391
	<u>P 209,720,507</u>	<u>P 29,636,675,398</u>	<u>P 9,374,107,428</u>	<u>P 55,180,874,246</u>

\*As restated – see Note 2.1(c)

The contractual maturities reflect the gross cash flows which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

## 27. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 27.1 Carrying Amounts and Fair Values by Category

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

	Notes	2021		2020	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets</b>					
At amortized cost:					
Cash	5	P 9,603,068,223	P 9,603,068,223	P 9,301,537,697	P 9,301,537,697
Trade and other receivables - net	6	1,713,829,505	1,713,829,505	1,646,043,069	1,646,043,069
Advances to related parties - net	23.5	969,295,390	969,295,390	1,505,227,486	1,505,227,486
Restricted short-term placements	8	2,961,842,891	2,961,842,891	2,954,766,368	2,954,766,368
Investments in time deposits	8	124,806,266	124,806,266	122,840,813	122,840,813
Other non-current assets:					
Refundable deposits	14	102,742,601	102,742,601	102,710,186	102,710,186
Receivables from employees	14	115,288,876	115,288,876	118,254,343	118,254,343
		<u>P 15,590,873,752</u>	<u>P 15,590,873,752</u>	<u>P 15,751,379,962</u>	<u>P 15,751,379,962</u>
Financial assets at FVOCI		<u>P 149,600,000</u>	<u>P 149,600,000</u>	<u>P 127,200,000</u>	<u>P 127,200,000</u>

	Notes	2021		2020	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial liabilities</b>					
At amortized cost:					
Interest-bearing loans and borrowings	15	P 55,757,615,605	P 55,757,615,605	P 57,334,024,911	P 57,334,024,911
Trade and other payables*	16	12,417,729,330	12,417,729,330	23,506,948,793	23,506,948,793
Advances from related parties	23.5	116,802,896	116,802,896	118,549,770	118,549,770
Other non-current liabilities*	16	<u>14,776,017,646</u>	<u>14,776,017,646</u>	<u>4,997,679,391</u>	<u>4,997,679,391</u>
		<u>P 83,068,165,477</u>	<u>P 83,068,165,477</u>	<u>P 85,957,202,865</u>	<u>P 85,957,202,865</u>
At fair value through profit or loss –					
Slot jackpot liability	2.6	<u>P 488,754,892</u>	<u>P 488,754,892</u>	<u>P 259,221,496</u>	<u>P 259,221,496</u>

\*As restated – See Note 2.1 (c)

See Notes 2.5, 2.6 and 2.11 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

## 27.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2021 and 2020 and does not have relevant offsetting arrangements, except as disclosed in Note 23.5. 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 23 can be potentially offset to the extent of their corresponding outstanding balances.

## 28. FAIR VALUE MEASUREMENT AND DISCLOSURE

### 28.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those financial assets and financial 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:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

## ***28.2 Financial Instruments Measured at Fair Value***

### *(a) Financial Assets at FVOCI*

Golf club and other club shares classified as financial assets at FVOCI are included in Level 2 as their prices are not derived from market and not considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

The fair value of these shares increased by P22.4 million, decreased by P9.0 million and increased by P33.0 million in 2021, 2020 and 2019, respectively, which are presented as Net Unrealized Fair Value Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income in the consolidated statements of comprehensive income. Accumulated fair value gains on these financial assets is presented as part of Revaluation Reserves account in the statements of financial position (see Note 24.3).

### *(b) Financial Liabilities arising from Derivative Transactions*

Slot jackpot liability refers to the accrual for unsettled wagers related to the expected and eventual payouts of the Group as of the last trading day for the year. As the provision accumulates on a real-time basis based on pattern of play, less any payouts, the amount of the obligation as of the end of the reporting period represents its fair value (see Note 2.6). The outstanding amount as of December 31, 2021 and 2020 is presented under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

There were no transfers across the levels of the fair value hierarchy for both club shares and provision for slot jackpot in 2021 and 2020.

### ***28.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

Management determined that due to the short duration of its financial assets and financial liabilities, as disclosed in Note 27, their carrying amount as of December 31, 2021 and 2020 approximate their fair values. Only cash, restricted short-term placements and investment in time deposits are categorized under Level 1 while all other financial instruments are categorized under Level 3 of their fair value hierarchy.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are 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.

### ***28.4 Fair Value for Investment Property Measured at Cost for which Fair Value is Disclosed***

The fair value of the Group's investment property (see Note 12) was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate and other relevant considerations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is their current use.

As of December 31, 2021 and 2020, the fair value of the Group's investment property is classified in Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a 15-year discounted cash flow model with 16th year reversion value.

The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital.

The approach involves the projection of the discounting revenues, outgoing expenses over the future 15 years with reference to the anticipated revenues. The reversion value at the 16th year is capitalized at an appropriate capitalization rate to determine the terminal value of the asset. The adopted capitalization for the asset may reflect the quality and market position of the asset at the end of the cash flow.

## **29. 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 entity and to provide an adequate return to stockholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of debt and equity as presented on the face of the Parent Company's statements of financial position. The Group's goal in capital management is for the Group to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio [see Note 25.3(a)].

The computation for the debt – equity structure of the Group for the reporting periods as at December 31, 2021, 2020 and 2019 is shown as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total debt from financing of Parent Company:			
Interest-bearing loans and borrowings	<b>P55,757,615,605</b>	P57,334,024,911	P 59,923,030,012
Advances from related parties	<b><u>5,716,532,988</u></b>	<u>6,432,728,109</u>	<u>274,744,969</u>
	<b>61,474,148,593</b>	63,766,753,020	60,197,774,981
Total equity of Parent Company	<b><u>28,715,667,879</u></b>	<u>33,903,342,779</u>	<u>39,121,575,368</u>
Debt-equity ratio	<b><u>68% - 32%</u></b>	<u>65% - 35%</u>	<u>61% - 39%</u>

All ratios as at December 31, 2021, 2020 and 2019 are in line with the Group's Provisional License Agreement with PAGCOR [see Note 25.3(a)].

The Group sets the amount of capital in proportion to its overall financing structure, i.e., total equity and total debt from financing. 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

### 30. EARNINGS (LOSS) PER SHARE

The earnings (loss) per share is computed as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Basic and diluted:			
Net profit (loss) attributable to Parent Company's shareholders	<b>(P 568,783,245)</b>	(P 5,499,895,421)	P 945,207,913
Divided by weighted average number of outstanding common shares	<b><u>14,434,814,350</u></b>	<u>14,434,814,350</u>	<u>15,425,609,725</u>
	<b><u>(P 0.039)</u></b>	<u>(P 0.381)</u>	<u>P 0.061</u>

The Group has no other potentially dilutive shares as at December 31, 2021, 2020 and 2019. Accordingly, the basic and diluted EPS are the same for all years presented.

### 31. EVENTS AFTER THE REPORTING PERIOD

In February 2022, AGI have agreed to infuse capital to the Parent Company amounting to P7.8 billion in paid-up capital. The infusion of fresh capital is to finance the principal amortization due on the Parent Company's loans under existing loan facility agreements and to augment the working capital of the Company to keep current with its obligations and catch the window of business recovery with the easing of COVID-19 restrictions.

This event does not warrant an adjustment of the balances of the Group as at December 31, 2021. Accordingly, all payments received will be recognized in the consolidated financial statements in 2022.



P&A  
Grant Thornton

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

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**The Board of Directors and Stockholders**  
**Travellers International Hotel Group, Inc. and Subsidiaries**  
**(A Subsidiary of Alliance Global Group, Inc.)**  
10/F Newport Entertainment & Commercial Centre  
Newport Boulevard, Newport Cybertourism Economic Zone  
Pasay City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated April 8, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission, and is not a required part of the consolidated basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 8852332, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 8, 2022



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
**LIST OF SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**A. Statement of Management's Responsibility for the Consolidated Financial Statements**

**B. Independent Auditors' Report on the SEC Supplementary Schedules  
Filed Separately from the Basic Consolidated Financial Statements**

**C List of Supplementary Information**

**Supplementary Schedules to Consolidated Financial Statements (Form 17-A, Item 7)**

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TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES  
SEC Released Revised SRC Rule 68  
Annex 68-J  
Schedule A - Financial Assets  
December 31, 2021  
*(Amounts in Philippine Pesos)*

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
Not Applicable			
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
<b>Equity Securities</b>			
Manila Golf and Country Club, Inc. (Lifetime Membership)	One (1)	P 80,000,000	P 5,000,000
Wack Wack Golf and Country Club	One (1)	48,000,000	14,000,000
Sta. Elena Golf Club Shares Class "A"	Two (2)	12,000,000	1,000,000
Manila Southwoods Golf Club Class "A" Shares	Six (6)	9,000,000	2,400,000
Manila Yacht Club	Two (2)	300,000	-
Sherwood Hills Golf Shares Class "C"	Two (2)	300,000	-
		149,600,000	22,400,000
<b>HELD-TO-MATURITY INVESTMENTS</b>			
Not Applicable			
<b>GRAND TOTAL</b>		<b>P 149,600,000</b>	<b>P 22,400,000</b>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

December 31, 2021

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year	
			Amounts Collected	Amounts Written off	Current	Not Current		
<b>Amounts Receivable from Related Parties</b>								
Officers and employees	P 88,156,829	P 28,482,452	P -	P -	P 116,639,281	P -	P 116,639,281	
Andersons Global Inc.	31,904,832	-	-	-	31,904,832	-	31,904,832	
Genting Hong Kong Limited	14,508,087	-	91,097	-	14,416,990	-	14,416,990	
Starcruises	5,255,701	-	491,030	-	4,764,671	-	4,764,671	
Megaworld Corporation	2,507,618	-	2,507,618	-	-	-	-	
Manila Bayshore Property Holdings, Inc.	1,309,698,775	-	535,190,324	-	774,508,451	-	774,508,451	
Front Row Theatre Management, Inc.	101,500	602,680	-	-	704,180	-	704,180	
Entertainment City Estate Mgt. Inc.	1,250,000	-	-	-	1,250,000	-	1,250,000	
Resorts World Philippines Cultural Heritage Foundation Inc., formerly Manila Bayshore Heritage Foundation Inc.	2,363,124	20,151,831	-	-	22,514,955	-	22,514,955	
Children of Resorts World Foundation, Inc.	9,787,148	-	458,834	-	9,328,314	-	9,328,314	
Original Pilipino Performing Arts Foundation Inc.	1,156,734	505,145	-	-	1,661,879	-	1,661,879	
Others - Allowance for ECL	( 8,398,163 )	-	-	-	( 8,398,163 )	-	-	
<b>TOTAL</b>	<b><u>P 1,458,292,185</u></b>	<b><u>P 49,742,108</u></b>	<b><u>P 538,738,903</u></b>	<b><u>P -</u></b>	<b><u>P 969,295,390</u></b>	<b><u>P -</u></b>	<b><u>P 977,693,553</u></b>	

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES  
SEC Released Revised SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from or Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2021

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
<b>Amounts Receivable from or Payable to Related Parties Eliminated During Consolidation:</b>							
Brightleisure Management Inc.	( P 34,854,986)	P -	P -	P -	( P 34,854,986)	P -	( P 34,854,986)
Grandventure Management Services Inc.	( 137,246,774)	-	-	-	( 137,246,774)	-	( 137,246,774)
Grand Services Inc.	24,139,775	-	-	-	24,139,775	-	24,139,775
Apec Assets Limited	732,513,412	-	-	-	732,513,412	-	732,513,412
Grand Integrated Hotels And Recreation Inc	( 29,346,119)	-	-	-	( 29,346,119)	-	( 29,346,119)
Netdeals, Inc	4,918,982	-	-	-	4,918,982	-	4,918,982
Lucky Star Hotels And Recreation Inc	9,303,532,538	-	-	-	9,303,532,538	-	9,303,532,538
Deluxe Hotels And Recreation Inc	8,041,534,083	-	-	-	8,041,534,083	-	8,041,534,083
Royal Bayshore Hotels And Amusement Inc	( 90,738,836)	-	-	-	( 90,738,836)	-	( 90,738,836)
Entertainment City Integrated Resorts And Leisure Inc	603,415	-	-	-	603,415	-	603,415
Majesty Sunrise Leisure And Recreation Inc	27,204,511	-	-	-	27,204,511	-	27,204,511
HHFC Entertainment & Production Inc.	137,686,518	-	-	-	137,686,518	-	137,686,518
Golden Peak Leisure And Recreation	29,003,722	-	-	-	29,003,722	-	29,003,722
Bright Pelican Leisure &	1,109,150	-	-	-	1,109,150	-	1,109,150
Westside City Resorts World Inc.	360,959,164	-	-	-	360,959,164	-	360,959,164
Lucky Panther Amusement And Leisure Corporation	704,950	-	-	-	704,950	-	704,950
Valiant Leopard Amusement And Leisure Corporation	704,965	-	-	-	704,965	-	704,965
Agile Fox Amusement And Leisure Corporation	705,100	-	-	-	705,100	-	705,100
Coral Primrose Leisure And Leisure Corporation	604,950	-	-	-	604,950	-	604,950
Sapphire Carnation Leisure And Recreation Corporation	704,965	-	-	-	704,965	-	704,965
Aquamarine Delphinium Leisure And Recreation Corporation	704,950	-	-	-	704,950	-	704,950
Westside Theater Inc.	1,000	-	-	-	1,000	-	1,000
Captain View	( 5,669,698,212)	-	-	-	( 5,669,698,212)	-	( 5,669,698,212)
Red Falcon Amusement And Leisure Corporation	547,836	-	-	-	547,836	-	547,836
Purple Flamingos Amusement And Leisure Corporation	547,836	-	-	-	547,836	-	547,836
Scarlet Milky Way Amusement And Leisure Corporation	605,100	-	-	-	605,100	-	605,100
Vermillion Triangulum Amusement And Leisure Corporation	705,450	-	-	-	705,450	-	705,450
Magenta Centaurus Amusement And Leisure Corporation.	705,065	-	-	-	705,065	-	705,065
Sparkling Summit Hotels And Leisure Corporation	605,950	-	-	-	605,950	-	605,950
Luminescent Vertex Hotels And Leisure Corporation	704,950	-	-	-	704,950	-	704,950
Brilliant Apex Hotels And Leisure Corporation	705,600	-	-	-	705,600	-	705,600
Front Row Theatre Management Inc.	-	-	-	-	-	-	-
	<b>P 12,710,579,012</b>	<b>-</b>	<b>-</b>	<b>p -</b>	<b>P 12,710,579,012</b>	<b>p -</b>	<b>P 12,710,579,012</b>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-E

Schedule D - Long-term Debt

December 31, 2021

(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Position
Long Term-Loans (7 Years) - China Bank	P 3,500,000,000	P 875,000,000	P 1,311,655,545
Long Term-Loans (7 Years) - China Bank	3,500,000,000	875,000,000	1,310,854,649
Long Term-Loans (7 Years) - Union Bank	3,500,000,000	700,000,000	1,048,879,525
Long Term-Loans (7 Years) - Union Bank	1,500,000,000	300,000,000	599,177,885
Long Term-Loans (5 Years) - Union Bank	5,000,000,000	1,250,000,000	1,559,823,663
Long Term-Loans (5 Years) - Union Bank	5,000,000,000	937,500,000	4,044,414,873
Long Term-Loans (7 Years) - Banco De Oro	15,000,000,000	2,856,000,000	6,417,752,726
Long Term-Loans (7 Years) - Banco De Oro	8,500,000,000	1,478,260,868	4,420,600,633
Long Term-Loans (5 Years) - Asia United Bank	2,000,000,000	333,333,333	-
Long Term-Loans (5 Years) - Asia United Bank	1,000,000,000	666,666,667	-
Long Term-Loans (5 Years) - Asia United Bank	1,000,000,000	333,333,333	-
Long Term-Loans (7 Years) - Banco De Oro	7,500,000,000	375,000,000	7,090,957,606
Total	<b>P 57,000,000,000</b>	<b>P 10,980,094,201</b>	<b>P 27,804,117,105</b>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES  
SEC Released Revised SRC Rule 68  
Annex 68-E  
Schedule E - Indebtedness to Related Parties (Current Liabilities)  
December 31, 2021  
(Amounts in Philippine Pesos)

Name of Related Party		Balance at Beginning of Year		Balance at End of Year	Purpose
Star Cruises Limited	P	4,764,671	P	60,807,486	Purchase of services
Famous City Holdings Inc.		-		10,828,822	Advances or purchases of services
Star Cruises Management Limited		-		13,956,957	Purchase of services
Megaworld Corporation		2,507,618		658,759	Purchase of services
Keen Classic Limited		-		4,882,297	Advances or purchases of services
Star Cruises Administrative Services		-		1,619,419	Purchase of services
Star Cruises Bvi Limited		-		3,016,714	Advances or purchases of services
Star Cruise Hong Kong Management Limited		-		7,713,402	Purchase of services
Resorts World Sentosa		-		1,537,192	Purchase of services
Manila Bayshore Property Holdings, Inc.		-		-	Advances or purchases of services
Others		188,256,422		11,781,847.41	Advances or purchases of services
<b>TOTAL</b>	<b>P</b>	<b>195,528,711</b>	<b>P</b>	<b>116,802,896</b>	

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-E

Schedule F - Guarantees of Securities of Other Issuers

December 31, 2021

*(Amounts in Philippine Pesos)*

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee
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Not Applicable

The Group does not have any guarantee as at December 31, 2021.

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
 SEC Released Revised SRC Rule 68  
 Annex 68-E  
 Schedule G - Capital Stock  
 December 31, 2021  
*(Amounts in Philippine Pesos)*

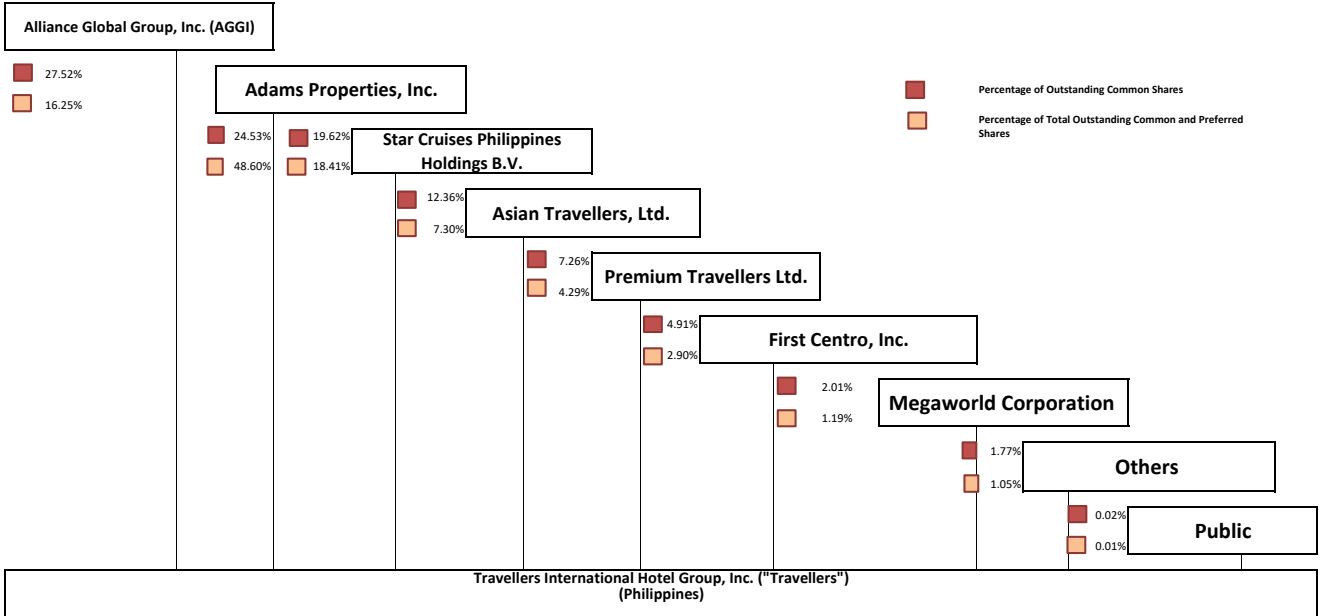
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares	25,000,000,000	14,434,814,345	-	14,188,909,950	79,100	245,825,295
Preferred shares (A)	73,000,000,000	-	-	-	-	-
Preferred shares (B)	20,000,000,000	10,000,000,000	-	10,000,000,000	-	-



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
As of December 31, 2021  
*(Amounts in Philippine Pesos)*

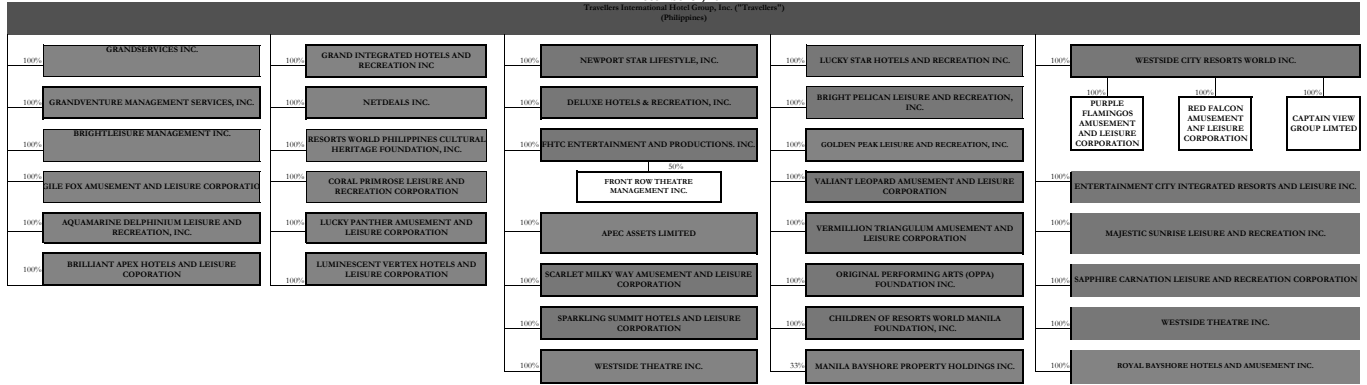
Unappropriated Retained Earnings Available for Dividend Declaration, beginning	P 17,436,159,070
Net income based on audited Parent's financial statements	( 5,323,207,719 )
Non-actual/unrealized income, net of tax Unrealized foreign exchange gain (not attributable to cash), net of tax	( <u>37,381,878</u> )
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR</b> <b>DIVIDEND DECLARATION, END</b>	<b><u>P 12,075,569,473</u></b>

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**  
**Map Showing the Relationship Between the Company and Its Related Entities**  
**December 31, 2021**



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**  
**Map Showing the Relationship Between the Company and Its Related Entities**  
**December 31, 2021**

Travellers International Hotel Group, Inc. ("Travellers")  
 (Philippines)



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
**Schedule of Financial Indicators for December 31, 2021 and 2020**  
**As required under Revised SRC Rule 68**  
**Annex 68-E**  
**For the Years Ended December 31, 2021 and 2020**  
**(Amounts in Philippine Pesos)**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>I. Current/liquidity ratios</b>				
a. Current Ratio				
Total Current Assets	<b>P 18,774,333,420</b>	P 18,708,340,985	<b>0.45</b>	0.42
Total Current Liabilities	<b>41,344,616,955</b>	44,333,209,648		
b. Quick Ratio				
[Cash+ Investment in Time Deposits (presented under Prepayments and Other Current Assets) + Trade and Other Receivables]	<b>11,441,703,994</b>	11,070,421,579	<b>0.28</b>	0.25
Total Current Liabilities	<b>41,344,616,955</b>	44,333,209,648		
<b>II. Solvency ratios</b>				
a. Solvency Ratio				
Earnings (Losses) Before Interest and Taxes	<b>1,801,235,838</b>	(3,170,840,757)	<b>0.02</b>	-0.04
Total Liabilities	<b>84,608,451,385</b>	87,447,682,056		
b. Debt Ratio				
Total Liabilities	<b>84,608,451,385</b>	87,447,682,056	<b>0.72</b>	0.72
Total Assets	<b>117,774,163,328</b>	120,744,011,480		
c. Debt-to-Equity Ratio				
Total Liabilities	<b>84,608,451,385</b>	87,447,682,056	<b>2.59</b>	2.64
Total Equity Attributable to Shareholders of the Parent Company	<b>32,671,559,586</b>	33,090,122,664		
<b>III. Asset-to-equity ratio</b>				
Total Assets	<b>117,774,163,328</b>	120,744,011,480	<b>3.60</b>	3.65
Total Equity Attributable to Shareholders of the Parent Company	<b>32,671,559,586</b>	33,090,122,664		
<b>IV. Interest Coverage Ratio</b>				
Earnings (Losses) Before Interest and Taxes	<b>1,801,235,838</b>	(3,170,840,757)	<b>0.40</b>	-0.72
Interest Expense	<b>4,548,793,540</b>	4,433,663,629		
<b>V. Profitability Ratios</b>				
a. Net Profit Margin				
Net Profit (Loss)	<b>(280,837,647)</b>	(5,504,356,613)	<b>-0.02</b>	-0.45
Net Revenues*	<b>13,182,573,839</b>	12,181,142,259		
b. Gross Profit Margin				
Gross Profit	<b>3,171,483,860</b>	2,594,649,600	<b>0.24</b>	0.21
Net Revenues*	<b>13,182,573,839</b>	12,181,142,259		
c. Return on Equity				
Net Profit (Loss)	<b>(280,837,647)</b>	(5,504,356,613)	<b>-0.01</b>	-0.15
Average Equity Attributable to Shareholders of the Parent Company	<b>32,880,841,125</b>	35,915,173,644		
d. Return on Assets				
Net Profit	<b>(280,837,647)</b>	(5,504,356,613)	<b>-0.002</b>	-0.046
Average Total Assets	<b>119,259,087,404</b>	119,885,978,969		
<b>VI. Debt Service Coverage Ratio</b>				
a. Debt Service Coverage Ratio				
Earnings Before Interest, Taxes, Depreciation and Allowances + Cash	<b>8,906,763,977</b>	9,439,016,573	<b>0.45</b>	0.66
Total Debt Service**	<b>19,979,219,768</b>	14,216,779,539		

\* Revenues after deducting promotional allowances.

\*\* Sum of Principal repayments and Interest expense during the year

# COVER SHEET

SEC Registration Number

C	S	2	0	0	3	4	2	6	4	9
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Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

1	0	/	F		N	E	W	P	O	R	T		E	N	T	E	R	T	A	I	N	M	E	N	T		&			
C	O	M	M	E	R	C	I	A	L		C	E	N	T	R	E	,		N	E	W	P	O	R	T					
B	O	U	L	E	V	A	R	D	,		N	E	W	P	O	R	T		C	Y	B	E	R	T	O	U	R	I	S	M
E	C	O	N	O	M	I	C		Z	O	N	E	,		P	A	S	A	Y		C	I	T	Y						

Form Type

1	7	-	Q
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

[tihi@rwmanila.com](mailto:tihi@rwmanila.com)

Company's Telephone Number/s

632-7908-8000

Mobile Number

09157895730

No. of Stockholders

205

Annual Meeting  
Month/Day

Every Second Friday of June

Fiscal Year  
Month/Day

December 31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Bernard Than Boon Teong

Email Address

bernard.than@rwmanila.com

Telephone Number/s

632-7908-8000

Mobile Number

Contact Person's Address

10/F Newport Entertainment &amp; Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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 **September 30, 2022**
2. CS 200342649  
SEC Identification Number
3. 246-099-058-000  
BIR Tax Identification No.
4. TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.  
Exact name of issuer as specified in its charter
5. METRO MANILA, PHILIPPINES  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. 10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport  
Cybertourism Economic Zone, Pasay City 1309  
Address of principal office
8. (632) 7908- 8000  
Registrant's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Stock Outstanding

**Common**

**18,076,564,330**

10. Are any or all of these securities listed on a Stock Exchange?  
**No.**

11. Indicate by check mark whether the registrant:

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

Yes  No  N/A

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

Yes  No

## PART 1- FINANCIAL INFORMATION

### Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

- Exhibit 1- Consolidated Statements of Financial Position as of September 30, 2022 and December 31, 2021
- Exhibit 2- Consolidated Statements of Comprehensive Income for the periods ended September 30, 2022 and 2021
- Exhibit 3- Consolidated Statements of Changes in Equity for the periods ended September 30, 2022 and 2021
- Exhibit 4- Consolidated Statements of Cash Flows for the periods ended September 30, 2022 and 2021
- Exhibit 5- Notes to Consolidated Interim Financial Information

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

Please refer to Exhibit 6 hereof.

### Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 7 hereof.

### Item 4. Aging Schedule of Trade and Other Receivables

Please refer to Exhibit 8 hereof.

## PART II- OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

## SIGNATURE

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

**TRAVELLERS INTERNATIONAL  
HOTEL GROUP, INC.**  
*Issuer*

By:

  
**BERNARD THAN BOON TEONG**  
*Chief Financial Officer and  
Duly Authorized Officer*  
**October 28, 2022**

## EXHIBIT 1

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As at **SEPTEMBER 30 2022**  
*(With Comparative Figures for December 31, 2021)*  
*(Amounts in Philippine Pesos)*

	<b>September 30, 2022</b>	December 31, 2021
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b><u>A S S E T S</u></b>		
<b>CURRENT ASSETS</b>		
Cash	P 8,794,962,773	P 9,603,068,223
Trade and other receivables - net	1,924,975,140	1,713,829,505
Advances to related parties - net	840,402,047	969,295,390
Inventories	132,065,133	131,790,692
Prepayments and other current assets	<u>6,732,562,694</u>	<u>6,356,349,610</u>
Total Current Assets	<u>18,424,967,787</u>	<u>18,774,333,420</u>
<b>NON-CURRENT ASSETS</b>		
Financial assets at fair value through other comprehensive income	166,700,000	149,600,000
Investments in an associate and a joint venture	2,851,473,181	2,798,712,388
Advances for future investment	2,714,748,353	2,126,513,059
Property and equipment - net	91,938,505,031	90,299,394,953
Investment property - net	1,121,846,305	1,168,905,435
Deferred tax assets	38,214,325	38,226,043
Other non-current assets - net	<u>2,444,340,998</u>	<u>2,418,478,030</u>
Total Non-current Assets	<u>101,275,828,193</u>	<u>98,999,829,908</u>
<b>TOTAL ASSETS</b>	<b><u>P 119,700,795,980</u></b>	<b><u>P 117,774,163,328</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	P 28,299,152,649	P 27,953,498,500
Trade and other payables	17,083,190,323	13,274,315,542
Advances from related parties	<u>266,129,734</u>	<u>116,802,896</u>
Total Current Liabilities	<u>45,648,472,706</u>	<u>41,344,616,938</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	21,583,539,593	27,804,117,105
Retirement benefit obligation	790,259,246	683,699,680
Other non-current liabilities	<u>14,816,159,725</u>	<u>14,776,017,646</u>
Total Non-current Liabilities	<u>37,189,958,564</u>	<u>43,263,834,431</u>
Total Liabilities	<u>82,838,431,270</u>	<u>84,608,451,369</u>
<b>EQUITY</b>		
Equity attributable to parent company		
Capital stock	10,000,000,000	10,000,000,000
Additional paid-in capital	22,417,157,065	22,417,157,066
Treasury shares at cost	( 11,679,484,727 )	( 15,597,057,010 )
Revaluation reserves	( 68,944,894 )	( 86,044,894 )
Retained earnings	<u>15,702,485,206</u>	<u>15,937,504,441</u>
Total equity attributable to shareholders of the parent company	<u>36,371,212,650</u>	<u>32,671,559,603</u>
Non-controlling interests	<u>491,152,060</u>	<u>494,152,356</u>
Total Equity	<u>36,862,364,710</u>	<u>33,165,711,959</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>P 119,700,795,980</u></b>	<b><u>P 117,774,163,328</u></b>

*See Selected Explanatory Notes to Consolidated Interim Financial Information.*



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME\***  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
*(Unaudited)*

	Note	2022		2021	
		Year-to-date	Quarter	Year-to-date	Quarter
<b>NET REVENUES</b>					
Gaming		P 22,731,703,111	P 8,032,890,636	P 12,826,793,959	P 4,914,398,401
Less: Promotional allowances		( 7,950,238,819 )	( 2,822,622,188 )	( 4,828,800,347 )	( 2,023,945,959 )
		14,781,464,292	5,210,268,448	7,997,993,612	2,890,452,442
Non-gaming:					
Hotel, food, beverage and others		P 2,716,309,856	P 893,638,688	P 1,559,791,432	P 572,334,035
Other operating income		824,307,284	327,603,327	370,939,241	( 491,937,222 )
		18,322,081,432	6,431,510,463	9,928,724,285	2,970,849,255
<b>DIRECT COSTS</b>		( 9,431,476,724 )	( 3,454,383,329 )	( 7,198,841,152 )	( 2,452,529,266 )
<b>GROSS PROFIT</b>		8,890,604,708	2,977,127,134	2,729,883,133	518,319,989
<b>OTHER OPERATING EXPENSE</b>					
General and administrative expenses		( P 6,228,586,000 )	( P 2,273,944,923 )	( P 4,659,960,095 )	( P 1,639,105,804 )
Impairment recovery (losses) on Financial Assets		-	-	-	-
Other income - net		-	-	-	-
<b>OPERATING PROFIT (LOSS)</b>		2,662,018,709	703,182,211	( 1,930,076,962 )	( 1,120,785,815 )
<b>OTHER INCOME (CHARGES)</b>					
Finance costs		( P 1,831,483,880 )	( P 563,755,908 )	( P 1,560,885,072 )	( P 488,794,005 )
Finance Income		31,802,480	18,431,046	14,364,896	4,414,882
One Time Gain		-	-	5,626,459,204	836,359,204
Share in net profit (loss) of associate and joint venture		52,760,793	( 3,428 )	( 389,292 )	-
		( 1,746,920,607 )	( 545,328,290 )	4,079,549,736	351,980,081
<b>PROFIT (LOSS) BEFORE TAX</b>		915,098,102	157,853,921	2,149,472,774	( 768,805,732 )
<b>TAX EXPENSE (INCOME)</b>		1,153,117,634	411,674,376	8,147,463	2,093,745
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		( 238,019,532 )	( 253,820,455 )	2,141,325,311	( 770,899,477 )
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Actuarial gains (losses) on remeasurement of retirement benefit obligation		-	-	-	-
Tax income (expense)		-	-	-	-
Net unrealized fair value gains on available-for-sale financial assets		17,100,000	13,000,000	21,400,000	24,800,000
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		( P 220,919,532 )	( P 240,820,455 )	P 2,162,725,311	( P 746,099,477 )
Net profit (loss) attributable to:					
Parent company's shareholders		( P 235,019,237 )	( P 252,846,347 )	P 1,863,503,968	( P 780,224,143 )
Non-controlling interests		( 3,000,295 )	( 974,109 )	277,821,343	9,324,665
		( P 238,019,532 )	( P 253,820,455 )	P 2,141,325,311	( P 770,899,477 )
Total comprehensive income (loss) attributable to:					
Parent company's shareholders		( P 217,919,237 )	( P 239,846,347 )	P 2,640,327,912	P 3,734,333,866
Non-controlling interests		( 3,000,295 )	( 974,109 )	277,821,343	9,324,665
		( P 220,919,532 )	( P 240,820,455 )	P 2,162,725,311	( P 746,099,477 )
<b>Earnings (Losses) Per Share - Basic and Diluted</b>	11	( P 0.013 )	( P 0.014 )	P 0.129	( P 0.054 )

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

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES  
*(A Subsidiary of Alliance Global Group, Inc.)*  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021  
*(Amounts in Philippine Pesos)*  
*(Unaudited)*

	Attributable to Shareholders of Parent Company						Non-controlling Interests	Total
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total		
Balance at January 1, 2022	P 10,000,000,000	P 22,417,157,066	( P 15,597,057,010 )	( P 86,044,894 )	P 15,937,504,441	P 32,671,559,603	P 494,152,356	P 33,165,711,959
Re-issuance of Treasury Shares	-	-	3,917,572,283	-	-	3,917,572,283	-	3,917,572,283
Cash dividends	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	17,100,000	( 235,019,237 )	( 217,919,237 )	( 3,000,295 )	( 220,919,532 )
<b>Balance at September 30, 2022</b>	<b><u>P 10,000,000,000</u></b>	<b><u>P 22,417,157,066</u></b>	<b><u>( P 11,679,484,727 )</u></b>	<b><u>( P 68,944,894 )</u></b>	<b><u>P 15,702,485,204</u></b>	<b><u>P 36,371,212,649</u></b>	<b><u>P 491,152,061</u></b>	<b><u>P 36,862,364,710</u></b>
Balance at January 1, 2021	P 10,000,000,000	P 22,417,157,066	( P 15,597,057,010 )	( P 236,265,060 )	P 16,506,287,669	P 33,090,122,665	P 206,206,759	P 33,296,329,424
Re-issuance of Treasury Shares	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	21,400,000	1,863,503,968	1,884,903,965	277,821,343	2,162,725,308
<b>Balance at September 30, 2021</b>	<b><u>P 10,000,000,000</u></b>	<b><u>P 22,417,157,066</u></b>	<b><u>( P 15,597,057,010 )</u></b>	<b><u>( P 214,865,060 )</u></b>	<b><u>P 18,369,791,637</u></b>	<b><u>P 34,975,026,630</u></b>	<b><u>P 484,028,102</u></b>	<b><u>P 35,459,054,732</u></b>

*See Selected Explanatory Notes to Consolidated Interim Financial Information.*

## EXHIBIT 4

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
*(Unaudited)*

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before tax	P 915,098,102	P 2,149,472,774
Adjustments for:		
Depreciation	2,619,354,691	2,557,607,677
Interest expense	2,003,274,905	1,560,885,072
Amortization of ROU Assets	36,855,176	( 61,518,657 )
Share in net income (loss) of joint venture	( 52,760,793 )	389,292
Interest income	( 31,802,480 )	( 14,364,896 )
Unrealized foreign exchange gains - net	( 190,393,289 )	-
<b>Operating profit before working capital changes</b>	<b>5,299,626,312</b>	<b>6,192,471,262</b>
Decrease (increase) in trade and other receivables	( 211,117,899 )	( 62,330,184 )
Decrease (increase) in advances to related parties	124,790,333	( 13,246,017 )
Decrease (increase) in inventories	( 274,441 )	5,412,158
Decrease in prepayments and other current assets	( 376,213,068 )	( 26,518,391 )
Increase (decrease) in trade and other payables	2,519,934,626	( 3,386,001,192 )
Increase in advances from related parties	149,326,837	606,908,978
Increase in retirement benefit obligation	79,729,013	58,740,281
Increase in other non-current liabilities	29,965,739	38,094,814
Cash generated from operations	<b>7,615,767,452</b>	3,413,531,709
Cash paid for taxes	( 15,885,027 )	( 8,147,463 )
 Net Cash From Operating Activities	 <b>7,599,882,425</b>	 <b>3,405,384,246</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	( 3,668,690,248 )	( 2,401,551,817 )
Increase in advances for future investment	( 588,235,294 )	-
Decrease (increase) in other non-current assets	( 25,862,966 )	( 550,471,926 )
Decrease in non-current asset held for sale	-	4,029,879,798
Interest received	31,581,418	14,364,896
 Net Cash Used in Investing Activities	 <b>( 4,251,207,090 )</b>	 <b>1,092,220,951</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from additional loans	4,000,000,000	9,118,565,217
Interest paid	( 2,489,698,618 )	( 11,634,076,087 )
Repayments of interest-bearing loans and borrowings	( 9,920,076,086 )	( 2,732,406,964 )
Payments of lease liability	( 3,677,287 )	-
Re-issuance of Treasury Shares	3,917,572,283	-
 Net Cash From Financing Activities	 <b>( 4,495,879,708 )</b>	 <b>( 5,247,917,834 )</b>
<b>Effects of Exchange Rates Changes on Cash and Cash Equivalents</b>		
Cash Equivalents	<b>339,098,923</b>	( 13,460,203 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>( 808,105,450 )</b>	<b>( 763,772,840 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>9,603,068,223</b>	<b>9,301,537,700</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P 8,794,962,773</b>	<b>P 8,537,764,860</b>

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**SELECTED EXPLANATORY NOTES TO CONSOLIDATED**  
**INTERIM FINANCIAL INFORMATION**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(With Comparative Figures for December 31, 2021)*  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**1. CORPORATE INFORMATION**

Travellers International Hotel Group, Inc. (the Company or Parent Company) was incorporated in the Philippines on December 17, 2003 primarily to engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses, which include holding investments in and operating casinos and other gaming activities as part of its main operations. On October 14, 2010, the Philippine Securities and Exchange Commission (SEC) approved the Company's amendment to its Articles of Incorporation, as approved in a resolution by the Company's stockholders on August 29, 2010, to include in its primary purposes the guaranteeing of obligations of other related entities. The Company's casinos and restaurants in Newport City, Pasay City started commercial operations on August 28, 2009 while the Company's hotel and restaurant operations in Maxims Manila Hotel (Maxims), Marriott Hotel Manila (Marriott) and Holiday Inn Express Manila Newport City (Holiday Inn Express; formerly, Remington Hotel) started on various dates in 2009 to 2011. The Marriott Grand Ballroom (MGB), a world-class events and convention center, formally opened its doors to the public in 2015, while the Marriott West Wing (MWW), an expansion of Marriott, opened in 2016. In 2018, the Company opened its Courtyard by Marriott Iloilo project (Courtyard Iloilo), as well as Hilton Manila which is owned by the Company's wholly owned subsidiary, Deluxe Hotels and Recreation Inc. (DHRI). Further, in January 2019, the Company opened Sheraton Manila Hotel, which is owned by the Company's wholly owned subsidiary, Lucky Star Hotels and Recreation Inc. (LSHRI). In 2020, Maxims ceased its operations and was temporarily converted to house essential employees of the Company. The Company engages in casino operations under the Provisional License Agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) dated June 2, 2008.

The Parent Company's common shares were listed and traded in the Philippine Stock Exchange (PSE) from November 2013 until October 21, 2019 when it voluntarily delisted from the PSE.

As at September 30, 2022, the Company holds direct ownership interests in the following companies (together with the Company, collectively referred to as "the Group") that were established to engage in businesses related to the main business of the Company:

<u>Name of Subsidiaries/Associate/Joint Venture</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
Subsidiaries:		
Agile Fox Amusement and Leisure Corporation (AFALC)	(a)	100.0%
APEC Assets Limited (APEC)	(b)	100.0%
Aquamarine Delphinium Leisure and Recreation Corporation (ADLRC)	(a)	100.0%
Bright Pelican Leisure and Recreation, Inc. (BPLRI)	(a)	100.0%

<u>Name of Subsidiaries/Associate/Joint Venture</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
<b>Subsidiaries:</b>		
Brightleisure Management Inc. (BLMI)	(c)	100.0%
Brilliant Apex Hotels and Leisure Corporation (BAHLC)	(a)	100.0%
Coral Primrose Leisure and Recreation Corporation (CPLRC)	(a)	100.0%
Deluxe Hotels and Recreation Inc. (DHRI)	(a)	100.0%
Entertainment City Integrated Resorts & Leisure Inc. (ECIRLI)	(a)	100.0%
FHTC Entertainment & Productions Inc. (FHTC)	(d)	100.0%
Golden Peak Leisure and Recreation Inc. (GPLRI)	(a)	100.0%
Grand Integrated Hotels and Recreation Inc. (GIHRI)	(a)	100.0%
Grandservices Inc. (GSI)	(c)	100.0%
Grandventure Management Services Inc. (GVMSI)	(c)	100.0%
Lucky Panther Amusement and Leisure Corporation (LPALC)	(a)	100.0%
Lucky Star Hotels and Recreation Inc. (LSHRI)	(a)	100.0%
Luminescent Vertex Hotels and Leisure Corporation (LVHLC)	(a)	100.0%
Magenta Centaurus Amusement and Leisure Corporation (MCALC)	(a)	100.0%
Majestic Sunrise Leisure & Recreation Inc. (MSLRI)	(a)	100.0%
Netdeals, Inc. (NDI)	(e)	100.0%
Newport Star Lifestyle Inc. (NSLI)	(f)	100.0%
Royal Bayshore Hotels & Amusement Inc. (RBHAI)	(a)	100.0%
Sapphire Carnation Leisure and Recreation Corporation (SCLRC)	(a)	100.0%
Scarlet Milky Way Amusement and Leisure Corporation (SMWALC)	(a)	100.0%
Sparkling Summit Hotels and Leisure Corporation (SSHLC)	(a)	100.0%
Valiant Leopard Amusement and Leisure Corporation (VLALC)	(a)	100.0%
Vermillion Triangulum Amusement and Leisure Corporation (VTALC)	(a)	100.0%
Westside Theatre Inc. (WTI)	(d)	100.0%
Westside City, Inc. (WCI)	(g)	95.0%
<b>Associate:</b>		
Manila Bayshore Property Holdings, Inc. (MBPHI)	(h)	32.6%
<b>Joint Venture:</b>		
Front Row Theatre Management Inc. (FRTMI)	(d), (i)	50.0%

**Explanatory Notes:**

- Established to engage, operate, and manage gaming enterprises, amusement and leisure activities, theaters and cinema houses, private clubs, hotels/motels, apartments and similar facilities, shopping malls and incidental activities thereto.
- A foreign corporation established to provide transportation and other related services to valued patrons of the Company.
- Established to provide manpower needs in the casino, hotel, food and beverage operations of the Company.
- Established to engage in entertainment production including, among others, performing arts/theater, music,

- motion picture, concert, dance and ballet, audio recording, interactive media production, and incidental activities thereto, including marketing, distribution, advertising and public relations.
- (e) Established to conduct and carry on the business of web and internet solutions, promotion and marketing of business establishments, locally and abroad, with the use of the web and the internet as its primary medium.
  - (f) Established to facilitate enhancements to services of various institutions, within and outside the Philippines by providing related services to promote the sale, consumption, utilization and patronage of goods, merchandise and services of producers, retailers, wholesalers, and traders.
  - (g) Established to primarily engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses which include holding investments in and opening casinos and other gaming activities as part of its main operations. WCI has two wholly owned domestic subsidiaries namely, Purple Flamingos Amusement and Leisure Corporation and Red Falcon Amusement and Leisure Corporation, which have not yet started commercial operations as of September 30, 2022. WCI also has a wholly owned subsidiary that is a foreign entity incorporated in the British Virgin Islands (BVI), Captain View Group Limited, with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, including but not limited to rendering of consultancy and advisory services.
  - (h) Established to engage in real estate business, particularly construction of condominium units and buildings.
  - (i) FRTMI is a joint venture between FHTC and Viva Artists Agency, Inc., (VAA) each owning 50.0% interest and exercising joint control.

As at September 30, 2022, NDI has ceased operations while all other subsidiaries have not yet started commercial operations except for APEC, BLMI, DHRI, FHTC, GIHRI, GSI, GVMSI, LPALC, LSHRI and RBHAI.

The subsidiaries, associate and joint venture under the Group are all incorporated in the Philippines, except for APEC and Captain View which are incorporated in the British Virgin Islands. The principal place of business of these domestic subsidiaries, associate and joint venture is within Metro Manila, Philippines.

As at September 30, 2022 and December 31, 2021, the following stakeholders have direct ownership interests in the Parent Company's outstanding common shares:

Name of Stockholders	Explanatory Notes	Percentage of Ownership	
		September 30, 2022	December 31, 2021
Alliance Global Group, Inc. (AGI)	(a)	42.1%	27.5%
Adams Properties, Inc. (Adams)	(b)	19.6%	24.5%
Star Cruises Philippines Holdings B.V. (SCP)	(c)	15.7%	19.6%
Asian Travellers Ltd. (ATL)	(d)	9.9%	12.4%
Premium Travellers Ltd. (PTL)	(d)	5.8%	7.3%
First Centro, Inc. (FCI)	(e)	3.9%	4.9%
Megaworld Corporation (Megaworld)	(f)	1.6%	2.0%
Other related parties		1.0%	1.3%
Public ownership		0.4%	0.5%
		<u>100.0%</u>	<u>100.0%</u>

Notes:

- (a) AGI, the Company's parent company, is a publicly listed domestic holding company with diversified investments in real estate, food and beverage, quick service restaurant, and tourism-oriented business. The registered office of AGI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, 1110 Quezon City.
- (b) A domestic company and a subsidiary of AGI with registered office located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (c) A foreign holding entity, wholly owned by Genting Hongkong Limited (GHL), duly incorporated and with registered offices at Herikerbergweg 238 Luna Arena, 1101 CM Amsterdam, Zuidoost, The Netherlands.
- (d) Foreign entities duly incorporated and with registered offices at Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.
- (e) A wholly owned subsidiary of AGI engaged in the business of developing and selling its own real estate properties and acting as agent or broker for sale transactions of real properties of other entities. The registered office of FCI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (f) A publicly listed subsidiary of AGI which is presently engaged in property-related activities, such as, project

design, construction and property management. The registered office of Megaworld is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

In line with the petition for voluntary delisting in 2019, the Parent Company bought back about 1.3 billion common shares from the public shareholders in the stock market, resulting to changes in the effective ownership of the stockholders.

In February 2022, AGI agreed to infuse capital to the Company amounting to about P7.8 billion. The infusion of fresh capital is to finance the principal amortization due on the Company's loans under the existing loan facility agreements and to augment the working capital of the Company that will afford AGI's entertainment and hotel business the opportunity to keep current with its obligations and catch the window of business recovery with the easing of COVID-19 restrictions.

The Company's registered office, which is also its principal place of business, is located at 10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cyber tourism Economic Zone, Pasay City.

### ***1.2 Impact of COVID-19 Pandemic on the Group's Business***

The outbreak of COVID-19 was identified in January 2020 and developments surrounding the global pandemic continue as of the second quarter of 2022. During this period, the Company continues to operate subject to the restrictions prescribed by the Government. Visitation at the property has significantly improved driven by local pent-up demand and the reopening of the country's borders to foreign tourists.

Although restrictions have been relaxed, the Company cannot predict when restrictions will be tightened or whether the government will adopt a similar restrictive approach in the future such as stay-at-home orders and temporary closure of non-essential businesses due to the unpredictable nature of the pandemic.

Based on the recent COVID-19 developments and measures taken by management to mitigate the adverse effect of the pandemic, the Company believes that it will be able to meet its current obligations as it falls due. Furthermore, management has not determined any material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group's consolidated financial statements for the nine months ended September 30, 2022.

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

These interim condensed consolidated financial statements for the nine months ended September 30, 2022 and 2021 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, 2021.

The preparation of interim condensed consolidated financial statements in accordance with 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.

### 3. ESTIMATES

The Group's interim condensed consolidated financial information in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated interim financial information and related explanatory notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

The judgments, estimates and assumptions applied in the consolidated interim financial information, including the key sources of estimation uncertainty, were the same as those applied in the consolidated financial statements for the year ended December 31, 2021.

### 4. SEGMENT INFORMATION

The Group is organized into two major business segments – casino and non-casino segments. These components of the Group, engaged in business activities from which revenues and expenses, including revenues and expenses that relate to transactions with the other component, are reviewed regularly by the Executive Committee (ExeCom), acting as the chief operating decision-makers of the Group. The ExeCom makes decisions about resources to be allocated to each of the segments of the Group and assesses its performances, for which discrete financial information is made available to make the decisions.

Presented below is the basis of the Group in reporting its primary segment information.

- (a) The Casino segment is engaged in casino operations.
- (b) The Non-casino segment includes the operations of various brands of hotels [Marriott Hotel Manila, Courtyard by Marriott Iloilo, Holiday Inn Express Manila Newport City (formerly Remington), Marriott West Wing, Hilton Manila, Sheraton Manila Hotel and Hotel Okura Manila], leasing (Newport Entertainment Commercial Center and others), convention center (Marriott Grand Ballroom), performing arts theater (Newport Performing Arts Theater), cinema (Newport Cinemas) and other activities which are peripheral to the integrated resort operations.

Currently, the Group's operation is substantially concentrated in one location and any revenues derived from operations outside such location is not considered by management to significantly affect the decisions of the ExeCom; hence, the Group did not present any information related to geographical segments.

As of September 30, 2022, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The tables below and in the succeeding pages present revenue and profit information regarding the business segments for the nine months ended September 30, 2022 and 2021, and certain asset and liability information regarding segments as at September 30, 2022 and December 31, 2021.



**September 30, 2022 (Unaudited)**

	<u>Casino</u>	<u>Non-casino</u>	<u>Total</u>
<b>Gross revenues</b>			
Total segment revenues	P 14,902,845,698	P 4,443,720,984	<b>P 19,346,566,682</b>
Elimination of intersegment revenues	<u>-</u>	<u>( 1,024,485,250)</u>	<u>( 1,024,485,250)</u>
Revenues as reported in consolidated profit or loss	<u>P 14,902,845,698</u>	<u>P 3,419,235,734</u>	<u><b>P 18,322,081,432</b></u>
<b>Net profit or loss</b>			
Segment net profit	P 3,075,750,216	(P 3,366,530,541)	<b>( P 290,780,325)</b>
Elimination of intersegment transactions	<u>-</u>	<u>P 52,760,793</u>	<u><b>P 52,760,793</b></u>
Net profit as reported in consolidated profit or loss	<u>P 3,075,750,216</u>	<u>(P 3,313,769,748)</u>	<u><b>( P 238,019,532)</b></u>
<b>Assets</b>			
Segment assets	<u>P 9,860,737,939</u>	<u>P 109,840,058,041</u>	<u><b>P 119,700,795,980</b></u>
Total assets reported in the consolidated statements of financial position	<u>P 9,860,737,939</u>	<u>P 109,840,058,041</u>	<u><b>P 119,700,795,980</b></u>
<b>Liabilities</b>			
Segment liabilities	<u>(P 7,493,283,645)</u>	<u>(P 75,345,147,625)</u>	<u><b>( P 82,838,431,270)</b></u>
Total liabilities reported in the consolidated statements of financial position	<u>(P 7,493,283,645)</u>	<u>(P 75,345,147,625)</u>	<u><b>( P 82,838,431,270)</b></u>

**September 30, 2021 (Unaudited)**

	<u>Casino</u>	<u>Non-casino</u>	<u>Total</u>
<b>Gross revenues</b>			
Total segment revenues	P 8,010,996,544	P 2,714,322,675	P 10,725,319,219
Elimination of intersegment revenues	<u>-</u>	<u>( 796,594,935)</u>	<u>( 796,594,935)</u>
Revenues as reported in consolidated profit or loss	<u>P 8,010,996,544</u>	<u>P 1,917,727,740</u>	<u><b>P 9,928,724,284</b></u>
<b>Net profit or loss</b>			
Segment net profit	(P 593,703,692)	P 2,735,418,295	<b>P 2,141,714,603</b>
Elimination of intersegment transactions	<u>-</u>	<u>(P 389,292)</u>	<u>(P 389,292)</u>
Net profit as reported in consolidated profit or loss	<u>(P 593,703,692)</u>	<u>P 2,735,029,003</u>	<u><b>P 2,141,325,311</b></u>
<b>Assets</b>			
Segment assets	<u>P 10,759,984,588</u>	<u>P 106,967,881,310</u>	<u><b>P117,727,865,898</b></u>
Total assets reported in the consolidated statements of financial position	<u>P 10,759,984,588</u>	<u>P 106,967,881,310</u>	<u><b>P117,727,865,898</b></u>
<b>Liabilities</b>			

Segment liabilities	(P 12,606,044,695)	(P69,662,766,449)	( <b>P82,268,811,144</b> )
Total liabilities reported in the consolidated statements of financial position	(P 12,606,044,695)	(P69,662,766,449)	( <b>P82,268,811,144</b> )
<b><u>December 31, 2021 (Audited)</u></b>			
	<u>Casino</u>	<u>Non-casino</u>	<u>Total</u>
<b>Gross revenues</b>			
Total segment revenues	P 10,330,110,236	P 3,670,397,486	P 14,000,507,722
Elimination of intersegment revenues	<u>-</u>	<u>( 817,933,883)</u>	<u>( 817,933,883)</u>
Revenues as reported in consolidated profit or loss	<u>P 10,330,110,236</u>	<u>P 2,852,463,603</u>	<u>P 13,182,573,839</u>
<b>Net profit or loss</b>			
Segment net profit (loss)	(P 960,750,959)	P 1,497,847,194	P 537,096,235
Elimination of intersegment transactions	<u>-</u>	<u>( 817,933,883)</u>	<u>(817,933,883)</u>
Net profit as reported in consolidated profit (loss)	<u>(P 960,750,959)</u>	<u>P 679,913,311</u>	<u>( P 280,837,648)</u>
<b>Assets</b>			
Segment assets	<u>P 9,649,849,623</u>	<u>P 108,124,313,705</u>	<u>P 117,774,163,328</u>
Total assets reported in the consolidated statements of financial position	<u>P 9,649,849,623</u>	<u>P 108,124,313,705</u>	<u>P 117,774,163,328</u>
<b>Liabilities</b>			
Segment liabilities	<u>(P 5,248,138,585)</u>	<u>(P 79,360,312,801)</u>	<u>( P 84,608,451,386)</u>
Total liabilities reported in the consolidated statements of financial position	<u>(P 5,248,138,585)</u>	<u>(P 79,360,312,801)</u>	<u>( P 84,608,451,386)</u>

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

For presentation and disclosure purposes, gaming revenues are accounted for as derivative transactions under PFRS 9. For bingo, tournament income and non-gaming revenues other than rentals accounted for under PFRS 16, *Leases*, all other revenue sources are short-term in nature and satisfied over time (except food, beverage and other category that are satisfied at point in time).

A summary of additional disaggregation from the segment revenues for the nine months ended September 30, 2022 and 2021, particularly on non-gaming revenues, is shown below.

	<u>2022</u>	<u>2021</u>
Gaming	<b>P 22,731,703,111</b>	<b>P 12,826,793,959</b>
Less: Promotional allowances	<b>( 7,950,238,819 )</b>	<b>( 4,828,800,347 )</b>
	<b><u>P 14,781,464,292</u></b>	<b><u>P 7,997,993,612</u></b>
Non-gaming:		
Food, beverage and others	<b>1,030,761,047</b>	750,855,134
Hotel accommodations	<b>1,685,548,809</b>	808,936,298
Other revenues - net	<b><u>824,307,284</u></b>	<b><u>370,939,241</u></b>
	<b><u>3,540,617,140</u></b>	<b><u>1,930,730,673</u></b>
	<b><u>P18,322,081,432</u></b>	<b><u>P 9,928,724,285</u></b>

## 5. RELATED PARTY TRANSACTIONS

The summary of the Group's transactions with its related parties for the periods ended September 30, 2022 and 2021 and the related outstanding balances as of September 30, 2022 and December 31, 2021 is as follows:

<u>Related Party Transactions</u>	<u>Amount of Transaction</u>		<u>Outstanding Balances</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Related Parties Under</b>				
<b>Common Ownership:</b>				
Repayment (obtaining) of cash advances,	<b>( P 15,842,673 )</b>	( P 3,463,181 )	<b>( P 132,645,569 )</b>	( P 116,802,896 )
Management fees	<b>( 6,002,961 )</b>	7,658,315	<b>( 55,811,156 )</b>	( 49,808,195 )
Consultancy fees	<b>16,244,643</b>	-	<b>18,194,001</b>	5,766,857
Prepayment of condominium units	-	-	<b>189,620,688</b>	189,620,688
Granting (collection) of cash advances, net	<b>199,971,500</b>	(1,000 )	<b>266,445,063</b>	66,473,563
Reimbursement of construction costs	-	-	<b>2,685,865,769</b>	2,685,865,769
Purchase of land	-	-	<b>370,315,000</b>	370,315,000
<b>Associate –</b>				
Granting (obtaining) of cash advances, net	<b>(403,282,340)</b>	(566,970,588)	<b>371,276,111</b>	774,508,451
Obtaining (granting) of cash advances	-	-		
<b>Stockholders:</b>				
Management fee	<b>262,231,020</b>	116,427,528	<b>(487,618,027)</b>	(225,387,007)
Casino transaction	-	-	-	-
<b>Officers and employees:</b>				
Key management compensation	<b>94,509,264</b>	101,866,282	<b>( 9,323,767 )</b>	( 9,903,998 )
Granting (collection) of cash advances, net	<b>2,804,879</b>	7,968,012	<b>119,444,160</b>	116,639,281
Receivables from employee housing program	<b>( 4,049,175 )</b>	( 2,726,988 )	<b>125,884,411</b>	129,933,586
<b>Other Related Parties Under Common Management or Control –</b>				
Granting of cash advances, net	<b>3,774,000</b>	-	<b>23,846,260</b>	20,072,260
Donation	<b>168,913,392</b>	42,602,976	<b>(48,791,944)</b>	(13,436,801)

The Group subjects its advances to related parties to the prescribed impairment assessment by PFRS 9 [see Note 7.2(c)].

## 6. COMMITMENTS AND CONTINGENCIES

### 6.1 *Provisional License Agreement with PAGCOR*

On June 2, 2008, PAGCOR issued a Provisional License covering the development of two sites (Site A and Site B), which is part of a larger scale integrated tourism project envisioned by PAGCOR, and to establish and operate casinos in Sites A and B (collectively referred to as the Project). The term of the Group's License is co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR Charter.

#### (a) *Debt–Equity Ratio Requirement*

The Provisional License Agreement requires the Group to comply with the 70% Debt – 30% Equity ratio requirement of PAGCOR (see Note 9). As at September 30, 2022 and December 31, 2021, the Group is compliant with this requirement.

#### (b) *Accession of WCI to the Provisional License*

On March 18, 2013, the Company and WCI entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, WCI acceded to the rights, title, interests and obligations of the Group under the Provisional License and other relevant agreements with PAGCOR. Accordingly, PAGCOR recognized and included WCI as a co-licensee and co-holder of the Provisional License and other relevant agreements with PAGCOR.

Further, on September 10, 2013, the Company and WCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and other relevant agreements with PAGCOR. Specifically, the parties agreed that WCI would have all the rights and obligations under the Provisional License with respect to Site A and that the Company would have all the rights and obligations with respect to Site B.

Accordingly, on September 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and WCI as co-licensees and co-holders of the Provisional License and other relevant agreements with PAGCOR. As co-licensees and co-holders, the Company and WCI are bound by certain investment commitments.

#### (c) *Investment Commitments*

As required by the Provisional License Agreement, the Company and WCI are required to complete its U.S. \$1.3 billion (about P76.6 billion) investment commitment in phases, wherein the amount is divided into Site A and Site B with the minimum investment of U.S. \$1.1 billion (about P64.8 billion) and U.S. \$216.0 million (about P12.7 billion), respectively. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment, development costs, financing costs and all other expenses directly related to the completion of the Project.

The co-licensees are required to fully invest and utilize in the development of the Project at least 40% of the investment commitment within two years from site delivery.

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Project in Site A. WCI held the groundbreaking rites at Site A on October 1, 2014. On February 24, 2021, PAGCOR approved a revised Master Development Plan and Project Implementation Plan for the Westside City Project.

As a requirement in developing the aforementioned Project, the Group transferred U.S. \$100.0 million (about P5.9 billion) to an escrow account with a universal bank mutually agreed by PAGCOR and the Group. At any given time, the escrow account shall have a maintaining balance of not lower than U.S. \$50.0 million (about P2.9 billion). If the funds fall below the maintaining balance at any given time, the Group is allowed a 15-day grace period to achieve the maintaining balance, failure in which will cause the Group to be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar day period, or a fraction thereof, until the balance is maintained. All funds for the development of the Project shall pass through the escrow account and all drawdowns of funds therefrom must be applied to the Project, unless the Group is allowed to use other funds.

As at September 30, 2022, the Group has spent P132.1 billion for its casino projects pursuant to its investment commitment under the Provisional License Agreement.

The Group has short-term placements amounting to U.S. \$54.8 million (P3.2 billion) and U.S. \$58.3 million (P3.2 billion) as at September 30, 2022 and December 31, 2021, respectively, to meet its requirements with PAGCOR in relation to the Group's investment commitments.

*(d) Requirement to Establish a Foundation*

The Group, with the approval of PAGCOR, is required to incorporate and register a foundation for the restoration of cultural heritage not later than 60 days from the signing of the Provisional License Agreement. In compliance with the said requirement, Resorts World Philippines Cultural Heritage Foundation Inc. (the Foundation), formerly Manila Bayshore Heritage Foundation, Inc., was incorporated in the Philippines on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by the Group by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) cultural heritage; (ii) education; and, (iii) environment and health. As of September 30, 2022, the following are the completed and on-going projects of the Foundation:

- Donation of relief goods to Typhoon Yolanda victims;
- Construction of school buildings in partnership with the Philippine Department of Education (DepEd) whereby six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;

- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;
- Funding of the construction of a cadet barracks at the Philippine Military Academy (PMA) in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of a treatment and rehabilitation center in coordination with the Department of Health in Davao City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City;
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center;
- Donation of funds for the redevelopment of the Baguio City Post Office Park;
- Construction of the Philippine Military Academy Alumni Association, Inc. Center for Leadership Excellence; and
- Donation of funds for the Construction of the Naga City Hospital Phase II.
- EC Materials for DDAPTP: Donation of Information Education and Communication ("IEC") Materials for the Anti-Drug Campaign of the DOH-DDAPTP
- Philippine Survey Resource Center - 2017-2022: Engagement of PSRC to conduct Public Engagement Program for the covered years
- Cash donation to PNP for observatory tour on safety and security in Hong Kong
- Donation to typhoon Karding victims

Donations made to the Foundation are recorded as part of Donations and contributions under General and Administrative Expenses account in the consolidated statements of comprehensive income. The outstanding liability, representing donations due and which is unsecured, noninterest-bearing and payable in cash upon demand, as at September 30, 2022 and December 31, 2021 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position.

(e) *Tax Contingencies of Casino Operations*

The Company is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR.

In August 2016, the SC confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality in the SC Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on September 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extend to all PAGCOR contractees and licensees.

In a Resolution dated 3 May 2021, the Supreme Court also held that the Company’s “gaming revenues as a PAGCOR licensee were exempt from regular corporate income tax after payment of the five percent (5%) franchise tax.”

(f) *Co-Development Agreement between WCI and Suntrust Resort Holdings, Inc. (SUN)*

The principal terms of the co-development agreement are as follows:

(a) *WCI and the Parent Company Shall Lease the Project Site (i.e. “the site upon which the hotel casino is to be erected”) to SUN*

WCI and Parent Company shall lease to SUN the site upon which a hotel casino will be erected at an annual rental of US\$10.6 million (P551.3 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

(b) *SUN shall Finance the Development and Construction of a Hotel Casino.*

SUN shall finance the development and construction of a hotel casino on the leased area. SUN shall also pay a certain fixed amount to WCI for reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

(c) *WCI entered into an Agreement with SUN, for the latter to Operate and Manage a Hotel Casino.*

WCI and SUN entered into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms mutually agreed between the WCI and SUN. The operations and management agreement was entered into by the parties on May 4, 2020.

In accordance with the agreement, WCI’s share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

- (a) 1% of the gross gaming revenue on VIP of the Casino of the hotel casino;  
and,

(b) 3% of the gross gaming revenue on slot machines and mass market tables of the Casino of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of September 30, 2022, the hotel casino has not yet commenced its operation.

*(d) WCI and Parent Company as Warrantors*

Fortune Noble Limited (Fortune) [a wholly owned subsidiary of Suncity Group Holdings Limited], the parent company of SUN, conditionally agreed to subscribe to 2.55 billion new SUN Shares subject to the terms and condition mutually agreed upon by the parties. WCI and the Parent Company agreed to act as the warrantors, wherein, a put option over the shares of SUN was included. The put option enables Fortune to transfer ownership over SUN to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.

The option period commences for the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCI's lease over Site A as applicable, or failure or acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration of the acquisition by Fortune of the 1.1 billion SUN shares as at the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and (b) the aggregate of the shares subscription price of the 2.55 billion new SUN shares including interest as well from the date of Shares Subscription Completion up to date of competition of the put option.

Management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model.

## **6.2 Others**

The Group had utilized its credit line as of September 30, 2022 while it was at P18.8B level as of December 31, 2021.

The Group in the normal course of its business makes various construction and other commitments, and incurs certain contingent liabilities which are not reflected as at the end of the reporting periods in the financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the consolidated financial statements.

## **7. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 8. The main types of risks are market risk (foreign currency, interest rate risk and other price risk), credit risk and liquidity risk.



The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### 7.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

#### (a) 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 and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Notes Payable and Derivative Liability, 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, are as follows:

	<u>September 30, 2022</u>			
	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
Financial assets	6,859,969	417,054,218	294,348,418	2,109,271,326
Financial liabilities	(13,268,324)	(746,250,334)	(54,303,027)	(389,130,064)
	<u>(6,408,355)</u>	<u>(329,196,116)</u>	<u>240,045,391</u>	<u>1,720,141,262</u>
	<u>September 30, 2021</u>			
	<u>USD</u>	<u>PHP Equivalent</u>	<u>HKD</u>	<u>PHP Equivalent</u>
Financial assets	\$ 19,723,128	P 1,003,576,547	\$ 257,486,369	P 1,685,454,274
Financial liabilities	(5,189,729)	(264,463,386)	(57,269,811)	(374,876,728)
	<u>\$ 14,533,399</u>	<u>P 739,113,161</u>	<u>\$ 200,216,558</u>	<u>P 1,310,577,546</u>

The sensitivity of the income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 5.48% and +/- 4.28% changes in exchange rate for the nine months ended September 30, 2022 and 2021, respectively. The Hong Kong dollar – Philippine peso exchange rate assumes +/- 5.51% and +/- 7.94% changes for the nine months ended September 30, 2022 and 2021, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous year estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting period.

If the Philippine peso had strengthened against the USD, with all other variables held constant, consolidated profit before tax would have increased by P19.8 million and decreased by P31.7 million for the nine months ended September 30, 2022 and 2021, respectively. If in 2022, the Philippine peso had strengthened against the Hong Kong

dollar, with all other variables held constant, consolidated profit before tax for September 2022 and 2021, would have decreased by P99.3 million and P104.1 million for the nine months ended September 30, 2022 and 2021, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the Hong Kong dollar by the same percentages, consolidated profit (loss) before tax would have changed in 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 in the preceding page is considered to be representative of the Group's foreign currency risk.

*(b) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on short and long-term financing. Majority of long-term borrowings are therefore usually at fixed rates. As at September 30, 2022 and 2021, the Group is exposed to changes in market interest rates through Cash and Cash Equivalents and certain Interest-bearing Loans and Borrowings, which are subject to variable interest rates. All other interest-bearing financial assets and liabilities have fixed rates.

The following illustrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates of +/- 0.24% for Philippine pesos in the nine months ended September 30, 2022 and 2021. These percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's consolidated financial instruments held at the end of each reporting period, with effect estimated from the beginning of the period. All other variables are held constant, if interest rate increased by 1.81% in 2022 and 0.62% in 2021, consolidated profit before tax in 2022 and 2021 would have decreased by P1.8 million in 2022 and P.5 million in 2021. Conversely, if the interest rate decreased by the same percentages, consolidated income before tax would have been higher by the same amounts in 2022 and 2021.

## **7.2 Credit Risk**

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

*(a) Cash*

The credit risk for cash and investments in time deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

*(b) Trade and Other Receivables*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The trade receivables relate mostly to receivables from third parties arising from hotel accommodations, food and beverage operations, lease transactions, and other revenue-

generating activities. The Group assessed that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates for these financial assets.

The expected loss rates on trade and other receivables are based on the payment and aging profiles of such receivables, and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer confidence and price indices (food and beverage, recreation and culture), gross domestic product growth rate and inflation, to be the most relevant factors, and accordingly, adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at September 30, 2022 and December 31, 2021 was determined based on months past due, as follows:

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year	Total
September 30, 2022					
Expected loss rate	0.00%	47.34%	64.79%	100.00%	
Gross carrying amount	P 1,719,750,112	P 398,593,026	P 23,741,546	P 40,975,803	P 2,183,060,487
Loss allowance	-	198,725,718	18,383,826	40,975,803	258,085,347
December 31, 2021					
Expected loss rate	0.00%	68.54%	84.64%	100.00%	
Gross carrying amount	P 1,663,554,920	P 108,504,368	P 105,066,742	P 94,788,822	P 1,971,914,852
Loss allowance	-	74,369,079	88,927,446	94,788,822	258,085,347

Other components of trade and other receivables such as note receivable and interest are also evaluated by the Group for impairment and assessed that no ECL should be provided based on the available liquid assets and credit standing of the counterparties. The balance of receivables from employees, which are secured to the extent of the related condominium units, do not include significant past-due accounts and had no experience of defaults since these are settled through lump sum payment or salary deductions.

The Company identifies a default when the receivables become credit impaired or when the customer is not able to settle the receivables beyond the normal credit terms of 90 days for hotel operations and 180 days for lease operations; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

(c) *Advances to Related Parties*

Advances to related parties pertain to cash grants to the Group's officers and employees, associate and related parties under common ownership.

For officers and employees, the Group assessed that it is not exposed to significant credit risk as there were no historical experiences of default and that these advances are generally collectible through salary deductions. For advances to an associate, the Group deemed that exposure at default is low as it has an outstanding advance from such counterparty. Further, the associate has sufficient assets which can cover for the outstanding balance should default occur. Based on the foregoing, the Group did not provide an ECL on such balances.

(d) *Refundable deposits*

Management has assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit ratings) that sustain the entire operations and other related projects of the Group.

**7.3 Liquidity Risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 3-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at September 30, 2022, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Current</u>			<u>Non-current</u>
	<u>Upon</u>	<u>Within</u>	<u>6 to 12</u>	<u>1 to 5</u>
	<u>Demand</u>	<u>6 Months</u>	<u>Months</u>	<u>Years</u>
Interest-bearing loans and borrowings	P -	P 24,585,574,316	P 5,542,860,764	P 23,602,815,550
Trade and other payables (except tax-related liabilities, license fees payable, liability for unredeemed gaming points)	112,540,255	16,949,325,336	21,324,731	-
Slot jackpot liability	-	535,028,775	-	-
Advances from related parties	266,129,734	-	-	-
Other non-current liabilities	-	-	-	<u>14,816,159,725</u>
	<b><u>P 378,669,989</u></b>	<b><u>P42,069,928,427</u></b>	<b><u>P 5,564,185,495</u></b>	<b><u>P38,418,975,275</u></b>

As at December 31, 2021, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Current</u>			<u>Non-current</u>
	<u>Upon</u>	<u>Within</u>	<u>6 to 12</u>	<u>1 to 5</u>
	<u>Demand</u>	<u>6 Months</u>	<u>Months</u>	<u>Years</u>
Interest-bearing loans and borrowings	P -	P 17,211,044,811	P12,385,188,777	P33,232,378,991
Trade and other payables (except tax-related liabilities, license fees payable, liability for unredeemed gaming points)	94,830,968	12,410,725,319	15,492,152	-
Slot jackpot liability	-	488,754,892	-	-
Advances from related parties	116,802,896	-	-	-
Other non-current liabilities	-	-	-	<u>14,776,017,645</u>
	<b><u>P 211,633,864</u></b>	<b><u>P 30,110,528,022</u></b>	<b><u>P12,400,680,929</u></b>	<b><u>P 48,008,396,636</u></b>

The contractual maturities reflect the gross cash flows which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

## 8. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 8.1 Carrying Amounts and Fair Values by Category

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

	September 30, 2022		December 31, 2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets</b>				
At amortized cost:				
Cash	P 8,794,962,773	P 8,794,962,773	P 9,603,068,223	P 9,603,068,223
Trade and other receivables - net	1,924,975,140	1,924,975,140	1,713,829,505	1,713,829,505
Advances to related parties - net	840,402,047	840,402,047	969,295,390	969,295,390
Restricted short-term placements	2,957,559,702	2,957,559,702	2,961,842,891	2,961,842,891
Investments in time deposits	125,593,932	125,593,932	124,806,266	124,806,266
Other non-current assets:				
Refundable deposits	96,340,056	96,340,056	102,742,601	102,742,601
Receivables from employees	132,780,176	132,780,176	115,288,876	115,288,876
Note receivable	-	-	-	-
	<u>P 14,872,613,826</u>	<u>P 14,872,613,826</u>	<u>P 15,590,873,752</u>	<u>P 15,590,873,752</u>
Financial assets at FVOCI	<u>P 166,700,000</u>	<u>P 166,700,000</u>	<u>P 149,600,000</u>	<u>P 149,600,000</u>

	September 30, 2022		December 31, 2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial liabilities</b>				
At amortized cost:				
Interest-bearing loans and borrowings	P 49,982,692,242	P 49,982,692,242	P 55,757,615,605	P 55,757,615,605
Trade and other payables	17,083,190,323	17,083,190,323	12,417,729,330	12,417,729,330
Advances from related parties	266,129,734	266,129,734	116,802,896	116,802,896
Other non-current liabilities	<u>14,816,159,725</u>	<u>14,816,159,725</u>	<u>14,776,017,646</u>	<u>14,776,017,646</u>
	<u>P 82,048,172,025</u>	<u>P 82,048,172,025</u>	<u>P 83,068,165,477</u>	<u>P 83,068,165,477</u>
At fair value through profit or loss –				
Slot jackpot liability	<u>P 535,028,775</u>	<u>P 535,028,775</u>	<u>P 488,754,892</u>	<u>P 488,754,892</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 7.

### 8.2 Offsetting of Financial Assets and Financial Liabilities

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

### 8.3 Fair Value Measurement and Disclosures

There were no significant changes in the business and economic circumstances that affect the fair value measurement and disclosures of the Group's financial assets and certain non-financial assets, and financial liabilities as of the end of the reporting periods.

## 9. 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 entity and to provide an adequate return to stockholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the Parent Company's statements of financial position. The Group's goal in capital management is for the Group to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio.

Capital of the Parent Company for the reporting periods and the computation of debt – equity structure as at September 30, 2022 and December 31, 2021 are summarized below.

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Total debt from financing:		
Interest bearing loans and borrowings	<b>P49,882,692,242</b>	P55,757,615,605
Advances from related parties	<u><b>4,837,577,644</b></u>	<u>5,716,532,987</u>
	<b>P54,720,269,886</b>	P61,474,148,592
 Total equity	 <b>32,779,523,297</b>	 28,715,667,878
 Debt-to-equity ratio	 <u><b>63% - 37%</b></u>	 <u>68% – 32%</u>

The ratios as at September 30, 2022 and December 31, 2021 are in line with the Group's Provisional License Agreement with PAGCOR.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., total equity and total debt from financing. 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

**10. EARNINGS PER SHARE**

Basic and diluted EPS for the nine (9) months ended September 30, 2022 are computed as follows:

	<u>2022</u>	<u>2021</u>
Net profit (loss) attributable to Parent Company's shareholders	<b>(P238,019,536)</b>	<b>P 1,863,503,968</b>
Divided by weighted average number of outstanding common shares	<u>18,076,564,330</u>	<u>14,434,814,345</u>
	<b>(P 0.01)</b>	<b>P 0.13</b>

Diluted EPS equals the basic EPS as the Group does not have any dilutive potential common shares at the end of each reporting period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### Key performance indicators

Presented below are the key performance indicators for the nine months ended September 30, 2022 and 2021, and as at September 30, 2022 and December 31, 2021:

<i>In Million Pesos</i>	2022	2021
NET REVENUES	18,322.1	9,928.7
NET PROFIT	(238.0)	2,141.3
EBITDA	5,371.0	6,192.0
TOTAL ASSETS	119,700.8	117,774.16
CURRENT ASSETS	18,425.0	18,774.3
CURRENT LIABILITIES	45,648.5	41,344.62
TOTAL DEBT	49,882.7	55,757.62
NET CASH/(DEBT)	(41,087.7)	(46,154.55)
Net profit margin (%)	-1.3%	21.6%
EBITDA margin (%)	29.3%	62.4%
Net revenues growth (%)	84.5%	81.1%
EBITDA growth (%)	-13.3%	810.8%
Net profit growth (%)	-111.1%	139.4%

*Note: Net profit and EBITDA margins are over net revenue.*

### Discussion of results of operations for the six months ended September 30, 2022 and 2021

<i>In Million Pesos</i>	2022	2021	% Change
NET REVENUES	18,322.1	15,555.2	17.8%
Gaming	22,731.7	12,826.8	77.2%
Promotional allowance	(7,950.2)	(4,828.8)	64.6%
	14,781.5	7,998.0	84.8%
Hotel, food, beverage and others	2,716.5	1,559.8	74.2%
Other revenues - net	824.3	370.9	122.2%
GROSS PROFIT	8,890.6	2,729.9	225.7%
OPERATING PROFIT (LOSS)	2,662.0	(1,930)	237.9%
NET PROFIT (LOSS)	(238.0)	2,141.3	-111.1%
EBITDA	5,371.0	6,192.0	-13.3%

### COVID-19 Pandemic

In the first quarter of 2022, our property was opened subject to health and safety protocols. However, travel and business demand negatively affected operations as the Omicron variant, a highly contagious but less severe strain of COVID-19 began to spread in December 2021 which saw the rapid surge in the number of daily cases prompting the government to raise the Alert Level to 3 from January 3, 2022 to January 31, 2022. COVID-19 cases began to decline in the month of February which allowed the government to ease to Alert Level 2 from February 1, 2022 to February 28, 2022. International borders were opened on March 1, 2022 which allowed foreign tourists to enter the country since the pandemic began following the further easing of restrictions to Alert Level 1.

The property operated at 100% capacity and continues to observe health and safety protocols such as temperature checks and wearing of masks during the second and third quarter of 2022 after COVID-19 Alert Level was eased to its



lowest level last March 2022. Quarantine requirements for inbound passengers continue to be required only for those unvaccinated, partially vaccinated, and passengers whose vaccination status cannot be verified.

### **Net revenues**

Net revenues increased by 84.5% to P18,322.1 million for the nine months ended September 30, 2022 from P9,928.7 million for the same period last year. The increase was due to the continued improvement in gaming activity as a result of the easing of restrictions and lower daily COVID-19 cases.

Net revenue split from gaming and non-gaming was 80.7% and 19.3%, respectively.

Promotional allowance increased by 64.6% to P7,950.2 million for the nine months ended September 30, 2022 from P4,828.8 million for the same period last year primarily due to the resumption of various promotions to drive foot traffic into the property.

### **Gaming revenues**

Gross gaming revenues increased by 77.2% to P22,731.7 million for the nine months ended September 30, 2022 from P12,826.8 million for the same period last year. The increase was due to the improvement in overall drops across all gaming segments as foot traffic ramped up in the third quarter of 2022

### **Hotel, food, beverage and others**

Revenue from hotel, food, beverage and others increased by 74.1% to P2,716.3 million for the nine months ended September 30, 2022 from P1,559.8 million for the same period last year. The increase was primarily driven by the rise in covers and the continued improvement in the average daily rate (ADR) as the hotels transitions to the leisure market with the ramp up domestic and international tourism.

Total room count at Newport World Resorts (formerly Resorts World Manila) was 2,244 versus 2,054 last year with the opening of Hotel Okura Manila in December last year which added 190 rooms. Third quarter occupancy rates for the four hotels were as follows: Marriott Hotel Manila – 63%, Holiday Inn Express Manila Newport City – 61%, Hilton Manila Hotel – 75%, Sheraton Manila – 54%, and Hotel Okura Manila – 79%. Meanwhile, the 326-room Courtyard by Marriott located in the province of Iloilo registered an occupancy rate of 29%.

### **Other operating income**

Other operating income increased by 122.2% to P824.3 million for the nine months ended September 30, 2022 from P370.9 million for the same period last year. This was primarily driven by the full resumption of entertainment shows and the improvement of mall visitation in the third quarter this year.

Other operating income primarily consists of income from the Newport Performing Arts Theater, cinema, parking, laundry, and rental income from the mall and commercial office space, and others.

### **Direct costs**

Direct costs increased by 31.0% to P9,431.5 million for the nine months ended September 30, 2022 from P7,198.8 million for the same period last year. This increase was primarily due to the following: (1) increase in gaming license fees, (2) increase in operational expenses as the property operates at 100% capacity, and (3) increase in cost of food and beverage.

Direct costs are costs associated with gaming operations, which include gaming license fees, casino expenses, salaries, wages and employee benefits of casino employees, entertainment, amusement and recreation costs, complimentary costs and depreciation of gaming equipment; and costs directly associated with rendering of services for the hotels and its outlets, which include depreciation of hotel buildings, cost of food and beverage, salaries, wages and benefits of hotel personnel, supplies, parking, and other related expenses.

### **Gross profit**

Gross profit increased by 225.7% to P8,890.6 million for the nine months ended September 30, 2022 from P2,729.9 million for the same period last year.

**Other operating income and expenses**

General and administrative expenses increased by 33.7% to P6,228.6 million for the nine months ended September 30, 2022 from P4,660.0 million for the same period last year. The increase was primarily due to the following: (1) increase in marketing expenses related to the various promotional and advertising activities, (2) increase in salaries and wages, and (3) increase in utility expenses.

**Operating profit/(loss)**

Operating profit of P2,662.0 million for the nine months ended September 30, 2022 increased by P4,592.1 million compared to a loss of P1,930.1 million for the same period last year.

**Non-operating income and expenses**

Non-operating expenses amounted to P1,746.9 million for nine months ended September 30, 2022 compared to an income of P4,079.5 million for the same period last year. This was primarily due to the one-time gain recognized in 2021 by a subsidiary in relation to the payment for services rendered abroad in relation to the Westside City project.

**EBITDA**

EBITDA reached P5,371.0 million for the nine months ended September 30, 2022 versus P6,192.0 million for the same period of 2021. EBITDA this year excludes the 5% franchise tax reclassified from license fee to tax expense. Last year EBITA includes one-time gain recognized by a subsidiary in relation to the payment for services rendered abroad in relation to the Westside City project.

**Profit/(loss) before tax**

Profit before tax for the nine months ended September 30, 2022 amounted to P915.1 million.

**Tax expense**

Tax expense was P1,153.1 million for the nine months ended September 30, 2022 compared to P8.1 million for the same period of 2021 primarily due to change in the presentation of the 5% franchise tax in 2022 compared to same period last year in relation to the Revenue Memorandum Circular 32-2022. In the same period last year, the franchise tax forms part of the license fees under Direct Cost.

**Net profit/(loss)**

Net loss for the nine months ended September 30, 2022 was P238.0 million compared to a profit of P2,141.3 million for the same period of 2021.

**FINANCIAL POSITION****SEPTEMBER 30, 2022 vs. DECEMBER 31, 2021****Total assets**

Total assets increased by 1.6% or P1,926.6 million to P119,700.8 million as of September 30, 2022 from P117,774.2 million at the beginning of the year.

**Current assets**

Cash and cash equivalents decreased by 8.4% to P8,795.0 million as of September 30, 2022 from P9,603.1 million at the beginning of the year. Cash and cash equivalents include cash on hand, cash in bank, and domestic and foreign bank time deposits with maturities of less than 90 days.

Trade and other receivables increased by 12.3% to P1,925.0 million as of September 30, 2022 from P1,713.8 million at the beginning of the year.

Advances to related parties slightly decreased by 13.3% or P128.9 million to P840.4 million as of September 30, 2022 from P969.3 million at the beginning of the year.

Inventories slightly increased by 0.2% to P132.1 million as of September 30, 2022 from P131.8 million at the beginning of the year. Inventories mainly consist of casino supplies such as cards, seals and dice, as well as various hotel operating supplies.

Prepayments and other current assets increased by 6.0% or P376.2 million to P6,732.6 million as of September 30, 2022 from P6,356.3 million at the beginning of the year.

#### **Non-current assets**

Property, plant and equipment increased by 1.8% or P1,639.1 million to P91,938.5 million as of September 30, 2022 from P90,299.4 million at the beginning of the year. The increase was primarily due to the completion of new gaming and non-gaming areas.

The Phase 3 project which was named the Grand Wing, has been completed with the launch of Hotel Okura Manila in the fourth quarter of last year.

The Grand Wing is comprised of three luxury hotels – Sheraton Manila Hotel, Hilton Manila Hotel and Hotel Okura Manila. The Grand Wing also includes the following: (1) an approximately 30,000 sqm. of gaming area, (2) 3,200 sqm. of retail space and (3) six basement parking decks.

#### **Total liabilities**

Total liabilities decreased by 2.1% or P1,770.0 million to P82,838.4 million as of September 30, 2022 from P84,608.5 million at the beginning of the year.

#### **Current liabilities**

Trade and other payables increased by 28.7% or P3,808.9 million to P17,083.2 million as of September 30, 2022 from P13,274.3 million at the beginning of the year. This represents trade payables to suppliers, liability for unredeemed gaming points, and unredeemed gaming chips.

Current loans and borrowings increased by 1.2% or P345.7 million to P28,299.2 million as of September 30, 2022 from P27,953.5 million at the beginning of the year.

Advances from related parties increased by 127.8% or P149.3 million to P266.1 million as of September 30, 2022 from P116.8 million at the beginning of the year.

#### **Non-current liabilities**

Non-current loans and borrowings decreased by 22.4% or P6,220.6 million to P21,583.5 million as of September 30, 2022 from P27,804.1 million at the beginning of the year as the Company continues to reclassify the current portion of its long-term loan obligations.

Retirement benefit obligation increased by 15.6% to P790.3 million as of September 30, 2022 from P683.7 million at the beginning of the year. This relates to the defined benefit plan of retirements benefits for qualified employees

#### **Net cash/(debt)**

The Company's net debt amounted to P41,087.7 million as of September 30, 2022 from P46,154.5 million at the beginning of the year, as illustrated below:

<i>In Million Pesos</i>	<b>2022</b>	<b>2021</b>
Total Cash	8,795.0	9,603.1
Total Debt	49,882.7	55,757.6
Net Cash/(Debt)	(41,087.7)	(46,154.5)

*Note: Total Debt covers interest-bearing loans and borrowing and notes payables*

**Equity**

Total equity increased by P3,696.7 million or 11.1% to P36,862.4 million as of September 30, 2022 from P33,165.7 million at the beginning of the year mainly attributed to the participation of Alliance Global Group Inc. during the Company's equity call earlier this year.

**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**September 30, 2022**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>Current ratio</b>	<b>0.4:1.00</b>	0.45:1.00
<b>Quick ratio</b>	<b>0.3:1.00</b>	0.28:1.00
<b>Asset-to-equity ratio</b>	<b>3.65:1.00</b>	3.60:1.00
<b>Solvency ratio</b>	<b>0.03:1.00</b>	0.02:1.00
<b>Debt-to-equity ratio</b>	<b>63% - 37%</b>	68% - 32%
	<u>September 30, 2022</u>	<u>September 30, 2021</u>
<b>Interest coverage ratio</b>	<b>1.53 times</b>	0.48 times
<b>Debt service coverage ratio</b>	<b>1.14 times</b>	0.44 times
<b>Net profit (loss) margin</b>	<b>-0.01%</b>	21.6%
<b>Return on assets</b>	<b>-0.002%</b>	1.8%
<b>Return on equity/investment</b>	<b>-0.068%</b>	6.2%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities.

Quick ratio - computed a cash, marketable securities, accounts receivable and short-term investments divided by current liabilities.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

DEBT TO EQUITY RATIO - computed as the Parent Company's total Debt (interest-bearing loans and advances from its related party) over the sum of the Parent Company's Equity and Debt. It measures financial leverage and long-term solvency. It shows how much of the assets are owned by the company.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense ("EBIT") divided by interest. In the computation, non-recurring gain is excluded from EBIT.

DEBT SERVICE COVERAGE RATIO is a benchmark used in the measurement of an entity's ability to produce enough cash to meet annual interest and principal payments on debt. It is computed as earnings before interest, taxes, depreciation and allowances (EBITDA) divided by total debt service (sum of principal repayments and interest expense during the period)

**PROFITABILITY RATIOS**

Net profit margin - computed as net profit divided by revenues

Return on assets - net profit divided by average total assets

Return on investment - net profit divided by average total stockholders' equity

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES  
*(A Subsidiary of Alliance Global Group, Inc.)*  
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES  
September 30, 2022

Trade and other receivables

Current	P	1,270,607,374
1 to 30 days		71,385,575
31 to 60 days		202,259,128
61 to 90 days		107,078,362
Over 90 days		<u>273,644,704</u>
<b>Balance at March 31, 2022</b>	<b>P</b>	<b><u>1,924,975,142</u></b>



28 October 2022

**SECURITIES AND EXCHANGE COMMISSION**

7907 Makati Avenue, Salcedo Village,  
Barangay Bel-Air, Makati City, 1209

***Re: Certification of Non-Involvement with Government Agencies or its Instrumentalities***

Gentlemen:

This is to certify that, to the best of my knowledge, the directors and key executive officers of Travellers International Hotel Group, Inc. ("TIHGI"), whose names appear below, do not hold any position with any government agency or its instrumentalities in the Philippines as of the date hereof:

*Directors:*

- (1) Dr. Andrew L. Tan;
- (2) Mr. Kevin Andrew L. Tan;
- (3) Mr. David Chua Ming Huat;
- (4) Mr. Kingson U. Sian;
- (5) Mr. Jose Alvaro D. Rubio;
- (6) Mr. Jesus B. Varela; and
- (7) Mr. Enrique M. Soriano III.

*Executive Officers:*

- (1) M. Hakan Dagtas
- (2) Nilo Thaddeus P. Rodriguez
- (3) Bernard Than Boon Teong
- (4) Walter M. Mactal
- (5) Ronald Mark C. Llano
- (6) Jose Erwin Toledo Villacorte;
- (7) Mary Ann E. Moreno;
- (8) Carlito B. Banaag; and
- (9) Maria Ryna P. Inocencio.

Thank you.

Very truly yours,

A handwritten signature in blue ink, appearing to read "R. Llano", written over the printed name of the Corporate Secretary.

**ATTY. RONALD MARK C. LLANO**  
*Corporate Secretary*

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ENRIQUE M. SORIANO**, Filipino, of legal age and a resident of 28 Fleetwood St., Hillsborough Village, Cupang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of **Travellers International Hotel Group, Inc. (TIHGI)** and have been its independent director since 30 October 2013.
- I am affiliated with the following companies or organizations, other than TIHGI:

Company/Organization	Position/Relationship	Period of Service
World Bank – International Finance Corporation	Consultant	2017-2019
Singapore Institute of Directors	Member	Up to Present
Wong + Bernstein Strategy Advisory Group	Executive Director	Up to Present
ATENEO Graduate School of Business	<ul style="list-style-type: none"> <li>• Professor of Global Marketing</li> <li>• Chair of Marketing Cluster</li> <li>• Program Director for Real Estate</li> </ul>	1997 to Present 2013 to 2019 2013 to 2019
IPMI International Business School in Jakarta	Senior Fellow	Up to Present
Family Business Strategic Group	Senior Advisor	Up to Present
Emperador Inc.	Lead Independent Director	Up to Present
MREIT Fund Managers	Independent Director	Up to Present
P.A. Properties	Independent Director	2020 to Present
Alliance Global Group Inc.	Independent Director	2022 to Present

- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **TIHGI**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
- I am not related to any director/officer/substantial shareholder of TIHGI and its subsidiaries and affiliates.
- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances..
- I shall inform the Corporate Secretary of **Travellers International Hotel Group, Inc.** of any changes in the above-mentioned information within five days from its occurrence.

Done this NOV 15 2022, at Pasay City.

**ENRIQUE M. SORIANO**  
Affiant

SUBSCRIBED AND SWORN to before me this NOV 13 2022 at Pasay City, affiant personally appeared before me and exhibited to me his Passport ID with ID No. P7782296A valid until July 2028.

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Page No. 39 ;  
Book No. V ;  
Series of 2022.



**RAYMOND ALJON A. CUSIPAG**  
Notary Public for Pasay City  
NOTARIAL COMMISSION NO. 21-03  
NOTARY PUBLIC  
Until December 31, 2022  
Roll of Attorneys No. 69115  
PTR NO. 7695357, 14 January 2022/Pasay City  
IBP NO. 017255, Lifetime/Quezon City Chapter  
10/F NECC Bldg., Newport Boulevard  
Newport City, Pasay City, Metro Manila  
MCLE COMPLIANCE No. VII-0007787;  
August 30, 2021 ; Pasig City



## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JESUS B. VARELA**, Filipino, of legal age and a resident of 30 Sunrise Hill St., Rolling Hills Subd., New Manila, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I was elected as an independent director of **Travellers International Hotel Group, Inc. (TIHGI)** during its Regular Board Meeting on 23 February 2018.
2. I am affiliated with the following companies or organizations, other than TIHGI:

Company/Organization	Position/Relationship	Period of Service/Affiliation Period
Megaworld Real Estate Investment Trust	Independent Director	2021 to present
Oil & Petroleum Holdings International Reserves, HK Ltd. (OPHIR, HK LTD.)	Director and Chair of Governance & Investment Committee	2020 to present
Universidad de Manila	Regent	2019 to present
Academy of Multi-Skills, UK	Doctorate Fellow	Up to present
Euro Exim Consultancy Limited	Honorary Chairman	2019 to present
International Chamber of Commerce Philippines	Director General	2016 to present
Megaworld Corporation	Independent Director	2017 to present
Global-Estate Resorts, Inc.	Independent Director	2017 to present
Suntrust Resorts Holding, Inc.	Independent Director	Up to present
Foundation for Crime Prevention	President	2017 to present
Philippine Greek Business Council	President	2008 to present
Philippine Peru Business Council	President	2008 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **TIHGI**, as provided for in Section 38 of the Securities and Regulation Code and its Implementing Rules and Regulations.
4. I am not related to any director/officer/substantial shareholder of **TIHGI** and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I have the required written permission or consent from the Board of Regents to be an independent director in Universidad de Manila, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulations Code.

8. I shall inform the corporate secretary of **Travellers International Hotel Group, Inc.** of any changes in the above-mentioned information within five days from its occurrence.

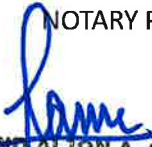
Done this NOV 15 2022, at Pasay City.

  
**JESUS B. VARELA**  
Affiant

SUBSCRIBED AND SWORN to before me this NOV 15 2022 at Pasay City, affiant personally appeared before me and exhibited to me his Passport ID with ID No. P7626227B valid until 15 September 2031.

Doc. No. 185;  
Page No. 38;  
Book No. V;  
Series of 2022.



NOTARY PUBLIC  
  
**RAYMOND ALJON A. CUSTPAG**  
Notary Public for Pasay City  
NOTARIAL COMMISSION NO. 21-03  
Until December 31, 2022  
Roll of Attorneys No. 69115  
PTR NO. 7695357, 14 January 2022/Pasay City  
IBP NO. 017255, Lifetime/Ouezon City Chapter  
10/F NECC Bldg., Newport Boulevard  
Newport City, Pasay City, Metro Manila  
MCLE COMPLIANCE No. VII-0007787;  
August 30, 2021 ; Pasig City