

COVER SHEET
for
SEC Form 17-A

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|-------------------------|--|--|--|---|---|---|---|---|--|
| SEC Registration Number | | | | | | | | | |
| | | | | 1 | 0 | 0 | 2 | 0 | |

Company Name

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| M | J | C | | I | N | V | E | S | T | M | E | N | T | S | | C | O | R | P | O | R | A | T | I | O | N | | | |
| D | O | I | N | G | | B | U | S | I | N | E | S | S | | U | N | D | E | R | | T | H | E | | N | A | M | E | |
| A | N | D | | S | T | Y | L | E | | O | F | | W | I | N | F | O | R | D | | L | E | I | S | U | R | E | | |
| A | N | D | | E | N | T | E | R | T | A | I | N | M | E | N | T | | C | O | M | P | L | E | X | | A | N | D | |
| W | I | N | F | O | R | D | | H | O | T | E | L | | A | N | D | | C | A | S | I | N | O | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| W | I | N | F | O | R | D | | H | O | T | E | L | | A | N | D | | C | A | S | I | N | O | , | | M | J | C | |
| D | R | I | V | E | , | | S | T | A | . | | C | R | U | Z | , | | M | A | N | I | L | A | | | | | | |

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

| | | | |
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COMPANY INFORMATION

Company's Email Address

| |
|--------------------------|
| corporate@rtdslaw.com.ph |
|--------------------------|

Company's Telephone Number/s

| |
|-----------|
| 8687-9889 |
|-----------|

Mobile Number

| |
|--------------|
| 0935-9807539 |
|--------------|

No. of Stockholders

| |
|--|
| |
|--|

Annual Meeting
Month/Day

| |
|---|
| Second to the last working day 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

| |
|------------------------|
| ATTY. LEMUEL M. SANTOS |
|------------------------|

Email Address

| |
|--------------------------|
| corporate@rtdslaw.com.ph |
|--------------------------|

Telephone Number/s

| |
|-----------|
| 8687-9889 |
|-----------|

Mobile Number

| |
|--------------|
| 0935-9807539 |
|--------------|

Contact Person's Address

| |
|--|
| 12 TH FLR. STRATA 100 BLDG. F. ORTIGAS JR. ROAD, ORTIGAS CENTER, PASIG CITY |
|--|

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 designate

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT

**PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2021**
2. SEC Identification Number **10020** 3. BIR Tax Identification No. **000-596-509**
4. Exact name of issuer as specified in its charter **MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD MANILA RESORT AND CASINO**
5. **Philippines** 6. _____
Province, Country or other jurisdiction of Industry Classification Code
incorporation or organization
7. **Winford Manila Resort and Casino** _____
MJC Drive, Sta. Cruz, Manila **1014**
Address of principal office Postal Code
8. **(02) 632-7373**
Issuer's telephone number, including area code
9. **MJC INVESTMENTS CORPORATION**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to the SRC

| | |
|---------------------|--|
| Title of Each Class | Number of Shares of Common Stock Outstanding |
| Common | 3,174,405,821 |

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

Yes [**X**] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE Common Stock

12. Required Reports

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports) Yes [**X**] No []

(b) has been subject to such filing requirements for the past ninety (90) days. Yes [**X**] No []

13. Aggregate market value of the voting stock held by non-affiliates as of 31 December 2021.

Php 426,809,391.00 [Based on the closing price of Php 1.00 as of 15 March 2022 and 426,809,391 common shares held by the public as of 31 March 2022].

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Description of Business

1) Business Development

- a) The Corporation is a publicly listed company that was incorporated with the Philippine Securities and Exchange Commission ("SEC") on 15 July 1995 as Palawan Consolidated Mining Company Inc. On 12 February 1997, the SEC approved the change in corporate name from Palawan Consolidated Mining Company Inc. to EBECOM Holdings, Inc. On 25 September 2003, the SEC approved another change in corporate name to ARIES Prime Resources Inc. On 15 October 2009, the corporate name was further changed to MJC Investments Corporation ("MJIC") [PSE: MJIC].

On 15 August 2012, SEC approved the increase in the authorized capital stock of the Corporation from Four Hundred Million Pesos (P400,000,000.00) to One Billion Five Million Pesos (P1,500,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the Certificate of Filing of Amended Articles of Incorporation (Amending Article VII thereof) and the Certificate of Approval of Increase of Capital Stock dated 15 August 2012 issued by the SEC on even date.

The increase in authorized capital stock was needed to accommodate the entry of new investors and new capital needed by the Corporation to build its first tourism project, i.e., a hotel, entertainment and tourism hub (the "Hotel Project"), to be located in San Lazaro Tourism and Business Park ("SLTBP") in Santa Cruz, Manila. Thus, on 24 October 2012, the Board of Directors of the Corporation authorized the Corporation to proceed to negotiate and accept new investments.

On 17 January 2013, the Board of Directors of the Corporation accepted the offer of a group of Hong Kong investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to 450,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. Mr. Teik Seng Cheah is a Hong Kong-based investment banker and sits in the Board of various private equity companies in Hong Kong, China and Malaysia.

On 10 August 2015, the SEC approved the change of name of the Corporation to MJC Investments Corporation doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino.

The total consideration for the subscription to 450,000,000 common shares of the Corporation is P450,000,000.00. The Investors paid the whole amount of their respective subscriptions in cash totaling to P450,000,000.00 upon the execution of their respective Subscription Agreements.

On 26 June 2013, during the annual stockholders meeting where 94% of the outstanding capital stock were present and/or represented by proxy, the stockholders (including the majority of the minority stockholders) unanimously approved the following:

1. Equity infusion by way of subscription to 450,000,000 primary shares of the Corporation by the group of investors headed by Mr. Teik Seng Cheah (Please note that this refers to the subscription made by the Strategic investors on 17 January 2013);
2. Additional equity infusion by way of subscription to primary shares by the group of investors headed by Mr. Teik Seng Cheah and other interested stockholders and related parties should the need arises under the Corporation's capital build-up program to have additional funds for the completion of the hotel and entertainment project at the SLTBP.

On 11 July 2013, the Board of Directors of the Corporation accepted the offer of the same group of Strategic Investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to additional 875,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. The total consideration for the subscription to 875,000,000 common shares of the Corporation is P875,000,000.00.

The subscriptions to the 875,000,000 shares were made by the Strategic Investors on 3 October 2015. Additional subscription from non-related parties of 189,513,013 common shares was also made on the same day. All subscriptions made on this day were paid in cash.

None of the existing directors and controlling shareholders, and none of the officers or directors of the existing controlling corporate shareholders invested in the aforesaid 875,000,000 shares issued to the group led by Mr. Teik Seng Cheah.

On 23 September 2013, the SEC approved the Corporation's increase in authorized capital stock from One Billion Five Hundred Million Pesos (P1,500,000,000.00) to Five Billion Pesos (P5,000,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the *Certificate of Filing of Amended Articles of Incorporation (Amending Article VII thereof)* and the *Certificate of Approval of Increase of Capital Stock* dated 23 September 2013 issued by the SEC on even date.

On 14 January 2015, the group of Strategic Investors subscribed to additional 673,791,662 common shares. All subscriptions made on this day were paid in cash.

As of 31 December 2015, the Corporation has an outstanding capital stock of P3,174,405,821 out of the P5 billion authorized capital stock. The Manila Jockey Club, Inc. is the single biggest investor of the Corporation owning 22.31% of the shares of stock.

The Corporation has utilized the equity infusion by its stockholders for the construction of the Winford Hotel and Casino on a 0.75-hectare property in Sta. Cruz, Manila. The complex has a 21-storey hotel tower and an entertainment center consisting of 5,000 square meters with parking spaces for 900 cars. The hotel will have

128 world class internationally-designed rooms with a grand ballroom, swimming pool and roof deck with helipad. The formal inauguration of the complex will be on April 21, 2017

The registered office address of the Company is Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

- b) The Corporation is not involved in any bankruptcy, receivership or similar proceedings.
- c) No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets not in the ordinary course of business occurred during the calendar year ending December 31, 2021.

2) Business of Issuer

As provided for in its Amended Articles of Incorporation, the Corporation is formed primarily “to acquire by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop said land or lands or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied, or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement, and entertainment purposes, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estate so owned, held, or occupied, and to manage and operate, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at anytime owned or held by the corporation.”

ITEM 2. PROPERTIES

The Company acquired from Manila Jockey Club, Inc. a 7,510 square meters lot in Sta. Cruz, Manila where the Hotel and Entertainment Complex was constructed. On 6 January 2016, the company held the ceremonial opening of the ground floor gaming and entertainment of Winford Hotel located within the San Lazaro Tourism and Business Park in Sta. Cruz Manila. On 21 April 2017, the Company held the grand opening of the Winford Hotel and Casino, a five-star hotel with casino in the heart of Metro Manila in Greater Chinatown. The hotel consists of 128 internationally designed deluxe hotel rooms with a grand ballroom, swimming pool, gym and spa, coffee shop and dining area, retail outlets and a seven-level parking structure, among other amenities and services.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings involving the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the Annual Meeting of Stockholders, there were no other matters submitted to a vote of security holders, through solicitation of proxies or otherwise, during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

MJIC common shares are listed in the Philippine Stock Exchange (PSE). The high and low market prices of MJIC shares for each quarter of the past two calendar years, as reported by the PSE, are shown below:

| Quarter Period | CY 2021 | | CY 2021 | | CY 2020 | |
|----------------|---------|------|---------|------|---------|------|
| | High | Low | High | Low | High | Low |
| 1st Quarter | 1.41 | 1.00 | 2.45 | 1.74 | 2.56 | 2.56 |
| 2nd Quarter | - | - | 1.88 | 1.41 | 2.10 | 1.48 |
| 3rd Quarter | - | - | 2.28 | 1.31 | 2.79 | 1.68 |
| 4th Quarter | - | - | 1.31 | 0.94 | 2.00 | 1.73 |

Source: Philippine Stock Exchange, Inc.

As March 15, 2022, the closing price of the Company's common shares in the PSE is at PhP1.00 per share.

(2) Holders

As of December 31, 2021, there are approximately **433** holders of common shares of the Company.

The list of the top twenty (20) stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Top Twenty Stockholders (As of 31 December 2021)

| | Name | No. of Shares | % of Shareholdings |
|-----|--|----------------------|--------------------|
| 1. | PCD NOMINEE CORPORATION (Filipino) | 2,284,190,395 | 71.96% |
| 2. | ONE WISTERIA LOOP HOLDINGS, INC. | 63,892,500 | 2.01% |
| 3. | EAST BONHAM HOLDINGS, INC. | 61,285,000 | 1.93% |
| 4. | BRANFORD RIDGE HOLDINGS, INC. | 61,285,000 | 1.93% |
| 5. | FLYING HERON HOLDINGS, INC. | 61,285,000 | 1.93% |
| 6. | CHERRY GROVE HOLDINGS, INC. | 61,285,000 | 1.93% |
| 7. | ORCHARDSTAR HOLDINGS, INC. | 61,285,000 | 1.93% |
| 8. | BELLTOWER LAKES HOLDINGS, INC. | 61,285,000 | 1.93% |
| 9. | PURPLE CASSADY HOLDINGS INC. | 61,285,000 | 1.93% |
| 10. | MULBERRY ORCHID HOLDINGS INC. | 61,285,000 | 1.93% |
| 11. | EVERDEEN SANDS HOLDINGS INC. | 53,471,250 | 1.68% |
| 12. | BELGRAVE SQUARE HOLDINGS INC. | 53,471,250 | 1.68% |
| 13. | SAVILE ROW HOLDINGS INC. | 53,471,250 | 1.68% |
| 14. | FAIRBROOKS HOLDINGS INC. | 53,471,250 | 1.68% |
| 15. | MONTBRECIA PLACE HOLDINGS INC. | 53,471,250 | 1.68% |
| 16. | PEPPERBERRY VISTA HOLDINGS INC. | 53,471,250 | 1.68% |
| 17. | ALFONSO R. REYNO, JR. | 11,737,704 | 0.37% |
| 18. | PCD NOMINEE CORPORATION (NON-FILIPINO) | 1,020,173 | 0.03% |
| 19. | PALOS VERDES REALTY CORP. | 446,300 | 0.01% |
| 20. | ALFONSO R. REYNO, JR. | 400,000 | 0.01% |
| | TOTAL | 3,172,794,572 | 99.95% |

(3) Dividends

No cash dividends were declared for the three (3) most recent fiscal years. The lack of sufficient retained earnings limits the ability of the Corporation to declare and pay dividends.

(4) Recent Sales of Unregistered Securities or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no other securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code (SRC).

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis relate to the consolidated financial position and results of operations of MJC Investments Corporation [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and Subsidiary and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of December 31, 2021, 2020 and 2019 and for each of the three years in the period ended December 31, 2021.

6.1 Discussion on Results of Operations

The following table shows a summary of results of the operations for the years ended December 31, 2021, 2020 and 2019:

| | For the Year Ended December 31 | | | % Change 2021 vs. 2020 | % Change 2020 vs. 2019 |
|--|---|----------|-----------|------------------------------|------------------------------|
| | 2021 | 2020 | 2019 | | |
| | <i>Amount in Millions of Philippine peso except EPS</i> | | | | |
| Revenue | | | | | |
| Revenue share in gaming operations | ₱101.3 | ₱153.0 | ₱494.5 | (33.8%) | (69.1%) |
| Hotel | 52.2 | 24.1 | 67.4 | 116.6% | (64.2%) |
| Food and beverage | 19.4 | 19.0 | 86.0 | 2.1% | (77.9%) |
| Rental | 6.1 | 12.1 | 25.1 | (49.6%) | (51.8%) |
| Bingo operations | 1.6 | 8.9 | 51.5 | (82.0%) | (82.7%) |
| Other revenue | 39.4 | 4.3 | 18.6 | 816.3% | (76.9%) |
| | 220.0 | 221.4 | 743.1 | (0.6%) | (70.2%) |
| Operating costs and expenses | (976.2) | (664.4) | (1,199.5) | 46.9% | (44.6%) |
| Operating loss | (756.2) | (443.0) | (456.4) | 70.7% | (3.0%) |
| Other income (expenses) | | | | | |
| Interest expense | (162.5) | (148.5) | (201.2) | 9.4% | (26.2%) |
| Interest income | 0.3 | 2.1 | 0.3 | (85.7%) | 600.0% |
| Gain on sale of kitchen and bar equipment | – | – | 13.4 | – | (100.0%) |
| Miscellaneous income - net | 0.2 | 0.4 | 1.9 | (50.0%) | (78.9%) |
| | (162.0) | (146.0) | (185.6) | 11.0% | (21.3%) |
| Loss before income tax | (918.2) | (589.0) | (642.0) | 55.9% | (8.3%) |
| Provision for income tax | (0.01) | (0.03) | (0.1) | (66.7%) | (70.0%) |
| Net loss | (918.2) | (589.0) | (642.1) | 55.9% | (8.3%) |
| Other comprehensive income (loss) | 0.1 | 7.7 | (2.0) | (98.7%) | (485%) |
| Total comprehensive loss | (918.2) | (581.3) | (₱644.1) | 58.0% | (9.8%) |
| Basic/diluted loss per share | (₱0.289) | (₱0.186) | (₱0.202) | 55.4% | (7.9%) |

Comparison of Operating Results for the Years Ended December 31, 2021 and 2020

Revenue and Operating Costs and Expenses

Revenue includes 40% share in gaming operations, revenue from operations of hotel, food and beverages, bingo operations, rental and other revenue. Total revenue for years ended December 31, 2021 and 2020 amounted to ₱220.0 million and ₱221.4 million, respectively.

The significant accounts that contributed to the decrease are as follows:

- Revenue share in gaming operations decreased by ₱51.7 million or 34% from ₱153.0 million in 2020 to ₱101.3 million in 2021. The decrease is the result of temporary suspension of gaming operations for period of days in the month of March, April, August due to quarantine restrictions. Furthermore, operating gaming tables and electronic gaming machines (slot machines) were reduced to comply with social distancing policy. In addition, foot traffic in the property decreased from ₱0.4 million in 2020 to ₱0.2 million in 2021.
- Revenue from hotel rooms increased by ₱28.1 million or 117% from ₱24.1 million in 2020 to ₱52.2 million in 2021. The hotel is accredited Multi-Use Hotel, an accommodation establishment that have been inspected by Department of Tourism (DOT) and Bureau of Quarantine (BOQ) and determined to be suitable for the accommodation of both quarantine and non-quarantine guests by reason of compliance with standards for physical separation of guests. The increase in revenue is due to higher number of bookings from the returning overseas Filipinos, the accommodation of off-signers crew of shipping as well as for leisure bookings. Accordingly, the room occupancy rate increased from 34% in 2020 to 64% in 2021. Of the 128 rooms available on average each day, average occupied paying rooms per day is 81 rooms in 2021, which is higher than the 25 rooms in 2020.
- Revenue from food and beverage slightly increased by ₱0.4 million or 2% from ₱19.0 million in 2020 to ₱19.4 million in 2021. The increase is attributable higher food and beverage covers and banquet events held in the last quarter of 2021.
- Revenue from bingo operations decreased by ₱7.3 million or 82% from ₱8.9 million in 2020 to ₱1.6 million in 2021. The bingo operations have only operated until March 13, 2020 and resume to operate only last December 2021 on per invitational basis.
- Revenue from rental decreased by ₱6.0 million or 50% from ₱12.1 million in 2020 to ₱6.1 million in 2021. The decrease is due to waiver of rent to its concessionaires in the midst of the pandemic. In addition, three contracts were terminated in 2020 while one contract were terminated in 2019.
- Other revenue increased by ₱35.1 million or 816% from ₱4.3 million in 2020 to ₱39.4 million in 2021. This is mainly attributable to a non-refundable deposit by Mistwood Properties Inc. for the conversion of and lease of parking area as the lease agreement did not push through.

Total operating costs and expenses for the years ended December 31, 2021 and 2020 amounted to ₱976.2 million and ₱664.4 million, respectively. The significant increase in the total operating costs and expenses is the provision for non-realizability of Input VAT, management fees, promotional and marketing expenses and utilities which is offset by the decrease in salaries and wages, contracted services, food, tobacco and beverage, service fee, banquet expenses, advertising, entertainment and bad debts.

The significant accounts that contributed to the decrease are as follows:

- In 2021, the Group recognized allowance for nonrealizability of Input VAT amounting to ₱360.8 million.
- Depreciation and amortization decreased by ₱36.0 million or 13% from ₱280.4 million in 2020 to ₱244.3 million in 2021. This is due to several equipment becoming fully depreciated during the year and fully amortization of prepayments.
- Salaries and wages expense decreased by ₱7.9 million or 12% from ₱64.7 million in 2020 to ₱56.8 million in 2021. This is attributable to temporary suspension of Group's operations from March, April and August and reduce working days thereafter.
- Utilities increased by ₱4.4 million or 8% from ₱57.5 million in 2020 to ₱62.0 million in 2021. The increase is mostly attributable to more operational days in the casino, higher hotel occupancy and banquet events this 2021.
- Security services expense increased by ₱2.3 million or 12% from ₱20.0 million in 2020 to ₱22.4 million in 2021. With the increase operational days in casino and higher hotel occupancy resulted to increase required number of security services.
- Advertising and marketing decreased by ₱2.2 million or 12% from ₱18.4million in 2020 to ₱16.3 million in 2021. Marketing efforts to boost the gaming operations were increased by ₱9.0 million from ₱5.0 million in 2020 to ₱14.0 million in 2021; offset by ₱11.2 million from ₱13.5 million in 2020 to ₱2.2 million in 2021 advertising expenses in hotel and other revenues.
- Provision for expected credit losses (ECL) expenses decreased by ₱5.2 million or 66% from ₱7.9million in 2020 to ₱2.7million in 2021. The provision for bad debts is to recognize an allowance on the receivables from existing concessionaires.
- Professional fees decreased by ₱1.2 million or 15% from ₱7.8 million in 2020 to ₱6.6 million in 2021. This is mainly due to the decrease in retainer's fees, consultancy fees and accounting fees rendered to the Group during the time of COVID 19 pandemic since operations were limited.
- Service fees increased by ₱22.4 million from ₱6.3 million in 2020 to ₱28.7 million in 2021. The increase is mostly due to higher operational days in casino and hotel occupancy this 2021.
- Gaming fees decreased by ₱4.7 million or 83% from ₱5.7 million in 2020 to ₱0.9 million in 2021. The decrease is mainly due to the temporary suspension of the bingo operations from March 2020 to November 2021. Furthermore, limited gaming capacity due to quarantine restrictions has significantly decreased the gaming fees. In addition, due to junket agreement expiration in 2019, there were no gaming fees from TSLC.

- Banquet expenses decreased by ₱4.2 million or 99% from ₱4.3 million in 2020 to ₱0.03 million in 2021. The company held series of banquet events from January to March 15, 2020 but due to the government gathering limitations, banquet events from March 16, 2020 to December 2020 have been cancelled. Banquet events resumed only December 2021.
- Entertainment expenses decreased by ₱2.6 million or 95% from ₱2.7 million in 2020 to ₱0.1 million in 2021. Performances for hotel guests and casino players were cancelled due to restrictions in large gatherings as imposed by the national government.
- Other expenses decreased by ₱3.8 million or 37% from ₱10.6 million in 2020 to ₱6.4 million in 2021. The decrease is due to the decrease in operating and administrative related activities of the Group which resulted to decline in incurrence of miscellaneous expenses. The Group also did not incur various sponsorships and assistance during the year.

6.2 Analysis of Statements of Financial Position

| | For the Year Ended December 31 | | | | |
|--|--|----------|----------|---------------|---------------|
| | 2021 | 2020 | 2019 | % Change | % Change |
| | Amount in Millions of Philippine peso except EPS | | | 2021 vs. 2020 | 2020 vs. 2019 |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash | ₱12.8 | ₱21.0 | ₱41.8 | (39.1%) | (49.8%) |
| Receivables | 219.9 | 204.1 | 238.2 | 7.7% | (14.3%) |
| Inventories | 15.5 | 20.2 | 25.2 | (23.3%) | (19.8%) |
| Current portion of input value added tax (VAT) | 13.4 | 10.9 | 16.8 | 22.9% | (35.1%) |
| Other current assets | 91.3 | 114.1 | 175.5 | (20.0%) | (35.0%) |
| Total Current Assets | 352.9 | 370.3 | 497.5 | (4.7%) | (25.6%) |
| Noncurrent Assets | | | | | |
| Property and equipment | 4,288.4 | 3,766.1 | 4,002.1 | 13.9% | (5.9%) |
| Investment property | – | 744.6 | 774.4 | (100.0%) | (3.8%) |
| Input VAT- net of current portion | 100.1 | 440.8 | 418.6 | (77.3%) | 5.3% |
| Other noncurrent assets | 253.7 | 344.1 | 404.3 | (26.3%) | (14.9%) |
| Total Noncurrent Assets | 4,642.2 | 5,295.6 | 5,599.4 | (12.3%) | (5.4%) |
| | 4,995.1 | ₱5,665.9 | ₱6,096.9 | (11.8%) | (7.1%) |
| LIABILITIES AND EQUITY | | | | | |
| Accounts payable and other current liabilities | 690.3 | ₱591.0 | ₱502.9 | 16.8% | 17.5% |
| Retention payable | 4.1 | 7.9 | 8.8 | (48.1%) | (10.2%) |
| Interest payable | 51.5 | 40.2 | 15.2 | 28.1% | 164.5% |
| Current portion of loans payable | – | 138.0 | 185.3 | (100.0%) | (25.5%) |
| Contract liabilities | 16.1 | 16.6 | 15.9 | (3.0%) | 4.4% |
| Total Current Liabilities | 762.0 | 793.7 | 728.1 | (4.0%) | 9.0% |
| Noncurrent Liabilities | | | | | |
| Advances from stockholders | 611.5 | 436.3 | 343.6 | 40.2% | 27.0% |
| Loans payable - net of current portion | 2,290.0 | 2,154.8 | 2,152.4 | 6.3% | 0.1% |
| Deposit for future stock subscription | 2,426.5 | 2,426.5 | 2,426.5 | 0.0% | 0.0% |
| Other noncurrent liabilities | 6.2 | 37.5 | 47.9 | (83.5%) | (21.7%) |
| Total Noncurrent Liabilities | 5,334.2 | 5,055.1 | 4,970.4 | 5.5% | 1.7% |
| Total Liabilities | 6,096.2 | 5,848.8 | 5,698.5 | 4.2% | 2.6% |

Equity

| | | | | | |
|---|-----------------|-----------------|-----------------|----------------|-----------------|
| Capital stock | 3,174.4 | 3,174.4 | 3,174.4 | 0.0% | 0.0% |
| Deficit | (4,283.6) | (3,365.3) | (2,776.3) | 27.3% | 21.2% |
| Actuarial gains on retirement liability | 8.1 | 8.0 | 0.3 | 1.3% | 2566.7% |
| Total Equity | (1101.1) | (182.9) | 398.4 | 502.0% | (145.9%) |
| | ₱4,995.1 | ₱5,665.9 | ₱6,096.9 | (11.8%) | (7.1%) |

Discussion on some Significant Change in Financial Condition as of December 31, 2021 and 2020

Total assets amounting to ₱4,995.1 million in 2021, decreased by ₱671 million or 12% from ₱5,665.9 million in 2020.

1. Cash decreased by ₱8.2 million or 39%, from ₱21.0 million in 2020 to ₱12.8 million in 2021 due to the following:
 - a) The negative cash flows used in operating activities amounting to ₱134.3 million resulted from the difference in operating loss generated amounting to ₱510.8 million and changes in the working capital amounting to ₱376.2 million. The significant decrease in operating income is due limited accommodation on food and beverage, waiver of rental receivables, reduced table games and slot machine operation and limited banquet events due to the government restrictions imposed in response to the COVID-19 pandemic.
 - b) Net cash flows from investing activities amounting to ₱68.2 million is due to the acquisition of building improvements, machineries and non-gaming equipment amounting to ₱21.2 million during the year and the decrease in other noncurrent asset amounting to ₱89.5 million.
 - c) Positive cash flows used in financing activities amounted to ₱57.7 million for the current year. The Group made payments amounting to ₱144.6 million for loan interest and other financing charges. On the other hand, the Group received proceeds from advances to stockholders amounting to ₱167.0 million and the infusion of restricted cash amounting to ₱35.4 million to pay for its maturing loan obligations.
2. The ₱15.8 million or 8% increase in receivables is primarily due to:
 - a. Decrease in receivables by ₱23.3 million from PAGCOR due to the lockdown imposed by the government and limited gaming capacity.
 - b. Recognition of allowance for doubtful account with its nontrade receivables amounting to ₱2.7 million.

This is offset by:

 - a. Increase in the receivable by ₱9.0 million arising from finance lease due to additional gaming equipment.
 - b. Increase in trade receivable by ₱ 30.0 million arising from hotel and other operations.
3. The decrease in inventories of ₱4.7 million or 23% from ₱20.2 million in 2020 to ₱15.5 million in 2021 is mainly due to reduced hotel and casino operations. The demand for food and beverages declined in relation to its limited capacity to operate.
4. The decrease in input VAT amounting to ₱338.2million is the result of the recognition of allowance for nonrealizability of Input VAT.

5. The Prepayments and CWT portion of the other current assets increased by ₱12.7 million or 120% from ₱10.5 million in 2020 to ₱23.2 million in 2021. The significant increase is mainly due to new prepayments totaling to ₱9.4 million for software maintenance, health insurance and permits and additional CWT totaling to ₱3.2 million.
6. The decrease in other noncurrent assets of ₱90.4 million or 26% from ₱344.0 million in 2020 to ₱253.7 million in 2021 is mainly due to reclassification of lease receivable to current asset due to amortization. The further decrease in other noncurrent assets is attributable to the fully depreciated kitchen bar utensils and the depreciation of other noncurrent assets which were minimized by acquisition of linens and uniforms amounting to ₱0.9 million.
7. The accounts payable and other current liabilities increased by ₱98.8 million or 16% from ₱607.6 million in 2020 to ₱706.4 million in 2021. This is because the Group has newly contracted but unpaid services that includes installations and repairs in the hotel. The Group's accruals have significantly increased due to accrual of real property taxes, software maintenance, advertising, meal allowance and service fees.
8. Interest payable increased by ₱11.3 million or 28% from ₱40.2 million in 2020 to ₱51.5 million in 2021. The increase is due to the unpaid monthly interest on its outstanding loans payable in 2021.
9. In light of COVID 19 outbreak, the Group was granted the deferral of the quarterly principal payments until May 2021 as well as its quarterly interest payment to monthly interest payment from June 2020 to February 2021.
10. Advances from stockholders increased by ₱175.2million or 40% from ₱436.3 million in 2020 to ₱611.5 million in 2021 due to new loan agreements entered by the Parent Company with its stockholders. The proceeds of these loans were used to pay the maturing loan obligation and to support its working capital requirements.

The following are the comparative key performance indicators of the Group and the manner of its computation for the year ended:

| Indicators | Manner of Computation | 2021 | 2020 |
|---------------------------------|---|----------|----------|
| Current ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 0.46:1 | 0.47:1 |
| Debt-to-Equity Ratio | $\frac{\text{Total Liabilities}}{\text{Total Equity}}$ | 2.77:1 | 1.53:1 |
| Asset-Liability Ratio | $\frac{\text{Total Assets}}{\text{Total Liabilities}}$ | 0.82:1 | 0.97:1 |
| Return on Assets | $\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$ | (18%) | (10%) |
| Basic Earnings (Loss per share) | $\frac{\text{Net Income (Loss)}}{\text{Outstanding Common Shares}}$ | (₱0.289) | (₱0.186) |

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the year ended December 31, 2021, the current ratio is 0.46:1 compared to 0.47:1 of the prior year. The outstanding liabilities in 2021 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the year ended December 31, 2021, the debt to equity ratio has increased from 1.53 in 2020 to 2.77 in 2021. This indicates a higher risk on the Group's perspective, as debt holders may have higher claims than investors on the Group's assets in case of liquidation.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the year ended December 31, 2021, the asset-liability ratio is 0.82:1 from 0.97:1 as of that of December 31, 2020. The ratio indicates that the Group has ₱.82 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the year ended December 31, 2021 and 2020, the return on asset is negative 18% and 10%, respectively.

For the year ended December 31, 2021, the Group's loss per share amounts to ₱0.289 which increased from ₱0.186 that of prior year.

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

Plans of Operation

The Winford Manila Resort & Casino (WMRC) is the newest integrated resort in the heart of San Lazaro Tourism and Business Park in the Philippine capital's historic Chinese quarter. Built at a cost of ₱8.0 billion, WMRC is a world-class hospitality and entertainment hotel which serves as an oasis filled with leisure and luxury alternatives for everyone to enjoy.

Among its key features are 128 all-suite rooms, an expansive podium to house high-end restaurants, 900 parking slots, a fully-equipped fitness center, dental clinic, business centers, and over 9,000 square meters of internationally- designed indoor gaming and entertainment facilities.

WMRC has been ramping up its gaming operations, adding more gaming tables and slot machines to its floor area in April of 2018 to accommodate the drastic increase of in visitations. Due to the effects of quarantine restrictions, WMRC on December 31, 2021 reduced its operational gaming tables from 30 in 2019 to 22 in 2020 and 2021; and its operational slot machines from 521 in 2019 to 273 and 413 in 2020 and 2021, respectively.

Operating hours were also reduced and due to social distancing, the ground floor casino was renovated to expand the gaming area in order to allow more additional slot machines and electronic table games to operate at the same time without compromising safety protocols. By the end of next year, WMRC plans to steadily increase its operational table games to 30 and operational slot machines to 500.

Moving forward, WMRC anticipates the busiest gaming area will be its ground floor, with renovations in this area completed in August 2021. In addition to this, WMRC built a private slot salon in the area that previously occupied by the ground floor cage and money changer. Being a slot machine-driven market wherein revenue goals can be met, WMRC aims to improve and expand its operations in the second half of 2022.

As for table games, the pandemic proved that game pace can be improved with the lessening of crowding. WMRC intends to keep this practice for its higher limit tables, and intends to increase the number of table games to 30 by the third quarter of 2022 from its current complement of 22.

On the Hotel front, WMRC has resumed accepting leisure bookings and the weekend demand for staycations has returned. The Hotel is working with the pharmaceutical sector and other corporate accounts to fill up rooms on week days. WMRC's Members' Room Promo is also being offered to bring back the casino patrons, while its ballrooms have reopened for events with 100 percent capacity. Social events are picking up on weekends, while small meetings are slowly filling up the function rooms on week days. In addition, the Hotel has joined wedding and travel expositions to increase bookings for both hotel and ballroom.

WMRC continues to work on improving its amenities with the goal of achieving at least a 4-star rating. The Department of Tourism (DoT) recently visited the integrated resort and advised its Management on the changes that needed to be made in order for WMRC to earn said rating. Achieving this will allow WMRC to further increase its revenues from Travel Agency Partners, as well as from Free Independent Travelers. In the first half of 2022, WMRC earned a Traveller Review Awards rating of 8.3 out of 10 from Booking.com.

WMRC marketing and public relations (PR) highlights included a quarterly car raffle, monthly appliance and cash raffles, monthly live concerts, Earn & Redeem promotions, room & buffet promos, and grand jackpots.

ITEM 7. FINANCIAL STATEMENTS

The Parent Company Financial Statements, Consolidated Financial Statements and Supplementary Schedules are filed as part of this Annual Report as **Annexes "A", "B" and "C"**, respectively.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2021, the Group engaged the accounting firm of Sycip Gorres Velayo and Company (SGV& Co.) as the Company's principal external auditors in pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors). Gaile A. Macapinlac has been the Partner In-charge effective audit year 2021.

The Group paid its external auditors the following fees in the past two years.

| | Audit and Audit-related Fees (with VAT) |
|------|---|
| 2021 | ₱1,232,000.00 |
| 2020 | ₱1,232,000.00 |

The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services.

There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosures.

External Audit Fees and Audit Related Fees

The Corporation expects to pay its external auditor, SGV & Co., an aggregate amount of P1,232,000.00 as professional fees for the audit of its annual financial statements for the year ended 31 December 2021. Also, SGV is tasked to review the operational procedures for gaming operations, which the Audit Committee approved. No other fees were paid to said team of auditors for other services.

The engagement of an external auditor as well as the type of services to be rendered to the Corporation is being evaluated by the Audit Committee and recommended to the Board. Likewise, the payment of audit fees is being evaluated by the same committee prior to remittance.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(1) Directors and Executive Officers

As of December 31, 2021, the following are the Directors of the Company:

| Position | Names | Citizenship | Age | Year First Elected |
|-----------------------|-------------------------------|-------------|-----|--------------------|
| Chairman of the Board | Alfonso R. Reyno, Jr. | Filipino | 77 | 2009 |
| Vice Chairman | Chai Seo Meng | Singaporean | 68 | 2017 |
| Director | Jeffrey Rodrigo L. Evora | Filipino | 52 | 2018 |
| Director | Alfonso Victorio G. Reyno III | Filipino | 52 | 2009 |
| Director | Jose Alvaro D. Rubio | Filipino | 69 | 2014 |
| Director | John Anthony B. Espiritu | Filipino | 58 | 2012 |
| Director | Gabriel A. Dee | Filipino | 57 | 2013 |
| Director | Walter L. Mactal | Filipino | 39 | 2017 |
| Director | Dennis Ryan C. Uy | Filipino | 43 | 2014 |
| Independent Director | Victor P. Lazatin | Filipino | 74 | 2009 |
| Independent Director | Adan T. Delamide | Filipino | 45 | 2020 |

Set forth below are the business experience of the Directors during the last five (5) years:

ALFONSO R. REYNO, JR., holds a Bachelor of Arts degree in Political Science from the University of the Philippines and a Bachelor of Laws from the same university. He formerly occupied the following government positions: Deputy Minister of Defense (1984-1986), Member of the Batasang Pambansa (1984-1986), Vice Governor of Cagayan (1980-1984), Member of the Board of Trustees of the Cagayan State University (1979-1986). He presently occupies the following positions in various entities: *Chairman and President*, Arco Management & Development Corporation; *Chairman*, Arco Equities, Inc.; *Chairman*, Arco Ventures, Inc.; *Chairman and President*, Bonaventure Development Corporation (1983 to present); *Chairman*, Palos Verdes Realty Corporation; *Chairman*, PGR Development Holdings, Inc., *Managing Partner*, Reyno Tiu Domingo & Santos Law Offices (1976 to present); *Chairman*, Manila Jockey Club, Inc. (1997 to present).

CHAI SEO MENG, holds a degree of Bachelor of Business Administration from the graduated from the National University of Singapore in 1987. He formerly occupied the following position in various institutions: Senior Trader for Foreign Exchange at United Overseas Bank limited (1992 to 2004); Head Foreign Exchange at Nomura Singapore Limited (2004 to 2009). Presently, he practices Private Constitution and provides various wealth managements and financial advisories to various business sector.

JEFFREY RODRIGO L. EVORA is an accomplished hospitality professional with more than 20 years' experience in the United States and a pioneer in the integrated resort industry in the Philippines. After graduating from Philippine Science High School, Mr. Evora continued his tertiary education with an Associate in Science (AS) degree in Hotel Operations at the University of Hawaii Maui College, and earned his Bachelor of Science (BSc) degree in Business Administration from the University of Phoenix. He started his professional career in the hospitality industry at a restaurant in Wailuku, Hawaii, before working as a Night Auditor at Maui Kai Condominiums. He also worked as an Auditor of Hyatt Regency

Maui, before moving to Las Vegas in 1993 where he started his career in the casino industry at the Flamingo Hilton Las Vegas. Mr. Evora held key positions in various casinos in the United States, such as Lady Luck Gaming Corporation, Boyd Gaming Corporation, Ameristar Gaming Corporation, Harrah's Entertainment Corporation, and ultimately for Seneca Niagara Casino & Hotel, before accepting a position in a private corporation in Manila as Vice President of Marketing in 2009. In 2017, Mr. Evora assumed the role of Chief Operating Officer of Winford Manila Resort & Casino and was subsequently appointed President of the Corporation in August 2018.

ALFONSO VICTORIO G. REYNO III, holds a degree of Bachelor of Arts and Commerce from De La Salle University and a Bachelor of Laws from the University of the Philippines. He was previously a Junior Associate at ACCRA Law Offices (1997-1999). He presently occupies the following positions in various entities: *President*, Arco Ventures, Inc. (1995 to present); *Vice President and Corporate Secretary*, Arco Management & Development Corporation; *Corporate Secretary*, Bonaventure Development Corporation; *President*, Arco Equities, Inc.; *President*, Palos Verdes Realty Corporation; *Director*, PGR Development Holdings, Inc.; *Junior Partner*, Reyno Tiu Domingo & Santos Law Offices (1999 to present); *President and COO*, Manila Jockey Club, Inc. (1997 to 2019); *President and CEO*, Manila Jockey Club, Inc. (2019 to present).

JOSE ALVARO D. RUBIO, holds a degree of Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from the University of the East. A Certified Public Accountant, he formerly occupied the following positions at Philippine National Bank: Senior Vice President for six (6) years and had thirty-five (35) years of experience in banking, including international operations, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations (including 14 years as Head of Corporate Banking). He was also a Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks.

JOHN ANTHONY B. ESPIRITU, holds a degree of Bachelor of Business Administration from the University of Michigan, and a Masters degree in Business Administration from the same university. He presently occupies the following positions in various entities: *Director*, DATEM, Inc.; *Chairman*, Belares Food Corporation; *Director*, American Eye Correction Center.

GABRIEL A. DEE, holds a degree of Bachelor of Arts major in History (1984) from the University of the Philippines, and a Bachelor of Laws (1988) from the same university. He was admitted to the Philippine Bar in 1989 and is currently the Managing Partner of the Picazo Buyco Tan Fider & Santos Law Offices. He joined the firm in 1988 and was admitted to the partnership in 1994. He is also a professional lecturer at the University of the Philippines, College of Law.

WALTER L. MACTAL, holds a degree of A. B. Economics from the Ateneo De Manila University in 2004. He obtained his Juris Doctor from the Ateneo de Manila University - School of Law in 2008. He was admitted to the Philippine Bar in 2009 and he continued working in a private law firm in Makati City until March 2012. Presently, Mr. Mactal works as a general counsel in a private company in the Philippines. He has broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services.

DENNIS RYAN C. UY, holds a degree of B.S. Industrial Engineering from the Mapua Institute of Technology, and a Master of Business administration degree from the Ateneo de Manila University. For the last fourteen (14) years of his career, he spent in the areas of systems improvement and automation, investment planning, asset management, and cost engineering across various multinational firms.

VICTOR P. LAZATIN, holds a degree of AB Economics from the University of the Philippines and a Bachelor of Laws degree from the same university in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He occupies the following positions in various institutions, viz: *Director*, ACCRA Investment Corporation (2007-present); *Corporate Secretary/Director*, WWW Express Corporation (2003-present); *Chairman*, Timog Silangan Development Corp. (1978-present); *Chairman*, Trillan Services, Inc. (2009-present); *President*, Davinelle Provident Lands, Inc. (1986-present); *Chairman*, Anvidan Realty Inc. (2015-present); *Director*, Kenram Industrial Development Inc. (2009-present); *Chairman/Director*, Kenram Palmoil Plantations, Inc. (2019-present); *Corporate Secretary*, SPC Power Corporation (2019-present). He is currently Of Counsel at Angara Abello Concepcion Regala & Cruz Law Offices.

ADAN T. DELAMIDE, holds a degree of Bachelor of Science in Accountancy from the Polytechnic University of the Philippines – Taguig (1997) and a Juris Doctor from the Ateneo De Manila University. He previously occupied the following positions, viz: *Associate Director*, Tax Services, Sycip Gorres Velayo & Co. (November 1997 – March 2006); *Director II and Head of Technical*, Congressional Oversight Committee on Comprehensive Tax Reform Program – Secretariat (April 2006 – March 2007); Salvador & Associates (October 2007 – February 2015). He is currently the Managing Partner at Delamide & Lock, Certified Public Accountants. He is affiliated with the following companies or organizations: *Director/Corporate Secretary*, Solutions Foundry Inc. (2016-present); *Director*, Elite Sales Force International Inc. (2017-present); *Director and Corporate Secretary*, Mindteck Solutions Philippines, Inc. (2016-present); *Corporate Secretary*, Feilo Sylvania Philippines, Inc. (2017-present) and *Director*, Oculus Digital Info Tech Corporation (2018-present).

(2) The Executive Officers

As of December 31, 2021, the following are the Executive Officers of the Company:

| Position | Name | Citizenship | Age |
|--|-------------------------------|-------------|-----|
| Chairman & Chief Executive Officer | Alfonso R. Reyno, Jr. | Filipino | 77 |
| Vice Chairman | Chai Seo Meng | Singaporean | 68 |
| President & Chief Operating Officer | Jeffrey Rodrigo L. Evora | Filipino | 52 |
| Vice President | Alfonso Victorio G. Reyno III | Filipino | 52 |
| Treasurer & Chief Finance Officer | Jose Alvaro D. Rubio | Filipino | 69 |
| Corporate Secretary & General Counsel | Ferdinand A. Domingo | Filipino | 69 |
| Asst. Corporate Secretary | Gabriel A. Dee | Filipino | 57 |
| Corporate Information and Compliance Officer | Lemuel M. Santos | Filipino | 71 |

The business experience of Mssrs. Alfonso R. Reyno, Jr., Chai Seo Meng, Jeffrey Rodrigo L. Evora, Alfonso Victorio G. Reyno III, Jose Alvaro D. Rubio and Gabriel A. Dee during the last five (5) years is provided above. Set forth below are the business experience of the Company's other executive officers during the last five (5) years.

FERDINAND A. DOMINGO, holds a degree of Bachelor of Arts in Political Science from the University of the Philippines, and a Bachelor of Laws from the same university. He previously occupied the following positions in various companies: *Director*, CICI General Insurance Corporation; *Director*, United Overseas Bank (May 2001 to July 2002); *Corporate Secretary*, Westmont Bank (May 17, 2000 to January 16, 2004); *Director*, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); *Bank Attorney*, Philippine National Bank (1978-1984); *Corporate Secretary*, Philippine Racing Club, Inc. (1994-1997); *Legal Counsel and Corporate Secretary*, National Steel Corporation (May 3, 1995 to March 1997). He currently occupies the following positions: *Senior Partner*, Reyno Tiu Domingo & Santos Law Offices; *Corporate Secretary and General Counsel*; Manila Jockey Club, Inc.

LEMUEL M. SANTOS, holds a degree of Bachelor of Arts and Political Science from the University of the Philippines and a Bachelor of Laws degree from the same university. He presently occupies the following positions in various entities: *Partner*, Reyno, Tiu, Domingo & Santos Law Offices (1991 up to present); *Assistant Corporate Secretary*, Manila Jockey Club, Inc.

(2) Significant Employees

The following are the employees of the Company who are expected to make significant contributions to the business of the Company.

| Position | Name | Citizenship | Age |
|---|---------------------------|-------------|-----|
| Director for Gaming Compliance and Operations | Darwin L. Cusi | Filipino | 47 |
| Director for Facilities Management | Allan S. Abesamis | Filipino | 50 |
| Director for Finance and Administration | Joemar L. Onnagan | Filipino | 37 |
| Director for Safety and Security | Aniceto Vicente | Filipino | 61 |
| Director for Corporate Communications | Jose Maria C. Ledesma III | Filipino | 49 |

Set forth below are the business experience of said employees during the past five (5) years.

DARWIN L. CUSI is a Marine Engineering graduate of the Technological Institute of the Philippines (1994) and has more than 25 years of solid experience and expertise in gaming operations specifically in Cruise line operations and Hotel/Casino operations. Darwin is a former AVP for Casino Operations at Famous City Holdings Ltd. - ROHQ. He has been employed with the Company since 09 November 2015.

ALLAN S. ABESAMIS is an Electrical Engineering graduate of the Mapua Institute of Technology (1993) and has more than 23 years of plant operations/facilities management experience in the areas of engineering and production management in manufacturing plants. Prior to joining the Company, Allan was a former Manufacturing Manager at Supa Nova Foods Incorporated. He has been employed with the Company since 16 November 2015.

JOEMAR L. ONNAGAN is a Certified Public Accountant and a graduate of Mariano Marcos State University (2005) with more than 12 years of experience in General Accounting specifically in areas of Accounts Payable, Hotel Revenue Audit and Financial Reporting in a multinational and Shared Services environment as a Senior Finance Manager. He has been employed with the Company since 16 November 2016.

COL. ANICETO VICENTE served for 34 years in the Armed Forces of the Philippines. Aside from security matters, he was assigned in various fields including personnel management, intelligence, operations, logistics, and training. His last assignment was as Group Commander with the main task of developing and utilizing the Reserve Force in the five provinces of Region 1 and Cordillera Autonomous region.

JOSE MARIA C. LEDESMA III graduated from the University of West London with a Bachelor of Arts degree in Design and Media Management. He has more than 20 years' experience in the fields of advertising, marketing, and public relations. Prior to working at the Company, he was Assistant Director for Public Relations in an integrated resort. He has been employed with the Company since 03 December 2018.

(3) Family Relationships

Alfonso Victorio G. Reyno III is the son of Alfonso R. Reyno, Jr.

Aside from the abovementioned, no other members of the Board of Directors nor any Executive Officer of the Company is related by affinity or consanguinity.

(4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Corporation, the present members of the Board of Directors or the Executive Officers are not, presently, or during the last five (5) years, involved or have been involved in criminal, bankruptcy or insolvency investigations or proceedings.

ITEM 10. EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last two fiscal years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO) and four (4) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers and directors. The stated annual salary includes the mandatory thirteenth (13th) month pay.

SUMMARY COMPENSATION TABLE (in thousand Php)

| Name and Principal Position | Year | Salary | Bonus | Other Annual Compensation |
|---|------|--------|-------|---------------------------|
| The CEO and four most highly compensated | 2021 | 5,580 | - | - |
| Executive Officers: | 2020 | 8,466 | - | - |
| . CEO- Alfonso R. Reyno, Jr. | | | | |
| . Vice President - Alfonso Victorio G. Reyno III | 2019 | 10,865 | - | - |
| . Corporate Secretary- Ferdinand A. Domingo | | | | |
| . Corporate Information and Compliance Officer - Lemuel M. Santos | | | | |
| All other Executive Officers and Directors as a group unnamed | 2021 | 11,323 | - | - |
| | 2020 | 18,059 | - | - |
| | 2019 | 24,233 | - | - |

All directors are entitled to per diem of ₱10,000.00 to ₱15,000.00 for their attendance at each meeting of the Board. Likewise, they are entitled to reimbursements of transportation, communication and representation expenses in the amount of ₱15,000.00 for their attendance at every Board Meeting. The director's fees amounted to ₱867,000.00, ₱675,000.00 and ₱680,000.00 in 2020, 2019 and 2018 respectively.

The Company has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein disclosed and stated.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**(1) Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2021, the following are the persons or groups known to the Corporation to be directly or indirectly the record and/or beneficial owner of more than 5% of the Corporation's voting securities:

| Title of Class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | Number of Shares Held | Percent |
|-----------------------|--|--|--------------------|------------------------------|----------------|
| Common | PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo de Roxas, Makati City Stockholder | PCD Participants* | Filipino | 2,284,190,395 | 71.96% |

*PCD Nominee Corporation ("PCNC") is a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD") and is registered owner of the shares in the books of the Company's transfer agent. PCD participants deposit eligible securities in PCD through a process of lodgment, where legal title to the securities is transferred and held in trust by PCNC. The participants of PCD are the beneficial owners of such shares.

The table below shows persons or groups known to the Company as of 31 December 2021 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities under the PCD Nominee Corporation:

| Title of Class | PCD Participant | Citizenship | No. Shares Held | Percent |
|-----------------------|---|--------------------|------------------------|----------------|
| Common | BDO Securities Corporation 27/F Tower I & Exchange Plaza Ayala Ave., Makati City | Filipino | 2,235,150,760 | 70.41% |

As of 31 December 2021, the number of shares held by foreign stockholders is 1,070,504 common shares, or 0.03% of the Company's total issued and outstanding shares.

(2) Security Ownership of Management

The table below shows the securities beneficially owned by all directors and executive officers of the Company as of December 31, 2021.

| <u>Title of Class</u> | <u>Name of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership</u> | <u>Citizenship</u> | <u>%</u> |
|------------------------------|--|---|---------------------------|-----------------|
| Common | Alfonso R. Reyno, Jr. | 26,320,408 (Direct) | Filipino | 0.83% |
| Common | Chai Seo Meng | 1 (Direct) | Singaporean | Nil |
| Common | Jeffrey Rodrigo L. Evora | 1 (Direct) | Filipino | Nil |
| Common | Alfonso Victorio G. Reyno III | 100,000 (Direct) | Filipino | Nil |
| Common | Jose Alvaro D. Rubio | 1 (Direct) | Filipino | Nil |

| Party | Amount/Volume | | | Receivable (Payable) | | Financial Statements Account | Terms | Conditions |
|--|---------------------|-------------|--------------|-----------------------|-----------------------|---------------------------------------|---|-------------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | | | |
| Deposit for future stock subscription (Note 18) | | - | 20,300,651 | (2,105,268,102) | (2,105,268,102) | Deposit for future stock subscription | Non-interest bearing | Unsecured, unguaranteed |
| Advances from stockholders ^(c) | P166,904,808 | 102,704,215 | P343,581,012 | (P613,190,035) | (P446,285,227) | Advances from stockholders | Interest-bearing and non-interest bearing | Unsecured, unguaranteed |
| Interest payable on advances from stockholders ^(c) Affiliate Manila Cockers Club, Inc. (MCI) | 18,390,553 | 13,534,528 | 16,236,111 | (33,548,692) | (15,158,139) | Interest payable | Non-interest bearing; | Unsecured, unguaranteed |
| Commission from the off-track betting ^{(d), (e)} (Note 7) | | | 289,254 | - | - | Receivable | Noninterest bearing; due and demandable | Unsecured, unimpaired |
| | | | | 2,426,501,748 | 2,426,501,748 | Deposit for future stock subscription | | |
| | | | | 4,982,104 | 4,982,104 | Advances from related parties | | |
| | | | | 418,347 | 418,347 | Receivable Advances from stockholders | | |
| | | | | 613,190,035 | 446,285,227 | | | |
| | | | | 33,548,692 | 15,158,139 | Interest payable | | |

^(a) The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.

^(b) Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.

^(c) The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures. The payable amount is gross of discount on non-interest-bearing advances from shareholders amounting to P1,684,715 and P9,970,642 in 2021 and 2020, respectively.

^(d) Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.

^(e) MCI is an affiliate through a common stockholder, MJCI.

PART IV – EXHIBITS AND SCHEDULES

ITEM 13. EXHIBITS AND REPORTS ON SEC Form 17-C

13.1 Parent Company Financial Statements

The Audited Parent Company Financial statements for the years ended December 31, 2021 and 2020 are attached as **Annex "A"**:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Parent Company Financial Position as of December 31, 2021 and 2020
- Parent Company Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019
- Parent Company Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019
- Parent Company Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
- Notes to Parent Company Financial Statements

13.2 Consolidated Financial Statements

The Audited Consolidated Financial statements for the years ended December 31, 2021 and 2020 are attached as **Annex "B"**:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Financial Position as of December 31, 2021 and 2020
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
- Notes to Consolidated Financial Statements

13.3 Supplementary Schedules

The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2021 are attached as **Annex "C"**:

- Schedule A : Financial Assets as of December 31, 2021
- Schedule B : Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) as of December 31, 2021
- Schedule C : Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements as of December 31, 2021
- Schedule D: Long-term Debt as of December 31, 2021
- Schedule E: Indebtness to Related Parties (Long-term Loans from Related Companies) as of December 31, 2021
- Schedule F: Guarantees of Securities of Other Issuers as of December 31, 2021
- Schedule G: Capital Stock as of December 31, 2021
- Schedule H: Amounts Payable to Related Parties which are Eliminated during the Consolidated of Financial Statemenst as of December 31, 2021

- Schedule I: Parent Company Retained Earnings Available for Dividend Declaration as of December 31, 2021
- Schedule J: Map of Subsidiaries, Joint Ventures and Associates as of December 31, 2021
- Schedule K: Financial Soundness Indicators as of December 31, 2021

13.4 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2021 are as follows:

| Date of Report | Subject |
|--------------------------|---|
| March 25, 2021 | <p>Meeting of the Board of Directors on the approval of the following matters:</p> <ol style="list-style-type: none"> 1. Setting the 2021 Annual Stockholders' Meeting ("2021 ASM") on June 29, 2021 at 9:00 a.m.; 2. Fixing April 30, 2021 as the Record Date for determining the shareholders entitled to notice of and to vote at the 2021 ASM; 3. Conduct of the 2021 ASM via remote communication, the participation by the stockholders via remote communication, and voting by the stockholders in absentia or by proxy; 4. Delegation to Management of the approval of the procedures for the 2021 ASM via remote communication; and 5. Setting the Agenda of the 2021 ASM |
| June 21, 2021 | <p>Meeting of the Board of Directors on the postponement of the Company's Annual Stockholders' Meeting (ASM) scheduled on the 2nd to the last business day of June of each year pursuant to the Company's By-Laws, to a later date to be determined by the Board.</p> |
| August 4, 2021 | <p>Meeting of the Board of Directors on the approval of the Company's Audited Financial Statements for the year ended 31 December 2020</p> |
| September 6, 2021 | <p>Meeting of the Board of Directors on the approval of the following matters:</p> <ol style="list-style-type: none"> 1. Setting the 2021 Annual Stockholders' Meeting ("2021 ASM") on November 12, 2021 (Friday) at 9:00 a.m.; 2. Fixing September 30, 2021 (Thursday) as the Record Date for determining the shareholders entitled to notice of and to vote at the 2021 ASM; 3. (i) Conduct of the 2021 ASM via remote communication; (ii) the participation by the stockholders in the 2021 ASM via remote communication; and (iii) voting in the 2021 ASM by the stockholders <i>in absentia</i> or by ballot/proxy; 4. Delegation to Management of the approval of the internal procedures for the 2021 ASM via remote communication and voting <i>in absentia</i> or by ballot/proxy; and 5. Delegation to the Corporate Secretary of the authority to finalize the Agenda and other matters relevant to the 2021 ASM. |

| Date of Report | Subject |
|--------------------------|---|
| November 10, 2021 | Results of the 2021 Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors |
| December 16, 2021 | Report on Attendance of Corporate Governance Training |


SIGNATURES


Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Pasig City on MAY 16 2022.

MJC INVESTMENTS CORPORATION

By:


JEFFREY RODRIGO L. EVORA
President and Chief Operating Officer

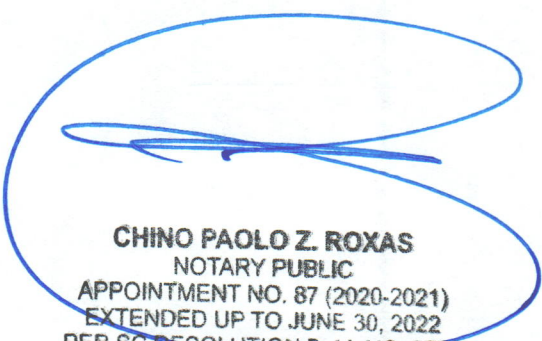

JOSE ALVARO D. RUBIO
Treasurer and Chief Finance Officer


FERDINAND A. DOMINGO
Corporate Secretary and General Counsel

SUBSCRIBED AND SWORN TO before me this MAY 16 2022 2022
at Pasig City, affiants exhibiting to me their competent evidence of identity, as follows:

| <u>Names</u> | <u>ID Nos.</u> | <u>Date/Place Issued</u> |
|--------------------------|------------------|--------------------------|
| Jeffrey Rodrigo L. Evora | TIN: 280-548-606 | Manila, Philippines |
| Jose Alvaro D. Rubio | TIN: 109-945-552 | Manila, Philippines |
| Ferdinand A. Domingo | TIN: 145-006-236 | Manila, Philippines |

Doc. No. 166;
Page No. 35;
Book No. 7;
Series of 2022.


CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 87 (2020-2021)
EXTENDED UP TO JUNE 30, 2022
PER SC RESOLUTION B. M. NO. 3795
(Re: Request for Extension of
Existing Notarial Commission)
PTR No. 8132084/1-21-2022/PASIG
IBP No. 199958/1-19-2022/MAKATI
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

Annex “A”

Parent Company Financial Statements

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Mon 5/16/2022 10:38 PM

To: financial reporting <financial.reporting@winfordmanila.com>

Cc: Amie Bordallo <Amie.Bordallo@winfordmanila.com>

Hi MJC INVESTMENTS CORPORATION,

Valid files

- EAFS000596509ITRTY122021.pdf
- EAFS000596509AFSTY122021.pdf
- EAFS000596509OTHTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QMN4MNMRO9CDA9JCJMMM1VMNZ0QR2XNNVV**

Submission Date/Time: **May 16, 2022 10:22 PM**

Company TIN: **000-596-509**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 0 |
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COMPANY NAME

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| I | D | O | I | N | G | | B | U | S | I | N | E | S | S | | U | N | D | E | R | | T | H | E | | N | A | M | E |
| | A | N | D | | S | T | Y | L | E | | O | F | | W | I | N | F | O | R | D | | L | E | I | S | U | R | E | |
| | A | N | D | | E | N | T | E | R | T | A | I | N | M | E | N | T | | C | O | M | P | L | E | X | | A | N | D |
| | W | I | N | F | O | R | D | | H | O | T | E | L | | A | N | D | | C | A | S | I | N | O | | | | | |
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|--|---|---|---|--|
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| D | r | i | v | e | , | | S | t | a | . | | C | r | u | z | , | | M | a | n | i | l | a | | | | | | |

Form Type

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Department requiring the report

| | | | |
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Secondary License Type, If Applicable

| | | | |
|---|---|---|--|
| N | / | A | |
|---|---|---|--|

COMPANY INFORMATION

Company's Email Address

corporate@rtdslaw.com.ph

Company's Telephone Number

8631-2846

Mobile Number

09359807539

No. of Stockholders

433

Annual Meeting (Month / Day)

11/12

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Lemuel M. Santos

Email Address

corporate@rtdslaw.com.ph

Telephone Number/s

(02) 8687-9889

Mobile Number

(+63) 935-980-7539

CONTACT PERSON'S ADDRESS

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

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.





Winford Hotel & Casino, MJC Drive, Sta. Cruz, Manila
Tel. No. 528-3600

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

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 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.

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.

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

A blue ink signature of Alfonso R. Reyno, Jr. is written over a horizontal line.

Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

A blue ink signature of Jose Alvaro D. Rubio is written over a horizontal line.

Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 16th day of May 2022, in Pasig City,
affiant exhibiting to me:

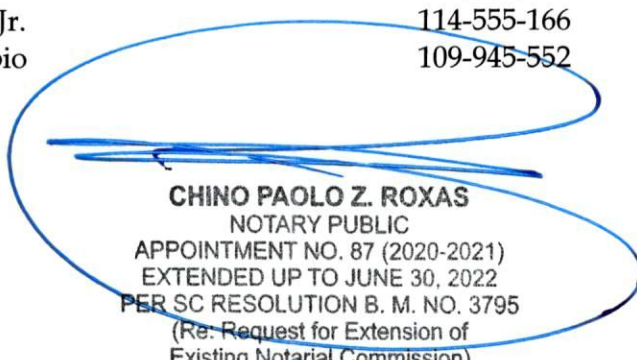
Affiant

Alfonso R. Reyno, Jr.
Jose Alvaro D. Rubio

TIN

114-555-166
109-945-552

Doc. No. 160;
Page No. 33;
Book No. X;
Series of 2022.



CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 87 (2020-2021)
EXTENDED UP TO JUNE 30, 2022
PER SC RESOLUTION B. M. NO. 3795
(Re: Request for Extension of
Existing Notarial Commission)
PTR No. 8132084/1-21-2022/PASIG
IBP No. 199958/1-19-2022/MAKATI
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
Winford Hotel and Casino, MJC Drive,
Sta. Cruz, Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in capital deficiency and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the parent company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the parent company 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 audit of the parent company 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.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the parent company has incurred continuing losses of ₱918.2 million and ₱567.2 million in 2021 and 2020, respectively, resulting to a capital deficiency of ₱1,101.6 million and ₱183.4 million as at December 31, 2021 and 2020, respectively. The COVID-19 outbreak and the measures taken have continually caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Consequently, the Parent Company's casino and hotel operations have also been disrupted, resulting to limited operations, until such time that the quarantine period is lifted. Furthermore, the parent company's current liabilities exceeded its current assets by ₱409.6 million and ₱423.8 million as at December 31, 2021 and 2020, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the parent company'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 parent company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 parent company'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 parent company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company 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 auditor's report. However, future events or conditions may cause the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

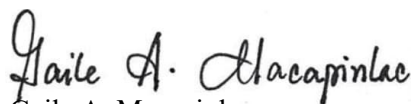
Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino]. The information has been subjected to the auditing procedures applied in our audit of the parent financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent financial statements taken as a whole.



The engagement partner on the audit resulting in this independent auditor's report is Gaile A. Macapinlac.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 13, 2022



MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and
Winford Hotel and Casino

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|--|------------------------|-----------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current Assets | | |
| Cash (Note 6) | ₱12,827,759 | ₱21,049,381 |
| Receivables (Note 7) | 219,869,736 | 204,082,822 |
| Inventories (Note 8) | 15,461,433 | 20,206,354 |
| Input value-added tax (VAT) - current (Note 9) | 13,405,199 | 10,927,769 |
| Other current assets (Note 10) | 90,731,796 | 114,073,654 |
| Total Current Assets | 352,295,923 | 370,339,980 |
| Noncurrent Assets | | |
| Property and equipment (Note 11) | 4,288,449,743 | 3,766,120,571 |
| Input VAT - net of current portion (Note 9) | 100,082,039 | 440,789,218 |
| Investment properties (Note 12) | — | 744,573,541 |
| Other noncurrent assets (Note 13) | 253,653,542 | 343,958,008 |
| Total Noncurrent Assets | 4,642,185,324 | 5,295,441,338 |
| TOTAL ASSETS | ₱4,994,481,247 | ₱5,665,781,318 |
| LIABILITIES AND CAPITAL DEFICIENCY | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities (Note 14) | ₱706,313,511 | ₱607,945,543 |
| Interest payable (Notes 15 and 21) | 51,445,063 | 40,233,541 |
| Retention payable (Note 11) | 4,120,784 | 7,934,014 |
| Current portion of loans payable (Note 15) | — | 138,039,293 |
| Total Current Liabilities | 761,879,358 | 794,152,391 |
| Noncurrent Liabilities | | |
| Deposits for future stock subscription (Notes 18 and 21) | 2,426,501,748 | 2,426,501,748 |
| Loans payable - net of current portion (Note 15) | 2,289,957,577 | 2,154,743,374 |
| Advances from stockholders (Note 21) | 611,505,320 | 436,314,585 |
| Other noncurrent liabilities (Notes 16 and 17) | 6,219,594 | 37,486,824 |
| Total Noncurrent Liabilities | 5,334,184,239 | 5,055,046,531 |
| Total Liabilities | 6,096,063,597 | 5,849,198,922 |
| Capital Deficiency | | |
| Capital stock (Note 22) | 3,174,405,821 | 3,174,405,821 |
| Deficit | (4,284,059,166) | (3,365,822,992) |
| Cumulative actuarial gains on retirement liability (Note 16) | 8,070,995 | 7,999,567 |
| Capital Deficiency | (1,101,582,350) | (183,417,604) |
| TOTAL LIABILITIES AND CAPITAL DEFICIENCY | ₱4,994,481,247 | ₱5,665,781,318 |

See accompanying Notes to Parent Company Financial Statements.



MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and
Winford Hotel and Casino

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|--|-------------------------|----------------|
| | 2021 | 2020 |
| REVENUE | | |
| Revenue share in gaming operations (Note 17) | ₱101,334,766 | ₱152,970,083 |
| Hotel | 52,181,980 | 24,059,292 |
| Food and beverage | 19,394,027 | 19,042,942 |
| Rental (Note 17) | 6,069,503 | 12,096,250 |
| Bingo operations | 1,644,386 | 8,915,161 |
| Other revenue | 39,361,638 | 4,275,109 |
| TOTAL REVENUE | 219,986,300 | 221,358,837 |
| OPERATING COSTS AND EXPENSES (Note 24) | (976,114,727) | (664,210,888) |
| OPERATING LOSS | (756,128,427) | (442,852,051) |
| OTHER INCOME (EXPENSES) | | |
| Interest expense and other financing charges (Notes 15, 17 and 21) | (162,510,644) | (148,507,290) |
| Interest income (Notes 6 and 10) | 256,488 | 2,138,149 |
| Miscellaneous income - net | 153,525 | 669,359 |
| Gain on reversal of allowance for ECL (Note 7) | — | 21,408,535 |
| | (162,100,631) | (124,291,247) |
| LOSS BEFORE INCOME TAX | (918,229,058) | (567,143,298) |
| PROVISION FOR INCOME TAX (Note 19) | (7,116) | (26,110) |
| NET LOSS | (918,236,174) | (567,169,408) |
| OTHER COMPREHENSIVE INCOME | | |
| <i>Item that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Remeasurement gain on defined benefit obligation (Note 16) | 71,428 | 7,712,363 |
| TOTAL COMPREHENSIVE LOSS | (₱918,164,746) | (₱559,457,045) |
| Basic/Diluted Loss Per Share (Note 23) | ₱0.289 | ₱0.179 |

See accompanying Notes to Parent Company Financial Statements.



MJC INVESTMENTS CORPORATION**Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino****PARENT COMPANY STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY****FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | Capital Stock (Note 22) | Deficit | Cumulative Actuarial gains on retirement liability (Note 16) | Total |
|--------------------------------------|-----------------------------------|-------------------------|--|-------------------------|
| BALANCES AT DECEMBER 31, 2019 | ₱3,174,405,821 | (₱2,798,653,584) | ₱287,204 | ₱376,039,441 |
| Net loss | — | (567,169,408) | — | (567,169,408) |
| Other comprehensive income (Note 16) | — | — | 7,712,363 | 7,712,363 |
| Total comprehensive income (loss) | — | (567,169,408) | 7,712,363 | (559,457,045) |
| BALANCES AT DECEMBER 31, 2020 | 3,174,405,821 | (3,365,822,992) | 7,999,567 | (183,417,604) |
| Net loss | — | (918,236,174) | — | (918,236,174) |
| Other comprehensive income (Note 16) | — | — | 71,428 | 71,428 |
| Total comprehensive income (loss) | — | (918,236,174) | 71,428 | (918,164,746) |
| BALANCES AT DECEMBER 31, 2021 | ₱3,174,405,821 | (₱4,284,059,166) | ₱8,070,995 | (₱1,101,582,350) |

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|--------------------------------|---------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (P918,229,058) | (P567,143,298) |
| Adjustments for: | | |
| Depreciation and amortization (Notes 11, 12, 13 and 24) | 244,264,609 | 280,288,947 |
| Interest expense and other financing charges (Notes 15, 17 and 21) | 162,510,644 | 148,507,290 |
| Interest income (Notes 6 and 10) | (256,488) | (2,138,149) |
| Retirement benefit expense (Notes 16 and 24) | 990,114 | 1,341,597 |
| Unrealized foreign exchange loss (gain) | (111,885) | 84,472 |
| Operating loss before working capital changes | (510,832,064) | (139,059,141) |
| Decrease (increase) in: | | |
| Receivables | (15,786,914) | 13,217,714 |
| Inventories | 4,744,921 | 4,954,894 |
| Input VAT | 338,229,749 | (16,318,241) |
| Other current assets | (12,107,060) | 1,613,074 |
| Increase (decrease) in: | | |
| Accounts payable and other current liabilities | 98,367,968 | 88,718,548 |
| Retention payable | (3,813,230) | (861,664) |
| Other noncurrent liabilities | (33,392,911) | (5,192,120) |
| Net cash used for operations | (134,589,541) | (52,926,936) |
| Income taxes paid | (7,116) | (26,110) |
| Interest received (Notes 6 and 10) | 256,488 | 2,138,149 |
| Net cash flows used in operating activities | (134,340,169) | (50,814,897) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment (Note 11) | (21,205,283) | (13,802,781) |
| Decrease in other noncurrent assets (Note 13) | 89,489,509 | 59,433,917 |
| Net cash flows provided by investing activities | 68,284,226 | 45,631,136 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of loan (Note 15): | | |
| Interest and other financing charges | (144,631,290) | (130,067,342) |
| Principal | — | (47,100,000) |
| Decrease in restricted cash (Notes 10 and 15) | 35,448,918 | 59,708,998 |
| Proceeds from advances from stockholders (Note 21) | 166,904,808 | 102,704,215 |
| Net cash flows provided by (used in) financing activities | 57,722,436 | (14,754,129) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 111,885 | (84,472) |
| NET DECREASE IN CASH | (8,221,622) | (20,022,362) |
| CASH AT BEGINNING OF YEAR | 21,049,381 | 41,071,743 |
| CASH AT END OF YEAR (Note 6) | P12,827,759 | P21,049,381 |

See accompanying Notes to Parent Company Financial Statements.



MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) is incorporated in the Philippines. The Parent Company was incorporated on July 12, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955.

The Parent Company's primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

| Date | Corporate Name |
|--------------------|---|
| February 12, 1997 | Ebecom Holdings, Inc. |
| September 25, 2003 | Aries Prime Resources, Inc. |
| September 30, 2008 | MJCI Investments, Inc. |
| October 15, 2009 | MJC Investments Corporation |
| June 29, 2015 | MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino |

The registered office address of the Parent Company is Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of 10 years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. On November 25, 2015, PAGCOR extended the term of the PTO to 15 years commencing from the start of commercial operations of PAGCOR San Lazaro (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, Trafalgar Square Leisure Corporation (TSLC), in the Philippines and registered with the Philippine SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of ₱1.00 per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related



services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro. On August 1, 2019, the junket agreement between TSLC and PAGCOR expired and was no longer renewed. (see Note 2).

Status of Operations

Gaming Operations

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed community quarantines. The Office of the President issued several directives for the classification of each of the cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

Philippine Amusement Gaming Corporation (PAGCOR) issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila. On June 16, 2020, the casino has resumed its operations as approved by PAGCOR at 30% capacity and eight-hour daily operations until July 3, 2020. On July 4, 2020, the casino operation moved to temporarily cease operations until August 20, 2020. On August 21, 2020, the casino has again resumed limited operation and subsequently, on November 23, 2020 it has been allowed to operate at 24-hours until re-imposition of enhance community quarantine on March 29, 2021. Casino operations has been suspended from March 29, 2021 until April 30, 2021. On May 1, 2021, upon imposition of modified enhanced community quarantine in Metro Manila, PAGCOR and Inter-agency Task Force (IATF) have allowed the casino to resume 12 hours operations at 50% capacity and on an invitational basis only until May 31, 2021. On June 1, 2021, it has been downgraded to general community quarantine until August 5, 2021 hence the casino can operate for 24 hours. On July 29, 2021, the IATF has again placed Metro Manila on enhanced community quarantine from August 6 to 20, 2021. On November 18, 2021, IATF has implemented revised guidelines for the country's COVID-19 restrictions and response allowing casino operations to operate in areas under Alert Level 2.

As of the date of the auditor's report, the Parent Company has not yet resumed its full operation of the casino as a result of the PAGCOR and IATF memorandum.

Hotel Operations

On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism (DOT). The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. DOT has not yet allowed the Parent Company to accommodate leisure booking and is currently operating as a quarantine facility for returning overseas Filipino workers as booked by OWWA (Overseas Workers Welfare Administration), front liners, and off-signers crew from shipping companies.

While the permit to accept leisure bookings is currently pending DOT approval, MIC is operating as Multi-Use Hotels (MUH) and is authorized to accept essential and business bookings. Banquet events that require the use of MIC facilities such as the ballroom and function rooms for events like conferences and weddings are also permitted, with strict adherence to safety protocols.



For the years ended December 31, 2021 and 2020, the Parent Company reported net losses of ₱ 918.2 million and ₱ 567.2 million, respectively, which resulted to capital deficiency of ₱1,101.6 million and ₱183.4 million as at December 31, 2021 and 2020, respectively. Furthermore, the Parent Company's current liabilities exceeded its current assets by ₱409.6 million and ₱423.8 million as at December 31, 2021 and 2020, respectively.

These conditions indicate a material uncertainty exists that may cast significant doubts on the Parent Company's ability to continue as a going concern and, therefore, that the Parent Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management will continue to carry out activities to pursue business opportunities related to its gaming, hotel, and rental operations. The Parent Company is also closely working with PAGCOR for its operations and exploring new business opportunities such as on-going renovation to increase casino floor area to accommodate more players. The Parent Company also implemented certain cost-saving measures in 2020 and 2021 to reduce its fixed and variable costs and the management will continue to implement this in 2022.

Moreover, the Parent Company's ability to continue as a going concern is dependent on the commitment to defer payment of advances from related parties and stockholders and waiver of management service fees. On July 30, 2021, a credit line facility was extended by a local bank to the Parent Company (see Note 15) and is valid until July 30, 2022. The Parent Company's stockholders and related parties undertake to provide continuing financial support to enable the Parent Company to meet its obligations as and when they fall due and there is a reasonable expectation that the adequate funding will become available when necessary. Furthermore, to promptly address the Parent Company's capital deficiency, the BOD in its resolution dated May 13, 2022, requested the principal stockholders to confirm their intention and agreement to convert the deposits for future stock subscription, aggregating to ₱2,426.5 million, into equity through the issuance of new shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements (see Note 18). Accordingly, the parent company financial statements have been prepared on a going concern basis.

Authorization for the Issuance of the Parent Company Financial Statements

The accompanying parent company financial statements as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) on May 13, 2022.

2. Agreements with PAGCOR

The following are the significant contracts entered by the Parent Company with PAGCOR:

a. PTO granted to the Parent Company

As discussed in Note 1 to the parent company financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, in accordance with the provisions of the PTO.



The agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.

For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross gaming revenues after deducting the players' winnings/prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

Upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree (P.D.) 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, the Parent Company's revenue share in gaming operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the "PAGCOR Charter". Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

b. Traditional Bingo Operation of the Parent Company

On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

In accordance with PAGCOR memorandum, bingo operation was temporarily suspended since March 13, 2020. On December 1, 2021, the Parent Company has resumed its bingo operations on an invitational basis only.

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

The Parent Company financial statements are prepared using the historical cost basis. The Parent Company financial statements are presented in Philippine Peso (Peso or ₱), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.



Statement of Compliance

The Parent Company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include both standard titles PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Philippine Financial Reporting Standards Council (FRSC).

4. Summary of Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements of the Group.

- **Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021***

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- **Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2***

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component



The Parent Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its Parent Company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments will apply when the Parent Company sells its property and equipment in the future.



- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.



An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Parent Company is currently assessing the impact of the amendments.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.



Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.



Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Parent Company is still assessing the impact of the amendments.

5. Summary of Significant Accounting and Financial Reporting Policies, Significant Accounting Judgments, Estimates and Assumptions

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the Parent Company statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities. Retirement assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost (AC) are disclosed in Note 26.



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments – Classification and Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of Financial Assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss



Contractual Cash Flows Characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model

The Parent Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Company's business model does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at AC

A financial asset is measured at AC if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at AC include cash, receivables (excluding "advances from employees"), deposits (presented as part of "Other current assets" in the parent company financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the parent company financial statements).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statements of comprehensive income.



Additionally, even if the asset meets the AC or the FVOCI criteria, the Parent Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Parent Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of December 31, 2021 and 2020, the Parent Company does not have financial assets at FVTPL.

Financial Assets at FVOCI

Debt Instruments

A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2021 and 2020, the Parent Company does not have debt instruments at FVOCI.

Equity instruments

The Parent Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of December 31, 2021 and 2020, the Parent Company does not have equity instruments at FVOCI.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the or asset.



Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Loss Allowance

For cash in banks, the Parent Company applies a general approach in calculating ECLs. The Parent Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For receivables, deposits and long-term deposits, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy

The Parent Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Classification of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at AC (loans and borrowings)



The Parent Company's financial liabilities include accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Parent Company has not designated any financial liability at FVTPL.

Financial liabilities at AC (loans and borrowings)

This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings, accounts payable and other current liabilities, interest payable, retention payables, and advances from stockholders.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss in the parent company statement of comprehensive income.

Exchange or modification of financial liabilities

The Parent Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the



original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Parent Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of Financial Instruments

The Parent Company reclassifies its financial instruments when, and only when, there is a change in the business model for managing the financial instruments. Reclassifications shall be applied prospectively by the Parent Company and any previously recognized gains, losses or interest shall not be restated. The Parent Company does not reclassify its financial instruments.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash

Cash in the Parent Company statements of financial position comprises cash on hand and cash in banks.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for using the first-in/first-out basis. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statements of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT," "Deferred input VAT," or "Accounts payables and other current liabilities" in the parent company statements of financial position.



Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months of within the normal operating cycle.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Parent Company. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under “Other current assets” in the parent company statement of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment, except land, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Parent Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the parent company statement of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

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

| | Useful Lives in Years |
|---|-----------------------|
| Building | 30 |
| Machinery | 10 |
| Non-gaming equipment | 5 |
| Kitchen and bar equipment, computer software and hardware | 3 |

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the parent company statement of comprehensive income when the asset is derecognized.

Investment Properties

The Parent Company’s investment properties consist of building held for lease. Investment properties are measured initially cost, including transaction costs and subsequently measured at cost less any accumulated depreciation and impairment.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line basis over the estimated remaining useful life of 26 years.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.



Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Parent Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Advances to Contractors and Suppliers

Advances to contractors and suppliers are noninterest bearing down payments which are applied against progress billings by the contractors and suppliers. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the parent company statement of financial position.

Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets") includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over three years.

Impairment of Nonfinancial Assets

The Parent Company assesses, at each reporting date, whether there is an indication that the non-financial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Parent Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Parent Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract liabilities include payments received by the Parent Company from the customers for which revenue recognition has not yet commenced. Accordingly, hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. Contract liabilities as of December 31, 2021 and 2020 are recognized under "Accounts payable and other current liabilities" in the parent company financial statements.

Retention Payable

Retention payable represents the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.



Deposits for Future Stock Subscription

Deposits for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Parent Company's own equity instruments and presented in the noncurrent liabilities section of the parent company statement of financial position. These are measured at cost and are reclassified to capital stock upon issuance of shares.

In accordance with Financial Reporting Bulletin (FRB) No. 6 issued by the SEC, the following elements should be present as of the reporting date in order for the deposits for future stock subscriptions to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit

Deficit pertains to accumulated gains and losses and may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue Recognition

The Parent Company's revenue from contracts with customers primarily consist of hotel accommodation services, food and beverage, bingo services and other revenue. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has generally concluded that it is the principal in its revenue arrangements.

Revenue Share in Gaming Operations

Revenue share in gaming operations represents a certain percentage share of gross winnings after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Parent Company's gaming facilities and gaming equipment.

Revenue from Hotel

Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage

Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.



Revenue from Bingo Operations

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. Revenue is recognized at point in time upon the conduct of the bingo operations.

Rental Income

Rental revenue from the leasing of insignificant portion of the hotel (classified as Property and Equipment) held under operating lease are recognized on a straight-line basis over the periods of the respective leases.

Other Revenue

Other revenue consists of tobacco sales, laundry services, parking fees, charges for utilities consumed by lessee and income from junket operations.

Interest Income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points

The Parent Company operates loyalty program to encourage repeat business mainly from loyal slot machine customers and table game patrons. Members earn points primarily based on gaming activities and such points can be redeemed for goods and services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Parent Company's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Parent Company). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Operating Costs and Expenses

Costs and expenses are recognized in the parent company statement of comprehensive income upon utilization of the service or at the date they are incurred.

Gaming Fees

As a grantee of PAGCOR, the Parent Company is required to pay PAGCOR a percentage of its gross receipts from bingo operations. These fees are recorded as part of "Gaming fees" under "Operating costs and expenses".

Income Tax

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if and only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Retirement Benefits

The Parent Company does not have an established retirement plan and only conform with Republic Act (RA) 7641, *Retirement Pay Law*, which is a defined benefit type.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.



Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and re-measurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Leases

Parent Company as a Lessor - Operating lease

Lease in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Parent Company as a Lessor - Finance lease

Lease in which the Parent Company transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

- a. ownership of the asset to the lessee by the end of the lease term.
- b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
- d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as a Lessee

The Parent Company has not entered into any lease arrangement other than short-term leases of which the Parent Company applies the short-term lease recognition exemption. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.



Lease Modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

Segment Reporting

For management purposes, the Parent Company is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Parent Company reports its segment information presented in Note 25.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the



report date of the parent company financial statements. Actual results could differ from the estimates and assumptions used. The effects of any change in estimates or assumptions are reflected in the parent company financial statements when these become reasonably determinable.

Estimates and judgments 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.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the parent company financial statements:

Assumption on Going Concern

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management believes that it will be able to generate positive cash flows and has obtained from its creditor banks the approval to defer loan payments and credit facilities. The Parent Company's stockholders and related parties undertake to provide continuing financial support to enable the Group to meet its obligations as and when they fall due and there is a reasonable expectation that the adequate funding will become available when necessary. In making this judgment, the Parent Company evaluates among other factors, existing and committed cash reserves, challenges imposed by the COVID-19 pandemic, current run-rate performance of the business as well as expected future performance based on internal models informed by competitive market dynamics and macroeconomic factors. Accordingly, the financial statements are prepared on a going concern basis since management has concrete plans with regards to the Parent Company as disclosed in Note 1.

Transfer of Investment Properties

The Parent Company has made transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

In 2020, the Parent Company has an existing lease agreement with a third party to lease and convert the parking and roof-deck area of Winford Hotel and Casino into an office space for lease. In 2021, the lease agreement was terminated. Thus, the Parent Company reclassified investment properties amounting to ₱714.8 million from investment properties to property and equipment (see Notes 11, 12 and 17).

Evaluating Lease Commitments

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

Parent Company as the Lessor - Operating Lease Commitments

The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value



at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Parent Company as the Lessor - Finance Lease Commitments

The Parent Company has entered into agreements with PAGCOR involving its gaming equipment. The Parent Company has determined that the lease term is for the major part of the asset's economic life. In calculating the present value of the minimum lease payments to measure the finance lease receivable at initial recognition, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the lessee's incremental borrowing rate is used. Initial direct costs incurred, if any, are included as part of the asset.

Revenue from Contracts with Customers

The Parent Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying of contracts with customers under PFRS 15*
The Parent Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Parent Company reasonably expects that the effects on the parent company financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.
- *Identifying performance obligations*
The Parent Company provides hotel services, food and beverage sales, bingo services and other sales and services to its customers. The Parent Company has determined that each of the services are capable of being distinct.

Recognition of Deferred Tax Assets

The Parent Company makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

From the casino operations, no deferred tax assets will be recognized since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

From its hotel and rental operations as of December 31, 2021 and 2020, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

Estimates and Assumptions

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

Definition of Default and Credit-Impaired Financial Assets

Upon adoption of PFRS 9, the Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*
The borrower is more than 90 days past due on its contractual payments, which is consistent with the Parent Company's definition of default.



- *Qualitative Criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- a) The borrower is experiencing financial difficulty or is insolvent;
- b) The borrower is in breach of financial covenant(s);
- c) Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
- d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Parent Company's ECL calculation.

Simplified Approach for Receivables

The Parent Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of Instruments for Losses Measured on Collective Basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Macro-economic Forecasts and Forward-looking Information

Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Parent Company takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past three years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

In light of COVID-19 pandemic, the Parent Company reviewed the conduct of its impairment assessment and ECL methodology. The Parent Company also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Allowance for expected credit losses as of December 31, 2021 and 2020 amounted to ₱218.4 million and ₱215.7 million, respectively. The carrying amounts of receivables (including "Receivable arising from PTO related to gaming equipment – net of current portion" presented as part of "Other Noncurrent Assets") for which the management believes to be recoverable amounted to ₱461.5 million and ₱535.2 million as at December 31, 2021 and 2020, respectively (see Notes 7 and 13).



Estimation of the Useful Lives of Property and Equipment and Investment Properties

The useful lives of each of the Parent Company's property and equipment and investment properties are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and 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. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment and investment property would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment in 2021 and 2020. The carrying value of property and equipment and investment properties as of December 31, 2021 and 2020 are disclosed in Notes 11 and 12 to the parent company financial statements, respectively.

Impairment of Property and Equipment and Investment Properties (in 2020)

The Parent Company determines whether its property and equipment and investment properties are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for an individual assets, or if possible, for the CGU to which the asset belongs, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The factors that the Parent Company considers important which could trigger an impairment review include the following, among others:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of acquired assets or the overall business strategy; and
- significant impact of COVID-19 outbreak in the industry or economic trends.

As a result of the continuing community quarantines and restricted travel, the Parent Company's revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. In addition, the lessee's operations have not yet commenced due to the suspension of its construction activities in the Parent Company's investment properties, brought about by the COVID-19 pandemic. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

The Parent Company estimates the recoverable amount of the property and equipment and investment properties based on value in use. For property and equipment, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

For investment properties in 2020, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against the relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. The forecasted costs and expenses are based on the Parent Company's historical performance and current market conditions.



Based on the Parent Company's impairment testing, no impairment loss was recognized for the years ended December 31, 2021 and 2020. The net book values of the Parent Company's property and equipment and investment properties amounted to ₱4,288.4 million and nil million, respectively, as of December 31, 2021; and ₱3,766.1 million and ₱744.6 million, respectively, as of December 31, 2020 (see Notes 11 and 12).

Impairment of Input VAT

The determination of the Parent Company's recoverability of Input VAT is based on the Parent Company's assessment of its projected operating results taking into consideration the significant impact of COVID-19 pandemic in the industry. The Parent Company assessed that the current portion of input VAT amounting to ₱13.4 million is recoverable within the next 12 months from the reporting date and non-current portion amounting to ₱100.1 million is recoverable for the years thereafter (see Note 9). In 2021, due to the termination of the lease agreement with a third party, which is expected to generate revenues subject to output VAT, the Parent Company recorded an impairment loss amounting to ₱360.8 million (see Notes 9 and 17).

Retirement Benefits

The determination of the Parent Company's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Parent Company's actuary in calculating such amounts. Those assumptions, which include among others, discount rate and future salary increase rate, are described in Note 16 to the parent company financial statements.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases, and retirement increases are based on expected future inflation rates.

Information on the Parent Company's retirement benefits are presented in Note 16 to the parent company financial statements.

6. Cash

| | 2021 | 2020 |
|---------------|--------------------|-------------|
| Cash on hand | ₱2,170,124 | ₱1,910,279 |
| Cash in banks | 10,657,635 | 19,139,102 |
| | ₱12,827,759 | ₱21,049,381 |

Cash in banks generally earns interest at the respective bank deposit rates.

Interest income earned from cash in banks amounted to ₱35,536 and ₱127,046 in 2021 and 2020, respectively.



7. Receivables

| | 2021 | 2020 |
|---|----------------------|---------------|
| Trade: | | |
| Non-related parties | ₱97,082,820 | ₱67,149,684 |
| Related parties (Note 21) | 418,347 | 418,347 |
| Nontrade (Note 11) | 125,681,357 | 125,681,357 |
| Advances to related parties (Note 21) | 97,158,358 | 114,441,618 |
| Receivable arising from PTO related to: | | |
| Gaming equipment (Note 17) | 89,949,636 | 80,983,264 |
| Gaming facility | 21,786,996 | 27,839,504 |
| Advances to employees | 6,164,189 | 3,246,805 |
| | 438,241,703 | 419,760,579 |
| Less: Allowance for ECL | (218,371,967) | (215,677,757) |
| | ₱219,869,736 | ₱204,082,822 |

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables are usually collected within 30 to 60 days.

Nontrade receivables mainly pertain to noninterest bearing receivable from a third party for consideration related to certain disposed assets.

Receivable arising from PTO pertains to the outstanding balance of the Parent Company's revenue share in gaming operations related to gaming facility and gaming equipment after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Parent Company within 15 days of the following month in accordance with the PTO.

Allowance for ECL

The following table shows the rollforward of the allowance for ECL on trade receivables from non-related parties and nontrade receivables as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|------------------------------|---------------------|--------------|
| Balance at beginning of year | ₱215,677,757 | ₱229,124,817 |
| Provision (see Note 24) | 2,694,210 | 7,961,475 |
| Reversals | – | (21,408,535) |
| | ₱218,371,967 | ₱215,677,757 |

In 2020, the Parent Company received partial payment of ₱4.4 million for a previously impaired receivables from TSLC amounting to ₱21.4 million. Consequently, the Parent Company assessed to reverse the allowance as it now expects to collect the full amount of the receivable. In 2021, the Parent Company collected the remaining balance of the said receivable.



8. Inventories

| | 2021 | 2020 |
|-----------------------------|--------------------|-------------|
| At cost: | | |
| Operating supplies | ₱11,678,280 | ₱15,784,488 |
| Food, beverage, and tobacco | 3,783,153 | 4,421,866 |
| | ₱15,461,433 | ₱20,206,354 |

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized as at December 31, 2021 and 2020.

9. Input VAT

| | 2021 | 2020 |
|--|---------------------|--------------|
| Input VAT – current | ₱13,405,199 | ₱10,927,769 |
| Noncurrent: | | |
| Input VAT - noncurrent | 447,327,279 | 427,061,029 |
| Deferred input VAT | 13,515,163 | 13,728,189 |
| | 460,842,442 | 440,789,218 |
| Less: Allowance for impairment of input VAT | 360,760,403 | – |
| | 100,082,039 | 440,789,218 |
| | ₱113,487,238 | ₱451,716,987 |

Input VAT pertains mainly to the Parent Company's purchase of goods and services which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

Allowance for Impairment of Input VAT

In 2021, the Parent Company recognized allowance for impairment of input VAT amounting to ₱360.8 million.

10. Other Current Assets

| | 2021 | 2020 |
|---------------------------|--------------------|--------------|
| Restricted cash (Note 15) | ₱68,113,713 | ₱103,562,631 |
| Prepayments | 14,443,024 | 5,590,782 |
| CWT | 8,175,059 | 4,920,241 |
| | ₱90,731,796 | ₱114,073,654 |

Restricted cash are interest-bearing special bank accounts which are solely being used to maintain funding for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15). Total interest income earned from restricted cash amounted to ₱0.2 million and ₱2.0 million in 2021 and 2020, respectively.



Prepayments pertain to advance payments for software maintenance, advertising services and health insurance, operating supplies and security services.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Parent Company.



11. Property and Equipment

| 2021 | | | | | | |
|--|---------------------|-----------------------|---------------------|----------------------|---|-----------------------|
| | Land | Building | Machinery | Non-gaming equipment | Kitchen and bar equipment, computer software and hardware | Total |
| Cost | | | | | | |
| Balance at beginning of year | ₱600,800,000 | ₱3,498,790,353 | ₱221,699,406 | ₱466,156,794 | ₱639,907,811 | ₱5,427,354,364 |
| Additions | — | 12,726,983 | 7,483,019 | 470,033 | 525,248 | 21,205,283 |
| Transfers from investment properties (Note 12) | — | 714,790,600 | — | — | — | 714,790,600 |
| Balance at end of year | 600,800,000 | 4,226,307,936 | 229,182,425 | 466,626,827 | 640,433,059 | 6,163,350,247 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | — | 536,976,508 | 100,146,327 | 396,672,103 | 627,438,855 | 1,661,233,793 |
| Depreciation (Note 24) | — | 120,206,830 | 22,086,928 | 62,929,459 | 8,443,494 | 213,666,711 |
| Balance at end of year | — | 657,183,338 | 122,233,255 | 459,601,562 | 635,882,349 | 1,874,900,504 |
| Net book value | ₱600,800,000 | ₱3,569,124,598 | ₱106,949,170 | ₱7,025,265 | ₱4,550,710 | ₱4,288,449,743 |

| 2020 | | | | | | |
|---------------------------------|---------------------|-----------------------|---------------------|----------------------|---|-----------------------|
| | Land | Building | Machinery | Non-gaming equipment | Kitchen and bar equipment, computer software and hardware | Total |
| Cost | | | | | | |
| Balance at beginning of year | ₱600,800,000 | ₱3,489,843,089 | ₱221,699,406 | ₱464,754,666 | ₱636,454,422 | ₱5,413,551,583 |
| Additions | — | 8,947,264 | — | 1,402,128 | 3,453,389 | 13,802,781 |
| Balance at end of year | 600,800,000 | 3,498,790,353 | 221,699,406 | 466,156,794 | 639,907,811 | 5,427,354,364 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | — | 417,459,176 | 76,342,833 | 302,716,169 | 614,946,589 | 1,411,464,767 |
| Depreciation (Note 24) | — | 119,517,332 | 23,803,494 | 93,955,934 | 12,492,266 | 249,769,026 |
| Balance at end of year | — | 536,976,508 | 100,146,327 | 396,672,103 | 627,438,855 | 1,661,233,793 |
| Net book value | ₱600,800,000 | ₱2,961,813,845 | ₱121,553,079 | ₱69,484,691 | ₱12,468,956 | ₱3,766,120,571 |



As of December 31, 2021 and 2020, land and building, presented as part of property and equipment and investment properties, with an aggregate carrying values of ₱4.2 billion and ₱4.3 billion were pledged as collateral for the loan facility, respectively (see Note 15).

The cost of fully depreciated property and equipment which are still in use amounted to ₱743.7 million and ₱725.4 million as of December 31, 2021 and 2020, respectively.

In 2019, the Parent Company sold kitchen and bar equipment which resulted to a gain of ₱13.4 million. Proceeds from sale of kitchen and bar equipment is recorded as part of “Nontrade receivables” in the parent company statements of financial position as of December 31, 2021 and 2020, respectively (see Note 7).

As of December 31, 2021 and 2020, the Parent Company has outstanding retention payable to its service providers related to renovation and improvements to the building amounting to ₱4.1 million and ₱7.9 million, respectively.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the Parent Company’s revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment.

In 2021 and 2020, the Parent Company’s estimates the recoverable amount of the property and equipment based on value in use. The value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

Based on the Parent Company’s impairment assessment, no impairment loss was recognized in 2021 and 2020 (see Note 5).

12. Investment Properties

In 2019, the Parent Company entered into a lease agreement with a third party to lease and convert the parking and roof-deck area of Winford Hotel and Casino, with a total area of 15,718 sqm, into an office space for lease (see Note 17). Upon execution of the lease agreement, the Parent Company reclassified the portion of the property and equipment held for lease into “Investment properties” amounting to ₱781.8 million.

In 2021, as a result of cancellation of the lease agreement with a third party, the Parent Company reclassified the investment properties amounting to ₱714.8 million to “Property and equipment” account (see Note 11).



Details of the carrying amount of investment properties are shown below:

| | 2021 | 2020 |
|---|----------------------|---------------------|
| Cost | | |
| Balance at beginning of year | ₱781,802,218 | ₱781,802,218 |
| Transfers to property and equipment (Note 11) | (714,790,600) | — |
| Balance at end of year | 67,011,618 | 781,802,218 |
| Accumulated Depreciation | | |
| Balance at beginning of year | 37,228,677 | 7,445,736 |
| Depreciation (Note 24) | 29,782,941 | 29,782,941 |
| Balance at end of year | 67,011,618 | 37,228,677 |
| Net Book Value | ₱— | ₱744,573,541 |

No rental income was recognized in 2021 and 2020. Operating expenses related to the investment properties amounted to ₱8.2 million and ₱8.0 million in 2021 and 2020 respectively, which pertains mainly to real property taxes. There were no significant repairs and maintenance made to maintain the Parent Company's investment properties in 2021 and 2020.

Fair Market Values

As at December 31, 2020, the aggregate fair value of the Parent Company's investment properties amounted to ₱749.4 million. Fair values of the investment properties as of April 28, 2021 have been determined based on valuation performed by qualified independent professional appraisers using cost approach for building. This means that valuations performed by qualified independent appraisers are depreciated replacement cost which is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. An estimate in calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources and adding the indirect costs attributed to the improvement has been made. This is included under Level 3 of the fair value hierarchy.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the third-party lessee's operations have not yet commenced due to the suspension of its construction activities in the Parent Company's investment properties. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

In 2020, the Parent Company estimates the recoverable amount of the investment properties based on value in use. Value in use calculations for investment properties uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flow relating to its lease contract, taking into consideration the impact associated with the COVID-19 pandemic. The forecasted costs and expenses are based on the Parent Company historical performance and current market conditions.

Based on the Parent Company impairment assessment on investment properties, no impairment loss was recognized in 2020.



13. Other Noncurrent Assets

| | 2021 | 2020 |
|--|---------------------|--------------|
| Receivable arising from PTO related to gaming equipment - net of current portion (Note 17) | ₱241,616,356 | ₱331,107,901 |
| Long-term deposits | 6,267,386 | 6,267,386 |
| Advances to contractors and suppliers | 4,779,331 | 4,779,331 |
| Operating equipment | 990,469 | 1,803,390 |
| Investment in a subsidiary (Note 1) | — | — |
| | ₱253,653,542 | ₱343,958,008 |

Long-term deposits pertain to guarantee payment for utility bills.

Investment in a subsidiary represents the Parent Company's investment in TSLC carried at cost, which has been fully provided with allowance for impairment due to non-operation (see Note 1).

Movement in operating equipment follows:

| | 2021 | | | |
|---------------------------------|--------------------|--------------------|-------------------|---------------------|
| | Utensils | Linens | Uniforms | Total |
| Cost | | | | |
| Balance at beginning of year | ₱23,562,076 | ₱72,633,142 | ₱4,925,713 | ₱101,120,931 |
| Additions | — | — | 2,036 | 2,036 |
| Balance at end of year | 23,562,076 | 72,633,142 | 4,927,749 | 101,122,967 |
| Accumulated amortization | | | | |
| Balance at beginning of year | 23,562,076 | 71,143,836 | 4,611,629 | 99,317,541 |
| Amortization (Note 24) | — | 631,485 | 183,472 | 814,957 |
| Balance at end of year | 23,562,076 | 71,775,321 | 4,795,101 | 100,132,498 |
| Net book value | ₱— | ₱857,821 | ₱132,648 | ₱990,469 |

| | 2020 | | | |
|---------------------------------|-------------------|-------------------|------------------|--------------------|
| | Utensils | Linens | Uniforms | Total |
| Cost | | | | |
| Balance at beginning of year | ₱23,562,076 | ₱70,917,497 | ₱4,816,363 | ₱99,295,936 |
| Additions | — | 1,715,645 | 109,350 | 1,824,995 |
| Balance at end of year | 23,562,076 | 72,633,142 | 4,925,713 | 101,120,931 |
| Accumulated amortization | | | | |
| Balance at beginning of year | 23,562,076 | 70,816,300 | 4,202,185 | 98,580,561 |
| Amortization (Note 24) | — | 327,536 | 409,444 | 736,980 |
| Balance at end of year | 23,562,076 | 71,143,836 | 4,611,629 | 99,317,541 |
| Net book value | ₱— | ₱1,489,306 | ₱314,084 | ₱1,803,390 |



14. Accounts Payable and Other Current Liabilities

| | 2021 | 2020 |
|---|---------------------|--------------|
| Accounts payable | ₱360,220,378 | ₱364,240,946 |
| Accrued expenses | 236,819,853 | 155,861,011 |
| Gaming liabilities | 48,156,968 | 39,147,990 |
| Taxes payable | 18,241,546 | 4,507,968 |
| Contract liabilities | 16,099,010 | 16,558,725 |
| Advances from related parties (Note 21) | 4,982,104 | 4,982,104 |
| Others | 21,793,652 | 22,646,799 |
| | ₱706,313,511 | ₱607,945,543 |

Accounts payable are noninterest bearing and are normally settled within 30 to 60 days after the billing was received.

Accrued expenses pertain to accrual of payroll, other employee benefits, utilities, travel and transportation, meeting and conferences, security services and service fees, professional fees, real property tax, among others, which are normally settled in the next financial year.

Gaming liabilities include provision for progressive jackpot on slot machine and for points earned from loyalty programs.

Taxes payable pertains to taxes withheld by the Parent Company from its contractors and suppliers from payments made mainly in relation to the construction of building and output VAT.

Contract liabilities pertain to hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. The revenue recognized from prior year performance obligations amounted to ₱14.7 million and ₱4.1 million in 2021 and 2020, respectively.

Others include deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

15. Loans Payable

| | 2021 | 2020 |
|--|-----------------------|----------------|
| Principal | ₱2,307,900,000 | ₱2,307,900,000 |
| Less unamortized debt discount | (17,942,423) | (15,117,333) |
| | 2,289,957,577 | 2,292,782,667 |
| Less current portion of long-term debt | — | (138,039,293) |
| | ₱2,289,957,577 | ₱2,154,743,374 |

The movements in the principal balance of loans payable are as follows:

| | 2021 | 2020 |
|------------------------------|-----------------------|----------------|
| Balance at beginning of year | ₱2,307,900,000 | ₱2,355,000,000 |
| Payment | — | (47,100,000) |
| Balance at end of year | ₱2,307,900,000 | ₱2,307,900,000 |



The movements in the unamortized debt discount are as follows:

| | 2021 | 2020 |
|--|--------------------|-------------|
| Unamortized debt discount at beginning of year | ₱15,117,333 | ₱17,362,110 |
| Additions* | 6,011,948 | 1,966,404 |
| Amortization | (3,186,858) | (4,211,181) |
| Unamortized debt discount at end of year | ₱17,942,423 | ₱15,117,333 |

*This includes adjustments related to loan contract modification.

Future repayment of the principal as follows:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Within one year | ₱— | ₱141,300,000 |
| After one year but not more than five years | 2,307,900,000 | 2,166,600,000 |
| | ₱2,307,900,000 | ₱2,307,900,000 |

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax (the “Original Loan”). The proceeds from this loan were initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. Subsequently, in April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Debt issue costs for both loans include documentary stamp tax amounting to ₱17.5 million and upfront fees amounting to ₱17.5 million. Both loans will mature on November 27, 2022.

On November 22, 2019, the Parent Company entered into 7-year loan agreement amounting to ₱2.4 billion with another local bank. This loan has an interest rate of 7-year Philippine Bloomberg Valuation Service (BVAL) Reference Rates plus 125 basis points at drawdown date, plus gross receipts tax (the “New Loan”). Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The loan proceeds were used to refinance the outstanding balance of its ₱3.5 billion loan, fund the Parent Company’s debt service accounts and finance related expenses for general corporate purposes.

On November 27, 2019, the Parent Company drew the full amount under the New Loan, receiving proceeds of ₱2.3 billion, net of related debt issue cost of ₱17.7 million. As a result, the Parent Company derecognized the Original Loan together with the unamortized debt issue cost and recognized prepayment penalty aggregating ₱34.8 million.

In June 2020, in light of the COVID-19 pandemic, the bank provided a revised principal and interest payment scheme, which was accepted by the Parent Company. In August 2020, the bank approved further relief in relation to the terms of the loan. The Parent Company was provided with the following reliefs and agreed on the revised terms of the existing loan agreements with the bank:

- *Principal repayments and interest payment*
Quarterly principal repayment due in June 2020 was deferred to May 2021. Quarterly interest payment was changed to monthly payment starting June 2020 to February 2021 and shall revert to quarterly payments starting May 2021 coinciding with the principal repayment from May 2021 to November 2026.



- *Term loan covenants*

Debt Service Payment Account (DSPA) shall have no build-up on principal plus interest due until April 2021. The monthly buildup will resume starting May 2021 onwards equivalent to one-third of next principal plus interest due.

Debt Service Reserve Account (DSRA) requirement of equivalent to two quarters of principal plus interest shall be deferred to May 2021 onwards.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio was waived and will resume on September 2021 based on June 30, 2021 interim financial statements.

In addition, quarterly principal and interest repayments starting May 2021 were further extended to July 2021 or a 60-day extension by virtue of Bayanihan to Heal as One Act (RA 11469).

On July 23, 2021, the bank provided a further revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company. Details are as follows:

- *Principal repayments*

Quarterly principal repayment due in July 2021 was deferred to January 2023. Accordingly, current portion of the loans payable amounting to ₱138.0 million as of December 31, 2021, will now be due in January 2023.

- *Term loan covenants*

DSPA shall have no build-up up to October 2022. The monthly build-up will resume starting November 2022 onwards equivalent to one-third of next debt service.

DSRA requirement of equivalent to two quarters of debt service starting July 2021.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio is waived and will resume in 2023 based on 2022 parent company financial statements.

Based on the Parent Company's assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities. Total modification gain, recognized as part of "Interest expense and other financing charges" in the 2021 and 2020 parent company statements of comprehensive income, as a result of these modifications amounted to ₱6.1 million and ₱0.9 million, respectively.

Under the loan agreement, the Parent Company is required to maintain debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. The cash amounting to ₱68.1 million and ₱103.6 million as of December 31, 2021 and 2020, respectively, are presented under "Other current assets" as "Restricted cash" (see Note 10).

The related interest recognized from the loans amounted to ₱144.2 million and ₱144.7 million in 2021 and 2020, respectively. Total interest paid amounted to ₱144.7 million and ₱130.1 million in 2021 and 2020, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties (in 2020), with an aggregate carrying value of ₱4.2 billion and ₱4.3 billion as of December 31, 2021 and 2020, respectively (see Notes 11 and 12).



Credit line facility

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The credit line facility remains unused as of date, and valid until July 31, 2022 unless further extended or renewed by the bank.

16. Retirement Benefits

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (RA 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The Parent Company liability for retirement benefits is based solely on the requirement under RA 7641. Benefits are based on the employee's final salary and years of service. In 2021, the Parent Company engaged an independent expert to perform actuarial valuation.

The table below summarizes the components of retirement cost recognized under "Operating costs and expenses" in the parent company statements of comprehensive income (see Note 24):

| | 2021 | 2020 |
|----------------------|-----------------|------------|
| Current service cost | ₱866,352 | ₱844,346 |
| Interest cost | 123,762 | 497,251 |
| | ₱990,114 | ₱1,341,597 |

Movements in the cumulative actuarial gain in the parent company statements of comprehensive income are as follows:

| | 2021 | 2020 |
|---|-------------------|------------|
| Balance at beginning of year | ₱7,999,567 | ₱287,204 |
| Actuarial gain recognized in other comprehensive income | 71,428 | 7,712,363 |
| | ₱8,070,995 | ₱7,999,567 |

The movements in the retirement liability are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------|
| Balance at beginning of year | ₱3,173,394 | ₱9,544,160 |
| Total retirement expense | 990,114 | 1,341,597 |
| Defined benefit income recognized in OCI | (71,428) | (7,712,363) |
| Balance at end of year | ₱4,092,080 | ₱3,173,394 |

Movement in defined benefit obligation are as follows:

| | 2021 | 2020 |
|------------------------------------|-------------------|-------------|
| Balance at beginning of year | ₱3,173,394 | ₱9,544,160 |
| Current service cost | 866,352 | 844,346 |
| Interest cost | 123,762 | 497,251 |
| Actuarial loss (gain) on: | | |
| Changes in financial assumptions | (589,754) | 123,239 |
| Changes in demographic assumptions | 727,976 | — |
| Experience adjustments | (209,650) | (7,835,602) |
| Balance at end of year | ₱4,092,080 | ₱3,173,394 |



The cost of the retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. The principal assumptions used in determining the retirement liability of the Parent Company as of January 1 are shown below:

| | 2021 | 2020 |
|----------------------|-------|-------|
| Discount rate | 5.11% | 5.21% |
| Salary increase rate | 4.00% | 5.00% |

The latest actuarial valuation made for the plan was as of December 31, 2021.

As of December 31, 2021, discount rate and salary increase rate are 5.11% and 4.00%, respectively.

The Parent Company does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of the law, there is a cash flow risk that the Parent Company may be exposed to if several employees retire within the same year.

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|-----------------------------|--------------------|--------------------|
| Less than one year | ₱— | ₱— |
| One to less than five years | 766,356 | 736,026 |
| Five to less than ten years | 6,421,448 | 2,451,901 |
| Ten years and above | 23,668,426 | 25,897,525 |
| | ₱30,856,230 | ₱29,085,452 |

The average duration of the expected benefit payments as of December 31, 2021 and 2020 is 23.8 years and 25.2 years, respectively.

The defined benefit obligation is subject to several key assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

| | Effect on retirement liability |
|---|--------------------------------|
| Discount rate | |
| (10.0%) (Actual + 100 basis points (bps)) | (₱408,441) |
| 11.7% (Actual - 100 bps) | 478,846 |
| Salary increase rate | |
| 11.7% (Actual + 100 bps) | ₱479,394 |
| 10.2% (Actual - 100 bps) | (416,169) |



17. Significant Commitments

PTO

As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation.

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:

- (1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
- (2) A minimum number of new slot machines and an online token-less system of linking and networking all slot machines.

The use of slot machines and gaming tables (“Gaming Equipment”) by PAGCOR will be for the major part of the Gaming Equipment’s economic life.

In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company’s building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building. The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company’s share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱182.3 million in 2021 and ₱225.1 million in 2020, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO amounting to ₱81.0 million and ₱72.1 million in 2021 and 2020, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2021 and 2020, presented in the parent company statements of comprehensive income, amounted to ₱101.3 million and ₱153.0 million, respectively.

The details of the revenue share in gaming operations are as follows:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Revenue share from gaming operations related to: | | |
| Gaming facility | ₱61,868,494 | ₱106,629,088 |
| Gaming equipment | 39,466,272 | 46,340,995 |
| | ₱101,334,766 | ₱152,970,083 |

The future minimum collection related to the gaming equipment follows:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Within one year | ₱120,516,935 | ₱120,429,069 |
| After one year but not more than five years | 273,992,073 | 364,869,513 |
| More than five years | 10,687,489 | 39,660,666 |
| | 405,196,497 | 524,959,248 |
| Less: unamortized portion of discount | (73,630,505) | (112,868,083) |
| | 331,565,992 | 412,091,165 |
| Less: current portion (Note 7) | (89,949,636) | (80,983,264) |
| Noncurrent portion (Note 13) | ₱241,616,356 | ₱331,107,901 |



Operating Lease Commitment - the Parent Company as Lessor

- a. The Parent Company entered into a lease contract with China Trust Philippines Commercial Banking Corp. (CTBC) to lease a space in Winford Hotel, ground floor with an area of 3 sqm. The lease term is for a period of one year commencing on January 1, 2020 and has a basic monthly rental fee of ₱11,200 inclusive of electrical consumption and VAT. In January 2021, the same lease contract was amended to a basic monthly rent of ₱8,000 without escalation, inclusive of 12% VAT. The contract has been renewed in 2020 and expired on December 31, 2021. In 2022, CTBC is processing the renewal of its lease agreement.
- b. The Parent Company also entered into an agreement of lease with IFoods Group Inc. to lease a 315.5 sqm. area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. Also, the lessee will pay an additional ₱13.78 per sqm for common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties. In 2020, the Parent Company has waived the basic rental payments and changed the percentage rental to 7% of dine-in sales and still applicable in 2021.
- c. The Parent Company entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sqm. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per sqm. per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties. In 2021, due to the effects of the COVID-19 pandemic in 2020, the Parent Company has waived the common area charges and basic rental payments and changed the percentage rental to 1% of gross sales valid from February 2021 to June 1, 2021 then resumed back to the original rental rate.
- d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus, a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher. Rent escalation shall separately apply to both basic rent and minimum guaranteed rent. The lessee will pay an additional ₱160 per sqm for the common service area fee. In 2019, the Parent Company agreed to amend the contract rates from basic rent per sqm. of ₱1,300 to ₱1,000 and removal of minimum guaranteed rent and percentage of gross sales. In 2021, due to the effects of the COVID-19 pandemic in 2020, the Parent Company has waived the basic rental payments valid from July 2021 to December 2021 or until the store opens, whichever occur first. In 2022, Philippine Seven Corporation is processing the renewal of its lease agreement.
- e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT, and without rental escalation. The lessee will also pay for an additional ₱13.78 per sqm for the common use service area. On



March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.

- f. The Parent Company entered into a lease contract with Banco de Oro (BDO) Unibank Inc. to lease a space in Winford Hotel, second floor with an area of 3 sqm. The lease shall commence on January 1, 2021. The lease contract was renewed in 2019. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT. The contract has been renewed in 2020 and shall expire in December 31, 2022.
- g. The Parent Company also entered into an agreement of lease with Choi Garden Manila Corporation for ten years commencing January 7, 2016 to lease a 927 sqm. area of Winford Hotel and Casino to be used for restaurant, dining and banqueting of Chinese food only services. The lessee is subject to 10% of gross sales exclusive of senior citizen discount and VAT. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- h. The Parent Company entered into a lease contract with Maybank Philippines Inc. to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter. On November 2019, the lease contract has been terminated.
- i. The Parent Company also entered into an agreement of lease with Globe Telecom, Inc. for ten years starting February 1, 2016 to lease a 6 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.
- j. The Parent Company also entered into an agreement of lease with Smart Communications, Inc. for five years commencing on November 10, 2016 to lease a 9 sqm. area of Winford Hotel and Casino to be used for satellite services. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.
- k. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate. Aside from this, the lessee will pay for additional ₱50 per sqm for the common use service area. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- l. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term, and will have to pay for an additional ₱50 per sqm. for common use service area fee. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from March 2020 to December 2020 and resumed to the original agreement in 2021.
- m. As discussed in Note 12, the Parent Company entered into lease agreement with Mistwood Properties, Inc. (MPI) for the conversion and lease of the parking area and roof-deck of Winford Hotel and Casino to office space of MPI. The lease is for a 9-year period commencing upon completion of the construction plans by which it has not yet started as of December 31, 2019. The lease has a base monthly rental rate of ₱750.0 per sqm which is equivalent to ₱11.8 million,



exclusive of VAT with annual escalation of 5%. In addition to the base monthly rental, the lease has common area dues of 60.0 per sqm which is equivalent to 0.9 million, inclusive of VAT with annual escalation of 5%. During 2019, the Parent Company received ₱35.4 million security deposit from MPI. In 2020, conversion has been suspended indefinitely due to COVID-19 pandemic. In 2021, due to difficulties encountered during the COVID-19 pandemic, MPI terminated the lease agreement and the related security deposit amounting to ₱34.6 million was recognized as income under "Other revenue" in the parent company statements of comprehensive income. No rental income was recognized in 2021 and 2020.

- n. In, 2021, the Parent Company also entered into an agreement of lease with Urban Group Health Ventures Inc. for five years renewable to lease a 40.76 sqm. area of Winford Hotel and Casino. The lease is payable at a monthly rate amounting to ₱114,128, inclusive of withholding taxes and VAT and 10% escalation fee annually.
- o. In 2021, the Parent Company also entered into an agreement of lease with DITO Telecommunity Corporation for five years to lease a 4.93 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱29,580, inclusive of withholding taxes and VAT and 5% escalation fee on fifth year thereafter.

The estimated future minimum lease collections for the above agreements are as follows:

| | 2021 | 2020 |
|---|--------------------|-----------------------|
| Within one year | ₱4,238,347 | ₱4,111,337 |
| After one year but not more than five years | 17,912,530 | 543,462,011 |
| Five years onwards | — | 784,635,314 |
| | ₱22,150,877 | ₱1,332,208,662 |

Rent income amounted to ₱6.1 million and ₱12.1 million in 2021 and 2020, respectively. Interest expense on the security deposit amounted to ₱1.2 million and ₱1.1 million in 2021 and 2020, respectively.

Service Agreements

- a. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management and development of the hotel including recommendation or proposals on the activities or matters relating to the hotel. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.
- b. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory, and technical services in relation to the operation, management and development of the casino. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.
- c. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide communication strategy and planning development, conceptualization, production of advertising materials and marketing of the Parent Company's banquet and hotel rooms.

Due to COVID-19 crisis, the service providers have waived fees pertaining to March to December 2020. Total service fees recognized in 2021 and 2020 under these agreements amounted to ₱28.7 million and ₱6.3 million, respectively (see Note 24).



On June 30, 2021, the service providers have also agreed to waive fees for the whole year of 2021.

18. Deposits for Future Stock Subscription

The Parent Company presented the deposit amounting to ₱2.4 billion as “Deposit for future stock subscription” under noncurrent liabilities in the parent company statements of financial position as of December 31, 2021 and 2020, in accordance with FRB No. 6 as issued by the SEC.

On September 29, 2021, the Parent Company received a letter from the Philippine Stock Exchange (PSE) giving the Parent Company until December 31, 2021 to submit its responses to the PSE. However, due to the COVID-19 situation, the Parent Company was unable to submit the remaining requirements for its listing application for the stock rights offering with the PSE and thereafter the PSE considered the listing application abandoned.

On May 13, 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to ₱2,426.5 million, into equity through the issuance of shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements (see Note 22).

19. Income Taxes

For income tax purposes, as the entity was granted the permit to operate PAGCOR San Lazaro, the Parent Company’s income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2).

The provision for income tax consists of final tax amounting to ₱7,116 and ₱26,110 in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel and rental operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Parent Company’s income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).



As of December 31, 2021 and 2020, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

| | 2021 | 2020 |
|--|---------------------|--------------|
| Deferred tax assets: | | |
| Net operating loss carry over (NOLCO) | ₱433,446,884 | ₱583,041,155 |
| Allowance for impairment loss of input VAT | 90,190,101 | — |
| Allowance for ECL | 54,592,992 | 64,703,327 |
| Allowance for impairment on investment in subsidiary | 5,000,000 | 6,000,000 |
| Unearned income | 3,492,997 | 5,975,748 |
| Customer deposits | 375,055 | 1,315,592 |
| Retirement liability | 776,505 | 744,674 |
| | 587,874,534 | 661,780,496 |
| Deferred tax liabilities: | | |
| Deferred rent income | 749,180 | 920,367 |
| Unrealized foreign exchange gain | 169,675 | 170,046 |
| Unrealized gain on loan modification | 1,750,706 | 268,113 |
| | 2,669,561 | 1,358,526 |
| | ₱585,204,973 | ₱660,421,970 |

As of December 31, 2021, the details of NOLCO is as follows:

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three consecutive taxable years, as follows:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Available Until |
|---------------|-----------------------|-----------|-----------------------|---------------------|-----------------|
| 2018 | ₱701,678,755 | ₱— | (₱701,678,755) | ₱— | 2021 |
| 2019 | 719,221,396 | — | — | 719,221,396 | 2022 |
| | ₱1,420,900,151 | ₱— | (₱701,678,755) | ₱719,221,396 | |

As of December 31, 2021, the Parent Company has incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Available Until |
|---------------|---------------------|---------------------|-----------|-----------------------|-----------------|
| 2020 | ₱522,570,365 | ₱— | ₱— | ₱522,570,365 | 2025 |
| 2021 | — | 491,995,775 | — | 491,995,775 | 2026 |
| | ₱522,570,365 | ₱491,995,775 | ₱— | ₱1,014,566,140 | |



The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 follows:

| | 2021 | 2020 |
|--|----------------|----------------|
| Benefit from income tax based on accounting income before income tax | (P229,557,265) | (P170,142,989) |
| Additions to (reductions in) income tax resulting from tax effects of: | | |
| Expired NOLCO | 175,419,689 | 228,608,796 |
| Movement in unrecognized deferred tax assets | 34,853,329 | (75,547,730) |
| Loss (income) from gaming operations exempt from income tax | 18,595,613 | 17,781,969 |
| Nondeductible expenses (nontaxable income) and others | 752,756 | (58,602) |
| Interest income subjected to final tax | (57,006) | (615,334) |
| Provision for income tax | P7,116 | P26,110 |

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax (CIT) and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

The reduction in tax rates under CREATE Act has no significant impact to the parent financial statements as of and for the year ended December 31, 2021.

20. PEZA Registration

On February 10, 2015, the Parent Company's registration as an Ecozone Tourism Enterprise for the development and operation of tourist, leisure and entertainment facilities is approved by Philippine Economic Zone Authority (PEZA).



As provided in its Registration Agreement dated February 24, 2015, the Parent Company shall be entitled only to tax and duty-free importation and zero-VAT rating on local purchases of capital equipment in accordance with PEZA Board Resolution No. 12-610 dated November 13, 2012, except for casino operations and other gaming/gambling operations, if any, subject to all evaluation and/or processing requirements and procedures prescribed under PEZA Rules and Regulations, pertinent circulars and directives.

21. Related Party Transactions

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the entity, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form. Outstanding balances are generally settled through cash.

Transactions with Related Parties

In the ordinary course of business, the Parent Company has significant transactions with related parties as follows:

| Party | Amount/Volume Receivable (Payable) | | | | Financial Statements Account | Terms | Conditions |
|---|------------------------------------|--------------|------------------------|-----------------|---------------------------------------|--|-------------------------|
| | 2021 | 2020 | 2021 | 2020 | | | |
| Subsidiary | | | | | | | |
| TSLC | ₱17,283,260 | (₱4,301,282) | ₱97,158,358 | ₱114,441,618 | Advances to related parties | Non-interest bearing | Unsecured, unguaranteed |
| Stockholder | | | | | | | |
| Manila Jockey Club, Inc. (MJCI) | | | | | | | |
| Deposit for future stock subscription (Note 18) | — | — | (321,233,646) | (321,233,646) | Deposit for future stock subscription | Non-interest bearing | Unsecured, unguaranteed |
| Advances ^(a) (Note 14) | — | (11,285) | (4,982,104) | (4,982,104) | Advances from related parties | Non-interest bearing; due and demandable | Unsecured, unguaranteed |
| Commission from the off-track betting ^(b) (Note 7) | — | (41,389) | 418,347 | 418,347 | Receivable | Non-interest bearing; due and demandable | Unsecured, unguaranteed |
| Various Shareholders | | | | | | | |
| Deposit for future stock subscription (Note 18) | — | — | (2,105,268,102) | (2,105,268,102) | Deposit for future stock subscription | Non-interest bearing | Unsecured, unguaranteed |

(Forward)



| Party | Amount/Volume Receivable (Payable) | | | | Financial Statements | Terms | Conditions |
|---|------------------------------------|--------------|-----------------------|----------------|---------------------------------------|---|-------------------------|
| | 2021 | 2020 | 2021 | 2020 | Account | | |
| Advances from stockholders ^(d) | ₱166,904,808 | ₱102,704,215 | (₱613,190,035) | (₱446,285,227) | Advances from stockholders | Interest-bearing and non-interest bearing | Unsecured, unguaranteed |
| Interest payable on advances from stockholders ^(e) | 18,390,553 | 13,534,528 | (33,548,692) | (15,158,139) | Interest payable | Non-interest bearing; | Unsecured, unguaranteed |
| | | | ₱2,426,501,748 | ₱2,426,501,748 | Deposit for future stock subscription | | |
| | | | 97,158,358 | 114,441,618 | Advances to related parties | | |
| | | | (4,982,104) | (4,982,104) | Advances from related parties | | |
| | | | 418,347 | 418,347 | Receivable | | |
| | | | 613,190,035 | 446,285,227 | Advances from stockholders | | |
| | | | 33,548,692 | 15,158,139 | Interest payable | | |

^(a) Advances of the Parent Company to its subsidiary were provided to fund the payment of license fees to PAGCOR in consideration of the grant given by PAGCOR authorizing TSLC to bring in pre-registered foreign players to play in the designated junket gaming areas within PAGCOR San Lazaro.

^(b) The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.

^(c) Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.

^(d) The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures. The payable amount is gross of discount on non-interest bearing advances from shareholders amounting to ₱1,684,715 and ₱9,970,642 in 2021 and 2020, respectively.

^(e) Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.

^(f) MCI is an affiliate through a common stockholder, MJCI.

Key Management Personnel

Total key management personnel compensation of the Parent Company amounted to ₱16.2 million and ₱26.5 million as of December 31, 2021 and 2020, respectively. The compensations are short-term employee benefits.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2021 and 2020, the BOD received directors' fees aggregating to ₱0.7 million and ₱0.9 million, respectively (Note 24).

22. Equity

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 433 equity holders for the years 2021 and 2020.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one right share for every two common shares held as of record date.

As discussed in Note 18, on September 29, 2021, the Parent Company received a letter from the Philippine Stock Exchange (PSE) giving the Parent Company until December 31, 2021 to submit its responses to the PSE. However, due to the COVID-19 situation, the Parent Company was unable to submit the remaining requirements for its listing application for the stock rights offering with the PSE and thereafter the PSE considered the listing application abandoned. On May 13, 2022, the BOD of the



Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to ₱2,426.5 million, into equity through the issuance of shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements.

23. Basic/Diluted Loss Per Share

| | 2021 | 2020 |
|--|----------------------|---------------|
| Net loss | ₱918,236,174 | ₱567,169,408 |
| Divided by weighted average number of outstanding common shares | 3,174,405,821 | 3,174,405,821 |
| Basic/diluted losses per share | ₱0.289 | ₱0.179 |

The Parent Company has no potential dilutive common shares as of December 31, 2021 and 2020. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

| | 2021 | 2020 |
|--|---------------------|--------------|
| Provision for impairment of input VAT (Note 9) | ₱360,760,403 | ₱— |
| Depreciation and amortization (Notes 11, 12 and 13) | 244,264,609 | 280,288,947 |
| Utilities | 61,962,111 | 57,545,363 |
| Salaries and wages | 56,780,946 | 64,666,181 |
| Taxes and licenses | 45,840,076 | 51,348,115 |
| Repairs and maintenance | 39,904,956 | 40,398,581 |
| Contracted services | 32,670,874 | 31,727,740 |
| Service fee (Note 17) | 28,651,071 | 6,253,571 |
| Security services | 22,375,035 | 20,028,847 |
| Advertising and marketing | 16,259,156 | 18,437,847 |
| Transportation and travel | 10,100,900 | 6,140,923 |
| Food, beverage, and tobacco | 9,568,933 | 13,462,213 |
| Hotel room and supplies | 9,124,380 | 11,885,174 |
| Insurance | 8,616,070 | 8,302,163 |
| Communication | 7,501,339 | 7,268,015 |
| Professional fees | 6,599,954 | 7,782,520 |
| Provision for ECL (Note 7) | 2,694,210 | 7,961,475 |
| Supplies | 1,689,081 | 1,359,687 |
| Meetings and conferences | 1,322,813 | 1,401,096 |
| Retirement (Note 16) | 990,114 | 1,341,597 |
| Gaming fees (Note 2) | 941,320 | 5,688,253 |
| Directors' fees (Note 21) | 719,000 | 867,000 |
| Entertainment | 127,778 | 2,693,856 |
| Commission | 97,458 | 1,352,842 |
| Rent | 74,110 | 1,561,643 |
| Banquet expenses | 36,921 | 4,254,816 |
| Others | 6,441,109 | 10,192,423 |
| | ₱976,114,727 | ₱664,210,888 |



25. Operating Segment Information

The Parent Company has two operating segments in 2021 and 2020. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the parent company financial statements. The Parent Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2021 and 2020 are as follows:

| 2021 | | | |
|------------------------------|---------------|----------------|----------------|
| | Gaming | Non-gaming | Total |
| Revenue | ₱102,979,152 | ₱117,007,148 | ₱219,986,300 |
| Operating costs and expenses | (186,221,363) | (789,893,364) | (976,114,727) |
| Other expenses – net | – | (162,100,631) | (162,100,631) |
| Provision for income tax | – | (7,116) | (7,116) |
| Net loss | (₱83,242,211) | (₱834,993,963) | (₱918,236,174) |

| 2020 | | | |
|------------------------------|---------------|----------------|----------------|
| | Gaming | Non-gaming | Total |
| Revenue | ₱161,885,244 | ₱59,473,593 | ₱221,358,837 |
| Operating costs and expenses | (221,158,473) | (443,052,415) | (664,210,888) |
| Other expenses – net | – | (124,291,247) | (124,291,247) |
| Provision for income tax | – | (26,110) | (26,110) |
| Net income (loss) | (₱59,273,229) | (₱507,896,179) | (₱567,169,408) |

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2021 and 2020 are as follows:

| 2021 | | | |
|-------------------------------|----------------|----------------|----------------|
| | Gaming | Non-gaming | Total |
| Assets | ₱1,441,164,918 | ₱3,553,316,329 | ₱4,994,481,247 |
| Liabilities | 874,988,201 | 5,221,075,396 | 6,096,063,597 |
| Capital expenditures | 2,916,959 | 18,108,324 | 21,025,283 |
| Interest income | – | 256,488 | 256,488 |
| Depreciation and amortization | 61,368,792 | 182,895,815 | 244,264,607 |

| 2020 | | | |
|-------------------------------|----------------|----------------|----------------|
| | Gaming | Non-gaming | Total |
| Assets | ₱1,417,372,636 | ₱4,248,408,682 | ₱5,665,781,318 |
| Liabilities | 299,495,609 | 5,549,703,313 | 5,849,198,922 |
| Capital expenditures | 564,253 | 13,238,528 | 13,802,781 |
| Interest income | – | 2,138,149 | 2,138,149 |
| Depreciation and amortization | 73,547,836 | 206,741,111 | 280,288,947 |



26. Financial Risk Management Objectives and Policies and Fair Value Measurement

The Parent Company's financial instruments comprise of cash, receivables (excluding "advances from employees"), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the parent company financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. As a matter of policy, the Parent Company limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Parent Company transacts only with related parties and with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, 2021 and 2020 as follows:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| At amortized cost/loans and receivables: | | |
| Cash* (Note 6) | ₱10,657,635 | ₱19,139,102 |
| Receivables** (Note 7) | 213,705,547 | 200,836,017 |
| Long-term deposits (Note 13) | 6,267,386 | 6,267,386 |
| Receivable arising from PTO related to gaming equipment - net of current portion (Note 13) | 241,616,356 | 331,107,901 |
| | ₱472,246,924 | ₱557,350,406 |

*Excluding cash on hand amounting to ₱2,170,124 and ₱1,910,279 as of December 31, 2021 and, 2020, respectively.

**Excluding advances to employees amounting to ₱6,164,189 and ₱3,246,805 as of December 31, 2021 and, 2020, respectively.

As of December 31, 2021, and 2020, the aging analysis of receivables is as follows:

| 2021 | Total | Neither past due nor impaired | Past due but not impaired | | | | | Impaired |
|-----------------------------|---------------------|-------------------------------|----------------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------------|
| | | | Less than 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | |
| Trade: | | | | | | | | |
| Non-related parties | ₱97,082,820 | ₱13,111,575 | ₱6,167,698 | ₱8,929,691 | ₱2,810,312 | ₱- | ₱55,487,112 | ₱10,576,432 |
| Related parties | 418,347 | 418,347 | - | - | - | - | - | - |
| Nontrade | 125,681,357 | - | - | - | - | - | 15,299,440 | 110,381,917 |
| Advances to related parties | 97,158,358 | - | - | - | - | - | - | 97,158,358 |
| Receivable arising from PTO | 353,352,988 | 353,134,480 | - | - | - | - | 218,508 | - |
| | ₱673,693,870 | ₱366,664,402 | ₱6,167,698 | ₱8,929,691 | ₱2,810,312 | ₱- | ₱71,005,060 | ₱218,116,707 |



| 2020 | Total | Neither past due nor impaired | Past due but not impaired | | | | | Impaired |
|-----------------------------|---------------------|-------------------------------|----------------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------------|
| | | | Less than 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | |
| Trade: | | | | | | | | |
| Non-related parties | ₱67,149,684 | ₱19,504,043 | ₱2,213,768 | ₱502,416 | ₱1,712,900 | ₱— | ₱35,334,335 | ₱7,882,222 |
| Related parties | 418,347 | 418,347 | — | — | — | — | — | — |
| Nontrade | 125,681,357 | — | — | — | — | — | 15,299,440 | 110,381,917 |
| Advances to related parties | 114,441,618 | — | — | — | — | — | 17,028,000 | 97,413,618 |
| Receivable arising from PTO | 439,930,669 | 439,690,546 | — | 155,357 | — | — | 84,766 | — |
| | ₱747,621,675 | ₱459,612,936 | ₱2,213,768 | ₱657,773 | ₱1,712,900 | ₱— | ₱67,746,541 | ₱215,677,757 |

The table below shows the credit quality of the Parent Company's neither past due nor impaired receivables as of December 31, 2021 and 2020, based on the Parent Company's experience with its debtor's ability to pay:

| | 2021 | | | |
|-----------------------------|---------------------|-------------------|-----------------|---------------------|
| | Grade A | Grade B | Grade C | Total |
| Trade: | | | | |
| Non-related parties | ₱7,540,943 | ₱5,262,944 | ₱307,688 | ₱13,111,575 |
| Related parties | 418,347 | — | — | 418,347 |
| Receivable arising from PTO | 353,134,480 | — | — | 353,134,480 |
| | ₱361,093,770 | ₱5,262,944 | ₱307,688 | ₱366,664,402 |

| | 2020 | | | |
|-----------------------------|---------------------|-----------------|-------------------|---------------------|
| | Grade A | Grade B | Grade C | Total |
| Trade: | | | | |
| Non-related parties | ₱17,889,544 | ₱376,746 | ₱1,237,753 | ₱19,504,043 |
| Related parties | 418,347 | — | — | 418,347 |
| Receivable arising from PTO | 439,690,546 | — | — | 439,690,546 |
| | ₱457,998,437 | ₱376,746 | ₱1,237,753 | ₱459,612,936 |

The credit quality of the financial assets was determined as follows:

- **Grade A**
This includes cash deposited with banks having good reputation and bank standing and receivables from customers or affiliates that always pay on time or even before the maturity date.
- **Grade B**
This includes receivables that are collected on their due dates provided that they were reminded or followed up by the Parent Company.
- **Grade C**
This includes receivables which are still collected within their extended due dates.

Liquidity Risk

Liquidity risk is defined as the risk that the Parent Company would not be able to settle or meet its obligations on time or at a reasonable price. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Parent Company maximizes the net cash inflows from operations to finance its working capital requirements.

On July 23, 2021, the bank provided a revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company (see Note 15).



On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The unused credit line as of August 4, 2021 amounted to ₱400.0 million (see Note 15).

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

| | 2021 | | | |
|--|--------------------|------------------|-----------------|----------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| Loans payable* | ₱— | ₱— | ₱2,289,957,577 | ₱2,289,957,577 |
| Accounts payable and other current liabilities** | 4,982,104 | 677,178,048 | — | 682,160,152 |
| Retention payable | 49,005 | — | — | 49,005 |
| Interest payable | — | 51,445,063 | — | 51,445,063 |
| Advances from stockholders* | — | 345,204,623 | 266,300,697 | 611,505,320 |
| | ₱5,031,109 | ₱1,073,827,734 | ₱2,556,258,274 | ₱3,635,117,117 |

*Including interest payable.

**Excluding contract liabilities and withholding taxes payable amounting to ₱16,099,010 and ₱6,258,810, respectively.

| | 2020 | | | |
|--|--------------------|------------------|-----------------|----------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| Loans payable* | ₱— | ₱276,209,870 | ₱2,504,005,465 | ₱2,780,215,335 |
| Accounts payable and other current liabilities** | 4,982,104 | 586,412,386 | — | 591,394,490 |
| Retention payable | 7,934,014 | — | — | 7,934,014 |
| Interest payable | — | 34,595,539 | — | 34,595,539 |
| Advances from stockholders* | — | — | 446,285,227 | 446,285,227 |
| | ₱12,916,118 | ₱897,217,795 | ₱2,950,290,692 | ₱3,860,424,605 |

*Including interest payable.

**Excluding contract liabilities and withholding taxes payable amounting to ₱16,558,725 and ₱1,795,539 respectively.

The following tables show the profile of financial assets used by the Parent Company to manage its liquidity risk:

| | 2021 | | | |
|--------------------|--------------------|------------------|-----------------|--------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| At amortized cost: | | | | |
| Cash | ₱12,827,759 | ₱— | ₱— | ₱12,827,759 |
| Receivables | 22,205,344 | 191,500,203 | 241,616,356 | 455,321,903 |
| Long-term deposits | — | — | 6,267,386 | 6,267,386 |
| | ₱35,033,103 | ₱191,500,203 | ₱247,883,742 | ₱474,417,048 |

| | 2020 | | | |
|--------------------|--------------------|------------------|-----------------|--------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| At amortized cost: | | | | |
| Cash | ₱21,049,381 | ₱— | ₱— | ₱21,049,381 |
| Receivables | 80,371,200 | 120,521,377 | 331,107,900 | 532,000,477 |
| Long-term deposits | — | — | 6,267,386 | 6,267,386 |
| | ₱101,420,581 | ₱120,521,377 | ₱337,375,286 | ₱559,317,244 |

As discussed in Note 18, on May 13, 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to ₱2,426.5 million, into equity through the issuance of shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements.



Fair Value Measurement

The carrying values of cash, receivables, accounts payable and other current liabilities (excluding “withholding taxes payable”) approximate their fair values due to the short-term nature of these accounts.

The fair values of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

| | 2021 | | 2020 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | | | | |
| Receivable arising from PTO related to gaming equipment | ₱331,565,992 | ₱381,328,949 | ₱412,091,165 | ₱498,257,876 |
| Long-term deposits | 6,267,386 | 6,267,386 | 6,267,386 | 6,267,386 |
| | ₱337,833,378 | ₱387,596,335 | ₱418,358,551 | ₱504,525,262 |
| | | | | |
| | 2021 | | 2020 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Liabilities | | | | |
| Advances from stockholders | ₱613,190,035 | ₱613,190,035 | ₱447,908,838 | ₱455,805,365 |
| Loans payable | 2,289,957,577 | 2,289,957,577 | 2,292,782,667 | 2,292,782,667 |
| | ₱2,903,147,612 | ₱2,903,147,612 | ₱2,740,691,505 | ₱2,748,588,032 |

As of December 31, 2021, and 2020, the Parent Company’s financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of December 31, 2021 and 2020.

27. Working Capital and Capital Management

The primary objective of the Parent Company’s working capital and capital management is to ensure that the Parent Company has sufficient funds in order to support its business, pay existing obligation and maximize stockholders’ value. The Parent Company considers its total equity, including deposit for future stock subscription, amounting to ₱ 1.3 billion and ₱ 2.2 billion as its capital as of December 31, 2021 and 2020, respectively.

The Parent Company maintains a capital base to cover risks inherent in the business. The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company monitors working capital and capital on the basis of current ratio and debt-to-equity ratio. On August 2020, due to COVID-19 crisis, the bank has granted the Parent Company waiver for quarterly calculation of debt-to-equity ratio until September 2021. In July 2021, this was further deferred to 2023 (see Note 15).

In computing the debt-to-equity ratio, the ‘deposits for future stock subscription’ formed part of the total shareholders’ equity, as the deposits are considered as future additional shareholders’ interest in the Parent Company.



Current ratio and debt-to-equity ratio of the Parent Company are as follows:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Total current assets | ₱352,295,923 | ₱370,339,980 |
| Total current liabilities | 761,879,358 | 794,152,391 |
| Current ratio | 0.46 | 0.47 |
| | | |
| Total liabilities, excluding deposits for future stock subscription | ₱3,669,561,849 | ₱3,422,697,174 |
| Total equity | 1,324,919,398 | 2,243,084,149 |
| Debt-to-equity ratio | 2.77 | 1.53 |

The Parent Company's strategy is to maintain a sustainable current ratio and debt-to-equity ratio. The Parent Company managed to defer the principal payments of its loans payable from July 2021 to January 2023 and obtained a credit line amounting to ₱400.0 million.

28. Note to Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities

| | December 31, 2020 | Cash flows | Others* | December 31, 2021 |
|---|-----------------------|----------------------|--------------------|-----------------------|
| Loans payable | ₱2,292,782,667 | — | (₱2,825,090) | ₱2,289,957,577 |
| Advances from stockholders | 436,314,585 | 166,904,808 | 8,285,927 | 611,505,320 |
| Restricted cash | (103,562,631) | 35,448,918 | — | (68,113,713) |
| Interest payable | 40,233,541 | (144,631,290) | 52,942,686 | 51,445,063 |
| Total liabilities from financing activities | ₱2,665,768,162 | ₱57,722,436 | ₱58,403,523 | ₱2,884,794,247 |

*Others include accrual of interest from interest-bearing loans and advances from stockholders, other financing charges and accretion of loans payable.

| | December 31, 2019 | Cash flows | Others* | December 31, 2020 |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Loans payable | ₱2,337,677,890 | (₱47,100,000) | ₱2,204,777 | ₱2,292,782,667 |
| Advances from stockholders | 343,581,012 | 102,704,215 | (9,970,642) | 436,314,585 |
| Restricted cash | (163,271,629) | 59,708,998 | — | (103,562,631) |
| Interest payable | 15,216,781 | (130,067,342) | 155,084,102 | 40,233,541 |
| Total liabilities from financing activities | ₱2,533,204,054 | (₱14,754,129) | ₱147,318,237 | ₱2,665,768,162 |

*Others include accrual of interest from interest-bearing loans and advances from stockholders, other financing charges and accretion of loans payable.

29. Other Matter

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, the Office of the President of the Philippines issued a directive imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.



The community quarantine classification was subsequently extended or changed as follows:

| Classification | Effectivity |
|--|--|
| General community quarantine | June 1 – August 1, 2020 |
| Modified enhanced community quarantine | August 2 – 18, 2020 |
| General community quarantine | August 19, 2020 – March 27, 2021 |
| Enhanced community quarantine | March 28, 2021 – April 11, 2021 |
| Modified enhanced community quarantine | April 12, 2021 – May 31, 2021 |
| General community quarantine | June 1, 2021 – July 31, 2021 |
| Modified enhanced community quarantine | August 1, 2021 – August 5, 2021 |
| Enhanced community quarantine | August 6, 2021 – August 20, 2021 |
| Modified enhanced community quarantine | August 21, 2021 – September 7, 2021 |
| General community quarantine | September 8, 2021 – September 30, 2021 |
| Alert level 4 | October 1, 2021 – October 15, 2021 |
| Alert level 3 | October 16, 2021 – November 4, 2021 |
| Alert level 2 | November 5, 2021 – January 2, 2022 |
| Alert level 3 | January 3, 2022 – January 30, 2022 |
| Alert level 2 | February 1, 2022 – February 28, 2022 |
| Alert level 1 | March 1, 2022 – March 31, 2022 |

These measures have caused disruptions to most businesses and significant increase in economic uncertainty. Due to the Company's nature of business, these measures have significant impact on its financial position and performance as at and for the years ended December 31, 2021 and 2020. The Company will continue to monitor the situation.

30. Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR No. 15-2010 to amend certain provisions of RR 21-2002 prescribing the matter of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosure of taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2021.

- a. The Parent Company has VAT output tax declaration of ₱9.3 million in 2021 based on the amount reflected in the revenue from hotel and food and beverage and other revenue arising from sale of tobacco amounting to ₱77.1 million.

The Parent Company's revenue share in gaming operations is exempt from VAT as mentioned in P.D. 1869. The Parent Company is subject to 5% franchise tax, which shall be in lieu of all other taxes, including income tax and VAT.

The following table shows the sources of input VAT claimed:

| | |
|--|--------------|
| Balance at beginning of the year | ₱424,350,452 |
| Purchases of: | |
| Goods other than for resale | 5,810,355 |
| Services lodged under other accounts | 22,472,436 |
| Claims for tax credit/refund and other adjustments | — |
| Balance at end of the year | ₱452,633,243 |



b. Other taxes and licenses

Details consist of the following:

National

| | |
|----------------------------|------------------|
| Filing and listing fees | ₱ 874,159 |
| Documentary stamp taxes | 1,329,399 |
| Public performance license | 118,970 |
| Custom duties and taxes | 13,135 |
| BIR registration | 3,000 |
| | <u>2,338,663</u> |

Local

| | |
|--------------------------------|---------------------------|
| Real property tax | 42,067,347 |
| Business permit | 745,229 |
| PEZA permit | 279,982 |
| Inspection fee | 295,107 |
| Barangay clearance certificate | 23,000 |
| Notarial services | 10,105 |
| Hotel permit | 1,000 |
| Others | 79,641 |
| | <u>43,501,412</u> |
| Total | <u>₱45,840,076</u> |

The Parent Company incurred franchise tax amounting to ₱12.0 million from its gaming operations and is offset against “Revenue share in gaming operations” account.

The Parent Company did not have any importations or purchases of any products subject to excise tax. Details of the Parent Company’s withholding taxes in 2021 are as follows:

| | |
|-----------------------------------|---------------------------|
| Expanded withholding taxes | ₱7,739,462 |
| Withholding taxes on compensation | 3,189,060 |
| Final withholding tax | 848,590 |
| Total | <u>₱11,777,112</u> |

Tax Assessments or Tax Cases

The Parent Company has no outstanding tax assessments with the BIR or pending tax cases in any courts or bodies outside of the BIR as at December 31, 2021.



b. Other taxes and licenses

Details consist of the following:

National

| | |
|----------------------------|------------------|
| Filing and listing fees | ₱ 874,159 |
| Documentary stamp taxes | 1,329,399 |
| Public performance license | 118,970 |
| Custom duties and taxes | 13,135 |
| BIR registration | 3,000 |
| | <u>2,338,663</u> |

Local

| | |
|--------------------------------|---------------------------|
| Real property tax | 42,067,347 |
| Business permit | 745,229 |
| PEZA permit | 279,982 |
| Inspection fee | 295,107 |
| Barangay clearance certificate | 23,000 |
| Notarial services | 10,105 |
| Hotel permit | 1,000 |
| Others | 79,641 |
| | <u>43,501,412</u> |
| Total | <u>₱45,840,076</u> |

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| | |
|-----------------------------------|---------------------------|
| Expanded withholding taxes | ₱7,739,462 |
| Withholding taxes on compensation | 3,189,060 |
| Final withholding tax | 848,590 |
| Total | <u>₱11,777,112</u> |

Tax Assessments or Tax Cases

The Parent Company has no outstanding tax assessments with the BIR or pending tax cases in any courts or bodies outside of the BIR as at December 31, 2021.



Annex “B”

Consolidated Financial Statements



Winford Hotel & Casino, MJC Drive, Sta. Cruz, Manila
Tel. No. 528-3600

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

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 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.

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.

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

A handwritten signature in blue ink, appearing to read 'Alfonso R. Reyno, Jr.', written over a horizontal line.

Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Jose Alvaro D. Rubio', written over a horizontal line.

Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 16th day of May 2022, in Pasig City,
affiant exhibiting to me:

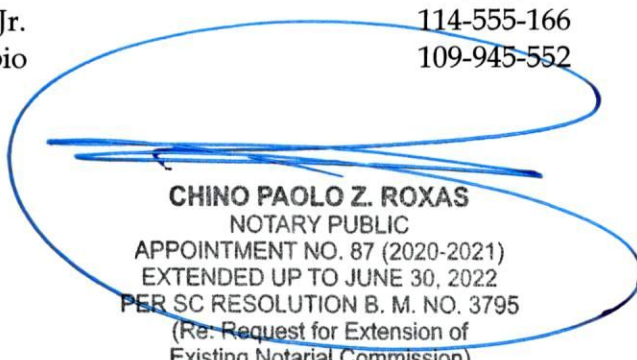
Affiant

Alfonso R. Reyno, Jr.
Jose Alvaro D. Rubio

TIN

114-555-166
109-945-552

Doc. No. 160;
Page No. 33;
Book No. X;
Series of 2022.



CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 87 (2020-2021)
EXTENDED UP TO JUNE 30, 2022
PER SC RESOLUTION B. M. NO. 3795
(Re: Request for Extension of
Existing Notarial Commission)
PTR No. 8132084/1-21-2022/PASIG
IBP No. 199958/1-19-2022/MAKATI
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

C O V E R S H E E T
for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

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| 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 0 |
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COMPANY NAME

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| D | O | I | N | G | | B | U | S | I | N | E | S | S | | U | N | D | E | R | | T | H | E | | N | A | M | E | |
| A | N | D | | S | T | Y | L | E | | O | F | | W | I | N | F | O | R | D | | L | E | I | S | U | R | E | | |
| A | N | D | | E | N | T | E | R | T | A | I | N | M | E | N | T | | C | O | M | P | L | E | X | | A | N | D | |
| W | I | N | F | O | R | D | | H | O | T | E | L | | A | N | D | | C | A | S | I | N | O | | I | | A | N | D |
| S | U | B | S | I | D | I | A | R | Y | | | | | | | | | | | | | | | | | | | | |

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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| D | r | i | v | e | , | | S | t | a | . | | C | r | u | z | , | | M | a | n | i | l | a | | | | | | |

Form Type

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Department requiring the report

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| S | E | C | |
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Secondary License Type, If Applicable

| | | | |
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| N | / | A | |
|---|---|---|--|

C O M P A N Y I N F O R M A T I O N

Company's Email Address

corporate@rtdslaw.com.ph

Company's Telephone Number

8631-2846

Mobile Number

09359807539

No. of Stockholders

433

Annual Meeting (Month / Day)

11/12

Fiscal Year (Month / Day)

12/31

C O N T A C T P E R S O N I N F O R M A T I O N

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Lemuel M. Santos

Email Address

corporate@rtdslaw.com.ph

Telephone Number/s

(02) 8687-9889

Mobile Number

(+63) 935-980-7539

C O N T A C T P E R S O N ' s A D D R E S S

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
Winford Hotel and Casino, MJC Drive
Sta. Cruz, Manila

Opinion

We have audited the consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino] and its subsidiary (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 capital deficiency 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 (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group has incurred continuing losses of ₱918.3 million, ₱589.0 million and ₱642.1 million in 2021, 2020 and 2019, respectively, resulting to a capital deficiency of ₱1,101.1 million and ₱182.9 million as at December 31, 2021 and 2020, respectively. The COVID-19 outbreak and the measures taken have continually caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Consequently, the Group's casino and hotel operations have also been disrupted, resulting to limited operations, until such time that the quarantine period is lifted. Furthermore, the Group's current liabilities exceeded its current assets by ₱409.1 million and ₱423.4 million as at December 31, 2021 and 2020, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of Impairment of Property and Equipment

As a result of the continuing community quarantines and restricted travel, the Group's revenue from casino and hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment amounting to ₱4,288.5 million as at December 31, 2021. This impairment testing is significant to our audit because the amounts involved are material to the consolidated financial statements. The assessment of the recoverable amount of property and equipment involves significant management judgment, estimation and assumptions about forecasted cashflows, revenue growth, long-term growth rate and discount rate, among others. In addition, there is a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic.

The Group's disclosures on property and equipment are included in Notes 5 and 11 to the consolidated financial statements.

Audit Response

We obtained the Group's cash flow forecast and involved our internal specialist in evaluating the methodology and assumptions used in the forecasted cash flow and discount rate. We compared the key assumptions used such as revenue growth against industry forecast and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. We also reviewed the forecasted costs and expenses based on the Group's historical performance and current business environment. We tested the parameters used in the determination of discount rate by comparing it against market data. We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.



Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17A for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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 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.

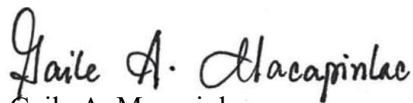
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gaile A. Macapinlac.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 13, 2022



MJC INVESTMENTS CORPORATION**Doing business under the name and style of Winford Leisure and Entertainment Complex And Winford Hotel and Casino AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | December 31 | |
|--|------------------------|-----------------|
| | 2021 | 2020 |
| Current Assets | | |
| Cash (Note 6) | ₱12,827,775 | ₱21,049,397 |
| Receivables (Note 7) | 219,901,860 | 204,083,822 |
| Inventories (Note 8) | 15,461,433 | 20,206,354 |
| Input value-added tax (VAT) - current (Note 9) | 13,405,199 | 10,931,369 |
| Other current assets (Note 10) | 91,278,053 | 114,073,654 |
| Total Current Assets | 352,874,320 | 370,344,596 |
| Noncurrent Assets | | |
| Property and equipment (Note 11) | 4,288,449,743 | 3,766,120,571 |
| Input VAT - net of current portion (Note 9) | 100,082,039 | 440,789,218 |
| Investment properties (Note 12) | — | 744,573,541 |
| Other noncurrent assets (Note 13) | 253,689,731 | 344,061,052 |
| Total Noncurrent Assets | 4,642,221,513 | 5,295,544,382 |
| TOTAL ASSETS | ₱4,995,095,833 | ₱5,665,888,978 |
| LIABILITIES AND CAPITAL DEFICIENCY | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities (Note 14) | ₱706,430,625 | ₱607,524,451 |
| Interest payable (Notes 15 and 21) | 51,445,063 | 40,233,541 |
| Retention payable (Note 11) | 4,120,784 | 7,934,014 |
| Current portion of loans payable (Note 15) | — | 138,039,293 |
| Total Current Liabilities | 761,996,472 | 793,731,299 |
| Noncurrent Liabilities | | |
| Deposit for future stock subscription (Notes 18 and 21) | 2,426,501,748 | 2,426,501,748 |
| Loans payable - net of current portion (Note 15) | 2,289,957,577 | 2,154,743,374 |
| Advances from stockholders (Note 21) | 611,505,320 | 436,314,585 |
| Other noncurrent liabilities (Notes 16 and 17) | 6,219,594 | 37,486,824 |
| Total Noncurrent Liabilities | 5,334,184,239 | 5,055,046,531 |
| Total Liabilities | 6,096,180,711 | 5,848,777,830 |
| Capital Deficiency | | |
| Capital stock (Note 22) | 3,174,405,821 | 3,174,405,821 |
| Deficit | (4,283,561,694) | (3,365,294,240) |
| Cumulative actuarial gains on retirement liability (Note 16) | 8,070,995 | 7,999,567 |
| Net Capital Deficiency | (1,101,084,878) | (182,888,852) |
| TOTAL LIABILITIES AND CAPITAL DEFICIENCY | ₱4,995,095,833 | ₱5,665,888,978 |

See accompanying Notes to Consolidated Financial Statements.



MJC INVESTMENTS CORPORATION**Doing business under the name and style of Winford Leisure and Entertainment Complex And Winford Hotel and Casino AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Years Ended December 31 | | |
|--|--------------------------------|----------------|-----------------|
| | 2021 | 2020 | 2019 |
| REVENUE | | | |
| Revenue share in gaming operations (Note 17) | ₱101,334,766 | ₱152,970,083 | ₱494,548,180 |
| Hotel | 52,181,980 | 24,059,292 | 67,402,013 |
| Food and beverage | 19,394,027 | 19,042,942 | 86,018,597 |
| Rental (Note 17) | 6,069,503 | 12,096,250 | 25,057,408 |
| Bingo operations | 1,644,386 | 8,915,161 | 51,497,934 |
| Other revenue (Note 17) | 39,361,638 | 4,275,109 | 18,637,766 |
| | 219,986,300 | 221,358,837 | 743,161,898 |
| OPERATING COSTS AND EXPENSES | | | |
| (Note 24) | (976,207,631) | (664,389,033) | (1,199,566,612) |
| OPERATING LOSS | (756,221,331) | (443,030,196) | (456,404,714) |
| OTHER INCOME (EXPENSES) | | | |
| Interest expense and other financing charges (Notes 15, 17 and 21) | (162,510,644) | (148,507,290) | (201,271,813) |
| Interest income (Notes 6 and 10) | 256,488 | 2,138,149 | 316,379 |
| Gain on sale of kitchen and bar equipment (Note 11) | — | — | 13,428,161 |
| Miscellaneous income - net | 215,149 | 446,222 | 1,902,282 |
| | (162,039,007) | (145,922,919) | (185,624,991) |
| LOSS BEFORE INCOME TAX | (918,260,338) | (588,953,115) | (642,029,705) |
| PROVISION FOR INCOME TAX (Note 19) | (7,116) | (26,110) | (63,227) |
| NET LOSS | (918,267,454) | (588,979,225) | (642,092,932) |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Item that will not be reclassified to profit or loss in subsequent periods:</i> | | | |
| Remeasurement gain (loss) on defined benefit obligation (Note 16) | 71,428 | 7,712,363 | (2,047,307) |
| TOTAL COMPREHENSIVE LOSS | (₱918,196,026) | (₱581,266,862) | (₱644,140,239) |
| Basic/Diluted Loss Per Share (Note 23) | ₱0.289 | ₱0.186 | ₱0.202 |

See accompanying Notes to Consolidated Financial Statements.



MJC INVESTMENTS CORPORATION**Doing business under the name and style of Winford Leisure and Entertainment Complex And Winford Hotel and Casino AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY****FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**

| | Capital Stock (Note 22) | Deficit | Cumulative Actuarial gains on retirement liability (Note 16) | Total |
|--------------------------------------|----------------------------|-------------------------|---|-------------------------|
| BALANCES AT DECEMBER 31, 2018 | ₱3,174,405,821 | (₱2,134,222,083) | ₱2,334,511 | ₱1,042,518,249 |
| Net loss | — | (642,092,932) | — | (642,092,932) |
| Other comprehensive loss (Note 16) | — | — | (2,047,307) | (2,047,307) |
| Total comprehensive loss | — | (642,092,932) | (2,047,307) | (644,140,239) |
| BALANCES AT DECEMBER 31, 2019 | ₱3,174,405,821 | (₱2,776,315,015) | ₱287,204 | ₱398,378,010 |
| Net loss | — | (588,979,225) | — | (588,979,225) |
| Other comprehensive income (Note 16) | — | — | 7,712,363 | 7,712,363 |
| Total comprehensive income (loss) | — | (588,979,225) | 7,712,363 | (581,266,862) |
| BALANCES AT DECEMBER 31, 2020 | ₱3,174,405,821 | (₱3,365,294,240) | ₱7,999,567 | (₱182,888,852) |
| Net loss | — | (918,267,454) | — | (918,267,454) |
| Other comprehensive income (Note 16) | — | — | 71,428 | 71,428 |
| Total comprehensive income (loss) | — | (918,267,454) | 71,428 | (918,196,026) |
| BALANCES AT DECEMBER 31, 2021 | ₱3,174,405,821 | (₱4,283,561,694) | ₱8,070,995 | (₱1,101,084,878) |

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION**Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended December 31 | | |
|--|--------------------------------|-----------------------|------------------------|
| | 2021 | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before income tax | (₱918,260,338) | (₱588,953,115) | (₱642,029,705) |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 11, 12, 13 and 24) | 244,331,464 | 280,355,802 | 431,056,540 |
| Interest expense and other financing charges (Notes 15, 17 and 21) | 162,510,644 | 148,507,290 | 201,271,813 |
| Interest income (Notes 6 and 10) | (256,488) | (2,138,149) | (316,379) |
| Retirement benefit expense (Notes 16 and 24) | 990,114 | 1,341,597 | 3,094,974 |
| Unrealized foreign exchange loss (gain) | (111,885) | 84,472 | 18,021 |
| Gain on sale of disposal of kitchen and bar equipment (Note 11) | — | — | (13,428,161) |
| Operating loss before working capital changes | (510,796,489) | (160,802,103) | (20,332,897) |
| Decrease (increase) in: | | | |
| Receivables | (15,818,038) | 34,159,714 | (8,347,694) |
| Inventories | 4,744,921 | 4,954,892 | (4,565,279) |
| Input VAT | 338,233,349 | (16,318,241) | (35,018,697) |
| Other current assets | (12,653,317) | 1,735,414 | 7,455,877 |
| Increase (decrease) in: | | | |
| Accounts payable and other current liabilities | 98,906,174 | 88,681,507 | (49,772,048) |
| Retention payable | (3,813,230) | (861,664) | (129,657,747) |
| Other noncurrent liabilities | (33,392,911) | (5,192,119) | 34,164,241 |
| Net cash used for operations | (134,589,541) | (53,642,600) | (206,074,244) |
| Income taxes paid | (7,116) | (26,110) | (63,227) |
| Interest received (Notes 6 and 10) | 256,488 | 2,138,149 | 316,379 |
| Net cash flows used in operating activities | (134,340,169) | (51,530,561) | (205,821,092) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property and equipment (Note 11) | (21,205,283) | (13,802,780) | (54,062,528) |
| Decrease in other noncurrent assets (Note 13) | 89,489,509 | 59,433,917 | 15,156,558 |
| Net cash flows provided by (used in) investing activities | 68,284,226 | 45,631,137 | (38,905,970) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments of loan (Note 15): | | | |
| Interest and other financing charges | (144,631,290) | (130,067,342) | (187,818,869) |
| Principal | — | (47,100,000) | (2,800,000,000) |
| Decrease (increase) in restricted cash (Notes 10 and 15) | 35,448,918 | 59,708,998 | (163,271,629) |
| Proceeds from: | | | |
| Advances from stockholders (Note 21) | 166,904,808 | 102,704,215 | 343,581,012 |
| Loans payable (Note 15) | — | — | 2,337,337,500 |
| Deposit for future stock subscription (Notes 18 and 21) | — | — | 284,300,651 |
| Net cash provided by (used in) financing activities | 57,722,436 | (14,754,129) | (185,871,335) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 111,885 | (84,472) | (18,021) |
| NET DECREASE IN CASH | (8,221,622) | (20,738,025) | (430,616,418) |
| CASH AT BEGINNING OF YEAR | 21,049,397 | 41,787,422 | 472,403,840 |
| CASH AT END OF YEAR (Note 6) | ₱12,827,775 | ₱21,049,397 | ₱41,787,422 |

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) and Trafalgar Square Leisure Corporation (TSLC) (collectively referred to as the “Group”) are incorporated in the Philippines. The Parent Company was incorporated on July 12, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955.

The Parent Company’s primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

| Date | Corporate Name |
|--------------------|---|
| February 12, 1997 | Ebecom Holdings, Inc. |
| September 25, 2003 | Aries Prime Resources, Inc. |
| September 30, 2008 | MJCI Investments, Inc. |
| October 15, 2009 | MJC Investments Corporation |
| June 29, 2015 | MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino |

The registered office address of the Parent Company is Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of 10 years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. On November 25, 2015, PAGCOR extended the term of the PTO to 15 years commencing from the start of commercial operations of PAGCOR San Lazaro (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, Trafalgar Square Leisure Corporation (TSLC), in the Philippines and registered with the Philippine SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of ₱1.00 per share. TSLC’s primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise



necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro. On August 1, 2019, the junket agreement between TSLC and PAGCOR expired and was no longer renewed (see Note 2).

Status of Operations

Gaming Operations

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed community quarantines. The Office of the President issued several directives for the classification of each of the cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

Philippine Amusement Gaming Corporation (PAGCOR) issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila. On June 16, 2020, the casino has resumed its operations as approved by PAGCOR at 30% capacity and eight-hour daily operations until July 3, 2020. On July 4, 2020, the casino operation moved to temporarily cease operations until August 20, 2020. On August 21, 2020, the casino has again resumed limited operation and subsequently, on November 23, 2020 it has been allowed to operate at 24-hours until re-imposition of enhanced community quarantine on March 29, 2021. Casino operations has been suspended from March 29, 2021 until April 30, 2021. On May 1, 2021, upon imposition of modified enhanced community quarantine in Metro Manila, PAGCOR and Inter-agency Task Force (IATF) have allowed the casino to resume 12 hours operations at 50% capacity and on an invitational basis only until May 31, 2021. On June 1, 2021, it has been downgraded to general community quarantine until August 5, 2021 hence, the casino can operate for 24 hours. On July 29, 2021, the IATF has again placed Metro Manila on enhanced community quarantine from August 6 to 20, 2021. On November 18, 2021, IATF has implemented revised guidelines for the country's COVID-19 restrictions and response allowing casino operations to operate in areas under Alert Level 2.

As of the date of the auditor's report, the Group has not yet resumed its full operation of the casino as a result of the PAGCOR and IATF memorandum.

Hotel Operations

On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism (DOT). The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. DOT has not yet allowed the Group to accommodate leisure booking and is currently operating as a quarantine facility for returning overseas Filipino workers as booked by OWWA (Overseas Workers Welfare Administration), front liners, and off-signers crew from shipping companies.

While the permit to accept leisure bookings is currently pending DOT approval, MIC is operating as Multi-Use Hotels (MUH) and is authorized to accept essential and business bookings. Banquet events that require the use of MIC facilities such as the ballroom and function rooms for events like conferences and weddings are also permitted, with strict adherence to safety protocols



For the years ended December 31, 2021, 2020 and 2019, the Group reported net losses of ₱918.3 million, ₱589.0 million, and ₱624.1 million, respectively, which resulted to capital deficiency of ₱1,101.1 million and ₱182.9 as at December 31, 2021 and 2020, respectively. Furthermore, the Group's current liabilities exceeded its current assets by ₱409.1 million and ₱423.4 million as at December 31, 2021 and 2020, respectively.

These conditions indicate a material uncertainty exists that may cast significant doubts on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management will continue to carry out activities to pursue business opportunities related to its gaming, hotel, and rental operations. The Group is also closely working with PAGCOR for its operations and exploring new business opportunities such as on-going renovation to increase casino floor area to accommodate more players. The Group also implemented certain cost-saving measures in 2021 and 2020 to reduce its fixed and variable costs and the management will continue to implement this in 2022.

Moreover, the Group's ability to continue as a going concern is dependent on the commitment to defer payment of advances from related parties and stockholders and waiver of management service fees. On July 30, 2021, a credit line facility was extended by a local bank to the Group (see Note 15) and is valid until July 30, 2022. The Parent Company's stockholders and related parties undertake to provide continuing financial support to enable the Group to meet its obligations as and when they fall due and there is a reasonable expectation that the adequate funding will become available when necessary. Furthermore, to promptly address the Group's capital deficiency, the BOD in its resolution dated May 13, 2022, requested the principal stockholders to confirm their intention and agreement to convert the deposits for future stock subscription, aggregating to ₱2,426.5 million, into equity through the issuance of new shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements (see Note 18). Consequently, the consolidated financial statements have been prepared on a going concern basis.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were approved and authorized for issuance by the Board of Directors (BOD) on May 13, 2022.

2. Agreements with PAGCOR

The following are the significant contracts entered by the Group with PAGCOR:

a. PTO granted to the Parent Company

As discussed in Note 1 to the consolidated financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, in accordance with the provisions of the PTO.

The agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.



For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross gaming revenues after deducting the players' winnings/prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

Upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree (P.D.) 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, the Parent Company's revenue share in gaming operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the "PAGCOR Charter". Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

b. Traditional Bingo Operation of the Parent Company

On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

In accordance with PAGCOR memorandum, bingo operation was temporarily suspended since March 13, 2020. On December 1, 2021, the Group has resumed its bingo operations on an invitational basis only.

c. Junket Agreement granted to TSLC

On May 16, 2016, TSLC was granted by PAGCOR the authority to bring in pre-registered foreign players to play in designated junket gaming areas in Winford Hotel and Casino with an initial four (4) junket gaming tables. Operation of gaming tables in excess of the initial four junket gaming tables shall be subject to PAGCOR's approval. The agreement is effective for a period of three years, commencing on day 1 of the gaming operation at the junket area but not later than six months from the date of the agreement.

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee (MGF) of US\$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 24). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.



In compliance with the junket agreement, TSLC shall also deposit to PAGCOR the following:

- a) an amount equivalent to six months of the minimum guaranteed fee for gaming tables for the junket gaming operations prior to the actual operation of the junket tables amounting to ₱17.0 million which is recorded as part of “Trade non-related parties” under “Receivables” in the consolidated statements of financial position as of December 31, 2020 (see Note 7). The minimum guaranteed fee that is outstanding as of December 31, 2020 amounting to ₱17.0 million was collected in full in 2021.
- b) an administrative charge deposit in the amount equivalent to six months manpower cost of PAGCOR’s monitoring team for the junket gaming operation prior to the actual operation amounting to ₱2.9 million, which shall be made to cover TSLC’s share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The administrative charge deposit is recorded as part of “Trade non-related parties” under “Receivables” in the consolidated statement of financial position as of December 31, 2020 (see Note 7). In 2021, the administrative charge deposit was collected from PAGCOR.
- c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC’s compliance with the terms and conditions of the agreement and PAGCOR’s pre-operating requirements which are recorded as part of “Trade non-related parties” under “Receivables” in the consolidated statement of financial position as of December 31, 2020 (see Note 7). In 2021, the cash bond was collected from PAGCOR.

All interest income accruing out of the above deposits shall pertain to PAGCOR.

Should TSLC cease operations, for reasons such as violation of terms or conditions as stated in the agreement with PAGCOR, one year or more after the commencement of the agreement but before the end of its term, only TSLC’s cash bond and administrative charge deposit shall be forfeited in favor of PAGCOR. The gaming deposit shall be returned to TSLC after deducting any unpaid fees owed by the TSLC to PAGCOR.

On August 1, 2019, the junket agreement between TSLC and PAGCOR expired. The junket agreement was no longer renewed.

In 2019, TSLC generated revenue of ₱0.8 million and presented as part of “Other revenue” in the consolidated statement of comprehensive income (nil in 2021 and 2020).

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso or ₱), which is the Group’s functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include both standard titles PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Philippine Financial Reporting Standards Council (FRSC).



4. Summary of Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.



Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- ***Annual Improvements to PFRSs 2018-2020 Cycle***

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the consolidated financial statements (and interest expense) or to the related asset component (and interest expense).



An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Group is currently assessing the impact of the amendments.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.



Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is still assessing the impact of the amendments.



5. Summary of Significant Accounting and Financial Reporting Policies, Significant Accounting Judgments, Estimates and Assumptions

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, TSLC, where the parent has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Accounting Policies of the Subsidiary

The financial statements of the subsidiary is prepared for the same reporting year using uniform accounting policies as those of the Group.



Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities. Retirement assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost (AC) are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Classification and Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of Financial Assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to



risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at AC

A financial asset is measured at AC if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at AC include cash, receivables (excluding "advances from employees"), deposits (presented as part of "Other current assets" in the consolidated financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the consolidated financial statements).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the AC or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of December 31, 2021 and 2020, the Group does not have financial assets at FVTPL.



Financial Assets at FVOCI

Debt Instruments

A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2021 and 2020, the Group does not have debt instruments at FVOCI.

Equity instruments

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of December 31, 2021 and 2020, the Group does not have equity instruments at FVOCI.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the or asset.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures



for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Loss Allowance

For cash in banks, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For receivables, deposits and long-term deposits, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Classification of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at AC (loans and borrowings)

The Group's financial liabilities include accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.



Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group has not designated any financial liability at FVTPL.

Financial liabilities at AC (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings, accounts payable and other current liabilities, interest payable, retention payables, and advances from stockholders.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of comprehensive income.

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.



If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of Financial Instruments

The Group reclassifies its financial instruments when, and only when, there is a change in the business model for managing the financial instruments. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial instruments.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash

Cash in the consolidated statement of financial position comprises cash on hand and cash in banks.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for using the first-in/first-out basis. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT," "Deferred input VAT," or "Accounts payables and other current liabilities" in the consolidated statement of financial position.

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months of within the normal operating cycle.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under "Other current assets" in the consolidated statement of financial position. CWT is stated at its estimated NRV.



Property and Equipment

Property and equipment, except land, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

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

| | Useful Lives in Years |
|---|-----------------------|
| Building | 30 |
| Machinery | 10 |
| Non-gaming equipment | 5 |
| Kitchen and bar equipment, computer software and hardware | 3 |

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the consolidated statement of comprehensive income when the asset is derecognized.

Investment Properties

The Group's investment properties consist of building held for lease. Investment properties are measured initially cost, including transaction costs and subsequently measured at cost less any accumulated depreciation and impairment.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line basis over the estimated remaining useful life of 26 years.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Advances to Contractors and Suppliers

Advances to contractors and suppliers are noninterest bearing down payments which are applied against progress billings by the contractors and suppliers. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the consolidated statement of financial position.



Operating Equipment

Operating equipment (shown as part of “Other noncurrent assets”) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over three years.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that the non-financial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of the asset’s recoverable amount. An assets’ recoverable amount is the higher of the assets’ or cash generating unit’s fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. Contract liabilities as of December 31, 2021 and 2020 are recognized under “Accounts payable and other current liabilities” in the consolidated financial statements.

Retention Payable

Retention payable represents the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.

Deposit for Future Stock Subscription

Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Group’s own equity instruments and presented in the noncurrent liabilities section of the consolidated statement of financial position. These are measured at cost and are reclassified to capital stock upon issuance of shares.



In accordance with Financial Reporting Bulletin (FRB) No. 6 issued by the SEC, the following elements should be present as of the reporting date in order for the deposits for future stock subscriptions to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit

Deficit pertains to accumulated gains and losses and may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue Recognition

The Group's revenue from contracts with customers primarily consist of hotel accommodation services, food and beverage, bingo services and other revenue. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue Share in Gaming Operations

Revenue share in gaming operations represents a certain percentage share of gross winnings after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Group's gaming facilities and gaming equipment.

Revenue from Hotel

Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage

Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.

Revenue from Bingo Operations

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. Revenue is recognized at point in time upon the conduct of the bingo operations.



Rental Income

Rental revenue from the leasing of insignificant portion of the hotel (classified as Property and Equipment) held under operating lease are recognized on a straight-line basis over the periods of the respective leases.

Other Revenue

Other revenue consists of tobacco sales, laundry services, parking fees, charges for utilities consumed by lessee and income from junket operations.

Interest Income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points

The Group operates loyalty program to encourage repeat business mainly from loyal slot machine customers and table game patrons. Members earn points primarily based on gaming activities and such points can be redeemed for goods and services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Group's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Group). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Operating Costs and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Gaming Fees

As a grantee of PAGCOR, the Group is required to pay PAGCOR a percentage of its gross receipts from bingo operations. These fees are recorded as part of "Gaming fees" under "Operating costs and expenses".

Income Tax

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.



- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if and only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Retirement Benefits

The Group does not have an established retirement plan and only conform with Republic Act (RA) 7641, Retirement Pay Law, which is a defined benefit type.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and re-measurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Leases

Group as a Lessor - Operating lease

Lease in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a Lessor - Finance lease

Lease in which the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

- a. ownership of the asset to the lessee by the end of the lease term.
- b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
- d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group has not entered into any lease arrangement other than short-term leases of which the Group applies the short-term lease recognition exemption. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Lease Modification.

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.



In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

Segment Reporting

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 25.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the report date of the consolidated financial statements. Actual results could differ from the estimates and assumptions used. The effects of any change in estimates or assumptions are reflected in the consolidated financial statements when these become reasonably determinable.



Estimates and judgments 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Assumption on Going Concern

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. . Management believes that it will be able to generate positive cash flows and has obtained from its creditor banks the approval to defer loan payments and credit facilities. The Parent Company's stockholders and related parties undertake to provide continuing financial support to enable the Group to meet its obligations as and when they fall due and there is a reasonable expectation that the adequate funding will become available when necessary. In making this judgment, the Group evaluates among other factors, existing and committed cash reserves, challenges imposed by the COVID-19 pandemic, current run-rate performance of the business as well as expected future performance based on internal models informed by competitive market dynamics and macroeconomic factors. Accordingly, the financial statements are prepared on a going concern basis since management has concrete plans with regards to the Group as disclosed in Note 1.

Transfer of Investment Properties

The Group has made transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

In 2020, the Parent Company has an existing lease agreement with a third party to lease and convert the parking and roof-deck area of Winford Hotel and Casino into an office space for lease. In 2021, the lease agreement was terminated. Thus, the Parent Company reclassified investment properties amounting to ₱714.8 million from investment properties to property and equipment (see Notes 11, 12 and 17).

Evaluating Lease Commitments

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

Group as the Lessor - Operating Lease Commitments

The Group has entered into various operating lease agreements as a lessor. The Group has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.



Group as the Lessor - Finance Lease Commitments

The Group has entered into agreements with PAGCOR involving its gaming equipment. The Group has determined that the lease term is for the major part of the asset's economic life. In calculating the present value of the minimum lease payments to measure the finance lease receivable at initial recognition, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the lessee's incremental borrowing rate is used. Initial direct costs incurred, if any, are included as part of the asset.

Revenue from Contracts with Customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying of contracts with customers under PFRS 15*
The Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Group reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.
- *Identifying performance obligations*
The Group provides hotel services, food and beverage sales, bingo services and other sales and services to its customers. The Group has determined that each of the services are capable of being distinct.

Recognition of Deferred Tax Assets

The Group makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

From the casino operations, no deferred tax assets will be recognized since the Group's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

From its hotel and rental operations as of December 31, 2021 and 2020, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

Estimates and Assumptions

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

Definition of Default and Credit-Impaired Financial Assets

Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*
The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.



- *Qualitative Criteria*

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- a) The borrower is experiencing financial difficulty or is insolvent;
- b) The borrower is in breach of financial covenant(s);
- c) Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
- d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Group's ECL calculation.

Simplified Approach for Receivables

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of Instruments for Losses Measured on Collective Basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Macro-economic Forecasts and Forward-looking Information

Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past three years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

In light of COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodology. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Allowance for expected credit losses as of December 31, 2021 and 2020 amounted to ₱121.0 million and ₱118.3 million, respectively. The carrying amounts of receivables (including "Receivable arising from PTO related to gaming equipment – net of current portion" presented as part of "Other Noncurrent Assets") for which the management believes to be recoverable amounted to ₱461.5 million and



₱535.2 million as at December 31, 2021 and 2020, respectively (see Notes 7 and 13).

Estimation of the Useful Lives of Property and Equipment and Investment Properties

The useful lives of each of the Group's property and equipment and investment properties are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and 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. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment and investment property would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment in 2021, 2020 and 2019. The carrying value of property and equipment and investment properties as of December 31, 2021 and 2020 are disclosed in Notes 11 and 12 to the consolidated financial statements, respectively.

Impairment of Property and Equipment and Investment Properties (in 2020)

The Group determines whether its property and equipment and investment properties are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for an individual assets, or if possible, for the CGU to which the asset belongs, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The factors that the Group considers important which could trigger an impairment review include the following, among others:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of acquired assets or the overall business strategy; and
- significant impact of COVID-19 outbreak in the industry or economic trends.

As a result of the continuing community quarantines and restricted travel, the Group's revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. In addition, the lessee's operations have not yet commenced due to the suspension of its construction activities in the Group's investment properties, brought about by the COVID-19 pandemic. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

The Group estimates the recoverable amount of the property and equipment and investment properties based on value in use. For property and equipment, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

For investment properties in 2020, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-



term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic.

The forecasted costs and expenses are based on the Group's historical performance and current market conditions.

Based on the Group's impairment testing, no impairment loss was recognized for the years ended December 31, 2021 and 2020. The net book values of the Group's property and equipment and investment properties amounted to ₱4,288.4 million and nil, respectively, as of December 31, 2021; and ₱3,766.1 million and ₱744.6 million, respectively, as of December 31, 2020 (see Notes 11 and 12).

Impairment of Input VAT

The determination of the Group's recoverability of Input VAT is based on the Group's assessment of its projected operating results taking into consideration the significant impact of COVID-19 pandemic in the industry. The Group assessed that the current portion of input VAT amounting to ₱13.4 million is recoverable within the next 12 months from the reporting date and non-current portion amounting to ₱100.1 million is recoverable for the years thereafter (see Note 9). In 2021, due to the termination of the lease agreement with a third party, which is expected to generate revenues subject to output VAT, the Group recorded an impairment loss amounting to ₱360.8 million (see Notes 9 and 17).

Retirement Benefits

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuary in calculating such amounts. Those assumptions, which include among others, discount rate and future salary increase rate, are described in Note 16 to the consolidated financial statements.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases, and retirement increases are based on expected future inflation rates.

Information on the Group's retirement benefits are presented in Note 16 to the consolidated financial statements.

6. Cash

| | 2021 | 2020 |
|---------------|--------------------|-------------|
| Cash on hand | ₱2,170,140 | ₱1,910,295 |
| Cash in banks | 10,657,635 | 19,139,102 |
| | ₱12,827,775 | ₱21,049,397 |

Cash in banks generally earns interest at the respective bank deposit rates.

Interest income earned from cash in banks amounted to ₱35,536, ₱127,046 and ₱315,384 in 2021, 2020 and 2019, respectively.



7. Receivables

| | 2021 | 2020 |
|---|---------------------|--------------|
| Trade: | | |
| Non-related parties | ₱96,859,684 | ₱84,177,684 |
| Related parties (Note 21) | 418,347 | 418,347 |
| Nontrade (Note 11) | 125,681,357 | 125,681,357 |
| Receivable arising from PTO related to: | | |
| Gaming equipment (Note 17) | 89,949,636 | 80,983,264 |
| Gaming facility | 21,786,996 | 27,839,504 |
| Advances to employees | 6,164,189 | 3,247,805 |
| | 340,860,209 | 322,347,961 |
| Less: Allowance for ECL | 120,958,349 | 118,264,139 |
| | ₱219,901,860 | ₱204,083,822 |

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations, claims against the travel agencies for the hotel accommodations and claims for deposits by TSLC to PAGCOR under Junket Agreement (see Note 2). These receivables are usually collected within 30 to 60 days.

Nontrade receivables mainly pertain to noninterest-bearing receivable from a third party for consideration related to certain disposed assets.

Receivable arising from PTO pertains to the outstanding balance of the Group's revenue share in gaming operations related to gaming facility and gaming equipment after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Group within 15 days of the following month in accordance with the PTO.

Allowance for ECL

The following table shows the rollforward of the allowance for ECL on trade receivables from non-related parties and nontrade receivables as of December 31:

| | 2021 | 2020 |
|------------------------------|---------------------|--------------|
| Balance at beginning of year | ₱118,264,139 | ₱110,381,917 |
| Provision (see Note 24) | 2,694,210 | 7,882,222 |
| | ₱120,958,349 | ₱118,264,139 |

8. Inventories

| | 2021 | 2020 |
|-----------------------------|--------------------|-------------|
| At cost: | | |
| Operating supplies | ₱11,678,280 | ₱15,784,488 |
| Food, beverage, and tobacco | 3,783,153 | 4,421,866 |
| | ₱15,461,433 | ₱20,206,354 |

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized as at December 31, 2021 and 2020.



9. Input VAT

| | 2021 | 2020 |
|--|---------------------|--------------|
| Input VAT - current | ₱13,405,199 | ₱10,931,369 |
| Noncurrent: | | |
| Input VAT – noncurrent | 447,327,279 | 427,061,029 |
| Deferred input VAT | 13,515,163 | 13,728,189 |
| | 460,842,442 | 440,789,218 |
| Less: Allowance for impairment of input VAT | 360,760,403 | – |
| | 100,082,039 | 440,789,218 |
| | ₱113,487,238 | ₱451,720,587 |

Input VAT pertains mainly to the Group's purchase of goods and services which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

Allowance for Impairment of Input VAT

In 2021, the Group recognized allowance for impairment of input VAT amounting to ₱360.8 million.

10. Other Current Assets

| | 2021 | 2020 |
|---------------------------|--------------------|--------------|
| Restricted cash (Note 15) | ₱68,113,713 | ₱103,562,631 |
| Prepayments | 14,989,281 | 5,590,782 |
| CWT | 8,175,059 | 4,920,241 |
| | ₱91,278,053 | ₱114,073,654 |

Restricted cash are interest-bearing special bank accounts which are solely being used to maintain funding for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15). Total interest income earned from restricted cash amounted to ₱0.2 million, ₱2.0 million and nil in 2021, 2020 and 2019, respectively.

Prepayments pertain to advance payments for software maintenance, advertising services and health insurance, operating supplies and security services.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Group.



11. Property and Equipment

| | 2021 | | | | | Total |
|--|---------------------|-----------------------|---------------------|----------------------|---|-----------------------|
| | Land | Building | Machinery | Non-gaming equipment | Kitchen and bar equipment, computer software and hardware | |
| Cost | | | | | | |
| Balance at beginning of year | ₱600,800,000 | ₱3,498,790,353 | ₱221,699,406 | ₱466,156,794 | ₱639,966,552 | ₱5,427,413,105 |
| Additions | — | 12,726,983 | 7,483,019 | 470,033 | 525,248 | 21,205,283 |
| Transfers from investment properties (Note 12) | — | 714,790,600 | — | — | — | 714,790,600 |
| Balance at end of year | 600,800,000 | 4,226,307,936 | 229,182,425 | 466,626,827 | 640,491,800 | 6,163,408,988 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | — | 536,976,508 | 100,146,327 | 396,672,103 | 627,497,596 | 1,661,292,534 |
| Depreciation (Note 24) | — | 120,206,830 | 22,086,928 | 62,929,459 | 8,443,494 | 213,666,711 |
| Balance at end of year | — | 657,183,338 | 122,233,255 | 459,601,562 | 635,941,090 | 1,874,959,245 |
| Net book value | ₱600,800,000 | ₱3,569,124,598 | ₱106,949,170 | ₱7,025,265 | ₱4,550,710 | ₱4,288,449,743 |

| | 2020 | | | | | Total |
|---------------------------------|---------------------|-----------------------|---------------------|----------------------|---|-----------------------|
| | Land | Building | Machinery | Non-gaming equipment | Kitchen and bar equipment, computer software and hardware | |
| Cost | | | | | | |
| Balance at beginning of year | ₱600,800,000 | ₱3,489,843,089 | ₱221,699,406 | ₱464,754,666 | ₱636,513,164 | ₱5,413,610,325 |
| Additions | — | 8,947,264 | — | 1,402,128 | 3,453,388 | 13,802,780 |
| Balance at end of year | 600,800,000 | 3,498,790,353 | 221,699,406 | 466,156,794 | 639,966,552 | 5,427,413,105 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | — | 417,459,176 | 76,342,833 | 302,716,169 | 615,005,330 | 1,411,523,508 |
| Depreciation (Note 24) | — | 119,517,332 | 23,803,494 | 93,955,934 | 12,492,266 | 249,769,026 |
| Balance at end of year | — | 536,976,508 | 100,146,327 | 396,672,103 | 627,497,596 | 1,661,292,534 |
| Net book value | ₱600,800,000 | ₱2,961,813,845 | ₱121,553,079 | ₱69,484,691 | ₱12,468,956 | ₱3,766,120,571 |



As of December 31, 2021 and 2020, land and building, presented as part of property and equipment and investment properties, with an aggregate carrying values of ₱4.2 billion and ₱4.3 billion were pledged as collateral for the loan facility, respectively (see Note 15).

The cost of fully depreciated property and equipment which are still in use amounted to ₱743.7 million and ₱725.4 million as of December 31, 2021 and 2020, respectively.

In 2019, the Parent Company sold kitchen and bar equipment which resulted to a gain of ₱13.4 million. Proceeds from sale of kitchen and bar equipment is recorded as part of “Nontrade receivables” in the consolidated statements of financial position as of December 31, 2021 and 2020, respectively (see Note 7).

As of December 31, 2021 and 2020, the Group has outstanding retention payable to its service providers related to renovation and improvements to the building amounting to ₱4.1 million and ₱7.9 million, respectively.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the Group’s revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment.

In 2021 and 2020, the Group estimates the recoverable amount of the property and equipment based on value in use. The value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID-19 pandemic.

Based on the Group’s impairment assessment, no impairment loss was recognized in 2021 and 2020 (see Note 5).

12. Investment Properties

In 2019, the Parent Company entered into a lease agreement with a third party to lease and convert the parking and roof-deck area of Winford Hotel and Casino, with a total area of 15,718 sqm, into an office space for lease (see Note 17). Upon execution of the lease agreement, the Parent Company reclassified the portion of the property and equipment held for lease into “Investment properties” amounting to ₱781.8 million.

In 2021, as a result of cancellation of the lease agreement with a third party, the Parent Company reclassified the investment properties amounting to ₱714.8 million to “Property and equipment” account (see Note 11).



Details of the carrying amount of investment properties are shown below:

| | 2021 | 2020 |
|--|----------------------|---------------------|
| Cost | | |
| Balance at beginning of year | ₱781,802,218 | ₱781,802,218 |
| Transfers to property and equipment (Note 11) | (714,790,600) | — |
| Balance at end of year | 67,011,618 | 781,802,218 |
| Accumulated Depreciation | | |
| Balance at beginning of year | 37,228,677 | 7,445,736 |
| Depreciation (Note 24) | 29,782,941 | 29,782,941 |
| Balance at end of year | 67,011,618 | 37,228,677 |
| Net Book Value | ₱— | ₱744,573,541 |

No rental income was recognized in 2021, 2020 and 2019. Operating expenses related to the investment properties amounted to ₱8.2 million, ₱8.0 million and ₱5.6 million in 2021, 2020 and 2019, respectively, which pertains mainly to real property taxes. There were no significant repairs and maintenance made to maintain the Parent Company's investment properties in 2021, 2020 and 2019.

Fair Market Values

As at December 31, 2020, the aggregate fair value of the Parent Company's investment properties amounted to ₱749.4 million. Fair values of the investment properties as of April 28, 2021 have been determined based on valuation performed by a qualified independent professional appraisers using cost approach for building. This means that valuations performed by qualified independent appraisers are depreciated replacement cost which is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. An estimate in calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources and adding the indirect costs attributed to the improvement has been made. This is included under Level 3 of the fair value hierarchy.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the third-party lessee's operations have not yet commenced due to the suspension of its construction activities in the Group's investment properties. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

In 2020, the Group estimates the recoverable amount of the investment properties based on value in use. Value in use calculations for investment properties uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flow relating to its lease contract, taking into consideration the impact associated with the COVID-19 pandemic. The forecasted costs and expenses are based on the Group's historical performance and current market conditions.

Based on the Group's impairment assessment on investment properties, no impairment loss was recognized in 2020.



13. Other Noncurrent Assets

| | 2021 | 2020 |
|--|---------------------|--------------|
| Receivable arising from PTO related to gaming equipment - net of current portion (Note 17) | ₱241,616,356 | ₱331,107,901 |
| Long-term deposits | 6,267,386 | 6,267,386 |
| Advances to contractors and suppliers | 4,779,331 | 4,779,331 |
| Operating equipment | 1,026,658 | 1,906,434 |
| | ₱253,689,731 | ₱344,061,052 |

Long-term deposits pertain to guarantee payment for utility bills.

Movement in operating equipment are as follows:

| | 2021 | | | |
|---------------------------------|--------------------|--------------------|-------------------|---------------------|
| | Utensils | Linens | Uniforms | Total |
| Cost | | | | |
| Balance at beginning of year | ₱23,562,076 | ₱72,633,142 | ₱5,449,609 | ₱101,644,827 |
| Additions | — | — | 2,036 | 2,036 |
| Balance at end of year | 23,562,076 | 72,633,142 | 5,451,645 | 101,646,863 |
| Accumulated amortization | | | | |
| Balance at beginning of year | 23,562,076 | 71,143,836 | 5,032,481 | 99,738,393 |
| Amortization (Note 24) | — | 631,485 | 250,327 | 881,812 |
| Balance at end of year | 23,562,076 | 71,775,321 | 5,282,808 | 100,620,205 |
| Net book value | ₱— | ₱857,821 | ₱168,837 | ₱1,026,658 |

| | 2020 | | | |
|---------------------------------|--------------------|--------------------|-------------------|--------------------|
| | Utensils | Linens | Uniforms | Total |
| Cost | | | | |
| Balance at beginning of year | ₱23,562,076 | ₱70,917,497 | ₱5,340,259 | ₱99,819,832 |
| Additions | — | 1,715,645 | 109,350 | 1,824,995 |
| Balance at end of year | 23,562,076 | 72,633,142 | 5,449,609 | 101,644,827 |
| Accumulated amortization | | | | |
| Balance at beginning of year | 23,562,076 | 70,816,300 | 4,556,182 | 98,934,558 |
| Amortization (Note 24) | — | 327,536 | 476,299 | 803,835 |
| Balance at end of year | 23,562,076 | 71,143,836 | 5,032,481 | 99,738,393 |
| Net book value | ₱— | ₱1,489,306 | ₱417,128 | ₱1,906,434 |

14. Accounts Payable and Other Current Liabilities

| | 2021 | 2020 |
|---|---------------------|--------------|
| Accounts payable | ₱360,220,378 | ₱364,244,546 |
| Accrued expenses | 236,900,595 | 155,934,953 |
| Gaming liabilities | 48,156,968 | 39,147,990 |
| Taxes payable | 18,241,546 | 3,965,311 |
| Contract liabilities | 16,099,010 | 16,558,725 |
| Advances from related parties (Note 21) | 4,982,104 | 4,982,104 |
| Others | 21,830,024 | 22,690,822 |
| | ₱706,430,625 | ₱607,524,451 |

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days after the billing was received.



Accrued expenses pertain to accrual of payroll, other employee benefits, utilities, travel and transportation, meeting and conferences, security services and service fees, professional fees, real property tax, among others, which are normally settled in the next financial year.

Gaming liabilities include provision for progressive jackpot on slot machine and for points earned from loyalty programs.

Taxes payable pertains to taxes withheld by the Group from its contractors and suppliers from payments made mainly in relation to the construction of building and output VAT.

Contract liabilities pertain to hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. The revenue recognized from prior year performance obligations amounted to ₱14.7 million, ₱4.1 million and ₱4.5 million in 2021, 2020 and 2019, respectively.

Others include deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

15. Loans Payable

| | 2021 | 2020 |
|--|-----------------------|----------------|
| Principal | ₱2,307,900,000 | ₱2,307,900,000 |
| Less unamortized debt discount | (17,942,423) | (15,117,333) |
| | 2,289,957,577 | 2,292,782,667 |
| Less current portion of long-term debt | — | (138,039,293) |
| | ₱2,289,957,577 | ₱2,154,743,374 |

The movements in the principal balance of loans payable are as follows:

| | 2021 | 2020 |
|------------------------------|-----------------------|----------------|
| Balance at beginning of year | ₱2,307,900,000 | ₱2,355,000,000 |
| Payment | — | (47,100,000) |
| Balance at end of year | ₱2,307,900,000 | ₱2,307,900,000 |

The movements in the unamortized debt discount are as follows:

| | 2021 | 2020 |
|--|--------------------|-------------|
| Unamortized debt discount at beginning of year | ₱15,117,333 | ₱17,362,110 |
| Additions* | 6,011,948 | 1,966,404 |
| Amortization | (3,186,858) | (4,211,181) |
| Unamortized debt discount at end of year | ₱17,942,423 | ₱15,117,333 |

*This includes adjustments related to loan contract modification.

Future repayment of the principal as follows:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Within one year | ₱— | ₱141,300,000 |
| After one year but not more than five years | 2,307,900,000 | 2,166,600,000 |
| | ₱2,307,900,000 | ₱2,307,900,000 |



In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax (the “Original Loan”). The proceeds from this loan were initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. Subsequently, in April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Debt issue costs for both loans include documentary stamp tax amounting to ₱17.5 million and upfront fees amounting to ₱17.5 million. Both loans will mature on November 27, 2022.

On November 22, 2019, the Parent Company entered into 7-year loan agreement amounting to ₱2.4 billion with another local bank. This loan has an interest rate of 7-year Philippine Bloomberg Valuation Service (BVAL) Reference Rates plus 125 basis points at drawdown date, plus gross receipts tax (the “New Loan”). Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The loan proceeds were used to refinance the outstanding balance of its ₱3.5 billion loan, fund the Parent Company’s debt service accounts and finance related expenses for general corporate purposes.

On November 27, 2019, the Parent Company drew the full amount under the New Loan, receiving proceeds of ₱2.3 billion, net of related debt issue cost of ₱17.7 million. As a result, the Parent Company derecognized the Original Loan together with the unamortized debt issue cost and recognized prepayment penalty aggregating ₱34.8 million as part of “Interest expense and other financing charges” in the 2019 consolidated statement of comprehensive income.

In June 2020, in light of the COVID-19 pandemic, the bank provided a revised principal and interest payment scheme, which was accepted by the Parent Company. In August 2020, the bank approved further relief in relation to the terms of the loan. The Parent Company was provided with the following reliefs and agreed on the revised terms of the existing loan agreements with the bank:

- *Principal repayments and interest payment*
Quarterly principal repayment due in June 2020 was deferred to May 2021. Quarterly interest payment was changed to monthly payment starting June 2020 to February 2021 and shall revert to quarterly payments starting May 2021 coinciding with the principal repayment from May 2021 to November 2026.
- *Term loan covenants*
Debt Service Payment Account (DSPA) shall have no build-up on principal plus interest due until April 2021. The monthly buildup will resume starting May 2021 onwards equivalent to one-third of next principal plus interest due.

Debt Service Reserve Account (DSRA) requirement of equivalent to two quarters of principal plus interest shall be deferred to May 2021 onwards.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio was waived and will resume on September 2021 based on June 30, 2021 interim financial statements.

In addition, quarterly principal and interest repayments starting May 2021 were further extended to July 2021 or a 60-day extension by virtue of Bayanihan to Heal as One Act (RA 11469).



On July 23, 2021, the bank provided further revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company. Details are as follows:

- *Principal repayments*
Quarterly principal repayment due in July 2021 was deferred to January 2023. Accordingly, current portion of the loans payable amounting to ₱138.0 million as of December 31, 2021, will now be due in January 2023.
- *Term loan covenants*
DSPA shall have no build-up up to October 2022. The monthly build-up will resume starting November 2022 onwards equivalent to one-third of next debt service.

DSRA requirement of equivalent to two quarters of debt service starting July 2021.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio is waived and will resume in 2023 based on 2022 consolidated financial statements.

Based on the Parent Company's assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities. Total modification gain, recognized as part of "Interest expense and other financing charges" in the 2021 and 2020 consolidated statements of comprehensive income, as a result of these modifications amounted to ₱6.1 million and ₱0.9 million, respectively.

Under the loan agreement, the Parent Company is required to maintain debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. The cash amounting to ₱68.1 million and ₱103.6 million as of December 31, 2021 and 2020, respectively, are presented under "Other current assets" as "Restricted cash" (see Note 10).

The related interest recognized from the loans amounted to ₱144.2 million, ₱144.7 million and ₱153.4 million in 2021, 2020 and 2019 respectively. Total interest paid amounted to ₱144.7 million ₱130.1 million and ₱150.2 million in 2021, 2020 and 2019, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties (in 2020), with an aggregate carrying value of ₱4.2 billion and ₱4.3 billion as of December 31, 2021 and 2020, respectively (see Notes 11 and 12).

Credit line facility

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The credit line facility remains unused as of date, and valid until July 31, 2022 unless further extended or renewed by the bank.

16. Retirement Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (RA 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The Group liability for retirement benefits is based solely on the requirement under RA 7641. Benefits are based on the employee's final salary and years of service. In 2021, the Parent Company engaged an independent expert to perform actuarial valuation.



The table below summarizes the components of retirement cost recognized under “Operating costs and expenses” in the consolidated statements of comprehensive income (see Note 24):

| | 2021 | 2020 |
|----------------------|-----------------|------------|
| Current service cost | ₱866,352 | ₱844,346 |
| Interest cost | 123,762 | 497,251 |
| | ₱990,114 | ₱1,341,597 |

Movements in the cumulative actuarial gain in the consolidated statements of comprehensive income are as follows:

| | 2021 | 2020 |
|---|-------------------|------------|
| Balance at beginning of year | ₱7,999,567 | ₱287,204 |
| Actuarial gain recognized in other comprehensive income | 71,428 | 7,712,363 |
| | ₱8,070,995 | ₱7,999,567 |

The movements in the retirement liability are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------|
| Balance at beginning of year | ₱3,173,394 | ₱9,544,160 |
| Total retirement expense | 990,114 | 1,341,597 |
| Defined benefit income recognized in OCI | (71,428) | (7,712,363) |
| Balance at end of year | ₱4,092,080 | ₱3,173,394 |

Movement in defined benefit obligation are as follows:

| | 2021 | 2020 |
|------------------------------------|-------------------|-------------|
| Balance at beginning of year | ₱3,173,394 | ₱9,544,160 |
| Current service cost | 866,352 | 844,346 |
| Interest cost | 123,762 | 497,251 |
| Actuarial loss (gain) on: | | |
| Changes in financial assumptions | (589,754) | 123,239 |
| Changes in demographic assumptions | 727,976 | — |
| Experience adjustments | (209,650) | (7,835,602) |
| Balance at end of year | ₱4,092,080 | ₱3,173,394 |

The cost of the retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. The principal assumptions used in determining the retirement liability of the Group as of January 1 are shown below:

| | 2021 | 2020 |
|----------------------|--------------|-------|
| Discount rate | 5.11% | 5.21% |
| Salary increase rate | 4.00% | 5.00% |

The latest actuarial valuation made for the plan was as of December 31, 2021.

As of December 31, 2021, discount rate and salary increase rate are 5.11% and 4.00%, respectively.



The Group does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of the law, there is a cash flow risk that the Group may be exposed to if several employees retire within the same year.

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|-----------------------------|--------------------|--------------------|
| Less than one year | ₱— | ₱— |
| One to less than five years | 766,356 | 736,026 |
| Five to less than ten years | 6,421,448 | 2,451,901 |
| Ten years and above | 23,668,426 | 25,897,525 |
| | ₱30,856,230 | ₱29,085,452 |

The average duration of the expected benefit payments as of December 31, 2021 and 2020 is 23.8 years and 25.2 years, respectively.

The defined benefit obligation is subject to several key assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

| | Effect on retirement liability |
|--|--------------------------------|
| Discount rate | |
| (10.00%) (Actual + 100 basis points (bps)) | (₱408,441) |
| 11.7% (Actual - 100 bps) | 478,846 |
| Salary increase rate | |
| 11.7% (Actual + 100 bps) | ₱479,394 |
| 10.2% (Actual - 100 bps) | (416,169) |

17. Significant Commitments

PTO

As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation.

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:

- (1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
- (2) A minimum number of new slot machines and an online token-less system of linking and networking all slot machines.

The use of slot machines and gaming tables (“Gaming Equipment”) by PAGCOR will be for the major part of the Gaming Equipment’s economic life.



In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company's building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building. The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱182.3 million in 2021, ₱225.1 million in 2020 and ₱556.9 million in 2019. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO amounting to ₱81.0 million, ₱72.1 million and ₱62.4 million in 2021, 2020 and 2019, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2021, 2020 and 2019, presented in the consolidated statements of comprehensive income, amounted to ₱101.3 million, ₱153.0 million and ₱494.5 million, respectively.

The details of the revenue share in gaming operations are as follows:

| | 2021 | 2020 | 2019 |
|--|---------------------|--------------|--------------|
| Revenue share from gaming operations related to: | | | |
| Gaming facility | ₱61,868,494 | ₱106,629,088 | ₱444,672,706 |
| Gaming equipment | 39,466,272 | 46,340,995 | 49,875,474 |
| | ₱101,334,766 | ₱152,970,083 | ₱494,548,180 |

The future minimum collection related to the gaming equipment follows:

| | 2021 | 2020 | 2019 |
|---|---------------------|---------------|---------------|
| Within one year | ₱120,516,935 | ₱120,429,069 | ₱116,483,591 |
| After one year but not more than five years | 273,992,073 | 364,869,513 | 408,454,727 |
| More than five years | 10,687,489 | 39,660,666 | 86,913,440 |
| | 405,196,497 | 524,959,248 | 611,851,758 |
| Less: unamortized portion of discount | (73,630,505) | (112,868,083) | (148,939,911) |
| | 331,565,992 | 412,091,165 | 462,911,847 |
| Less: current portion (Note 7) | (89,949,636) | (80,983,264) | (71,241,648) |
| Noncurrent portion (Note 13) | ₱241,616,356 | ₱331,107,901 | ₱391,670,199 |

Operating Lease Commitment - the Parent Company as Lessor

- a. The Parent Company entered into a lease contract with China Trust Philippines Commercial Banking Corp. (CTBC) to lease a space in Winford Hotel, ground floor with an area of 3 sqm. The lease term is for a period of one year commencing on January 1, 2020 and has a basic monthly rental fee of ₱11,200 inclusive of electrical consumption and VAT. In January 2021, the same lease contract was amended to a basic monthly rent of ₱8,000 without escalation, inclusive of 12% VAT. The contract has been renewed in 2020 and expired on December 31, 2021. In 2022, CTBC is processing the renewal of its lease agreement.



- b. The Parent Company also entered into an agreement of lease with IFoods Group Inc. to lease a 315.5 sqm. area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. Also, the lessee will pay an additional ₱13.78 per sqm for common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties. In 2020, the Parent Company has waived the basic rental payments and changed the percentage rental to 7% of dine-in sales and still applicable in 2021.
- c. The Parent Company entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sqm. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per sqm. per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties. In 2021, due to the effects of the COVID-19 pandemic in 2020, the Parent Company has waived the common area charges and basic rental payments and changed the percentage rental to 1% of gross sales valid from February 2021 to June 1, 2021 then resumed back to the original rental rate.
- d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus, a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher. Rent escalation shall separately apply to both basic rent and minimum guaranteed rent. The lessee will pay an additional ₱160 per sqm. for the common service area fee. In 2019, the Parent Company agreed to amend the contract rates from basic rent per sqm. of ₱1,300 to ₱1,000 and removal of minimum guaranteed rent and percentage of gross sales. In 2021, due to the effects of the COVID-19 pandemic in 2020, the Parent Company has waived the basic rental payments valid from July 2021 to December 2021 or until the store opens, whichever occur first. In 2022, Philippine Seven Corporation is processing the renewal of its lease agreement.
- e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT, and without rental escalation. The lessee will also pay for an additional ₱13.78 per sqm. for the common use service area. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- f. The Parent Company entered into a lease contract with Banco de Oro (BDO) Unibank Inc. to lease a space in Winford Hotel, second floor with an area of 3 sqm. The lease shall commence on January 1, 2021. The lease contract was renewed in 2019. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT. The contract has been renewed in 2020 and shall expire in December 31, 2022.



- g. The Parent Company also entered into an agreement of lease with Choi Garden Manila Corporation for ten years commencing January 7, 2016 to lease a 927 sqm. area of Winford Hotel and Casino to be used for restaurant, dining and banqueting of Chinese food only services. The lessee is subject to 10% of gross sales exclusive of senior citizen discount and VAT. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- h. The Parent Company entered into a lease contract with Maybank Philippines Inc. to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter. On November 2019, the lease contract has been terminated.
- i. The Parent Company also entered into an agreement of lease with Globe Telecom, Inc. for ten years starting February 1, 2016 to lease a 6 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.
- j. The Parent Company also entered into an agreement of lease with Smart Communications, Inc. for five years commencing on November 10, 2016 to lease a 9 sqm. area of Winford Hotel and Casino to be used for satellite services. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.
- k. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate. Aside from this, the lessee will pay for additional ₱50 per sqm. for the common use service area. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- l. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term, and will have to pay for an additional ₱50 per sqm. for common use service area fee. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from March 2020 to December 2020 and resumed to the original agreement in 2021.
- m. As discussed in Note 12, the Parent Company entered into lease agreement with Mistwood Properties, Inc. (MPI) for the conversion and lease of the parking area and roof-deck of Winford Hotel and Casino to office space of MPI. The lease is for a 9-year period commencing upon completion of the construction plans by which it has not yet started as of December 31, 2019. The lease has a base monthly rental rate of ₱ 750.0 per sqm. which is equivalent to ₱11.8 million, exclusive of VAT with annual escalation of 5%. In addition to the base monthly rental, the lease has common area dues of ₱60.0 per sqm which is equivalent to ₱0.9 million, inclusive of VAT with annual escalation of 5%. During 2019, the Parent Company received ₱35.4 million security deposit from MPI. In 2020, conversion has been suspended indefinitely due to COVID-19 pandemic. In 2021, due to difficulties encountered during the COVID-19 pandemic, MPI terminated the lease agreement and the related security deposit amounting to ₱34.6 million was recognized as income under “Other revenue” in the consolidated statements of comprehensive income. No rental income was recognized in 2021 and 2020.



- n. In 2021, the Parent Company also entered into an agreement of lease with Urban Group Health Ventures Inc. for five years renewable to lease 40.76 sqm. area of Winford Hotel and Casino. The lease is payable at a monthly rate amounting to ₱114,128, inclusive of withholding taxes and VAT and 10% escalation fee annually.
- o. In 2021, the Parent Company also entered into an agreement of lease with DITO Telecommunity Corporation for five years to lease a 4.93 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱29,580, inclusive of withholding taxes and VAT and 5% escalation fee on fifth year thereafter.

The estimated future minimum lease collections for the above agreements are as follows:

| | 2021 | 2020 |
|---|--------------------|-----------------------|
| Within one year | ₱4,238,347 | ₱4,111,337 |
| After one year but not more than five years | 17,912,530 | 543,462,011 |
| Five years onwards | – | 784,635,314 |
| | ₱22,150,877 | ₱1,332,208,662 |

Rent income amounted to ₱6.1 million, ₱12.1 million and ₱25.1 million in 2021, 2020 and 2019, respectively. Interest expense on the security deposit amounted to ₱1.2 million, ₱1.1 million and ₱0.3 million in 2021, 2020 and 2019, respectively.

Service Agreements

- a. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management and development of the hotel including recommendation or proposals on the activities or matters relating to the hotel. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.
- b. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory, and technical services in relation to the operation, management and development of the casino. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.
- c. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide communication strategy and planning development, conceptualization, production of advertising materials and marketing of the Group's banquet and hotel rooms.

Due to COVID-19 crisis, the service providers have waived fees pertaining to March to December 2020. Total service fees recognized in 2021, 2020 and 2019 under these agreements amounted to ₱28.7 million, ₱6.3 million and ₱34.8 million, respectively (see Note 24).

On June 30, 2021, the service providers have also agreed to waive fees for the whole year of 2021.

18. Deposits for Future Stock Subscription

The Group presented the deposit amounting to ₱2.4 billion as "Deposit for future stock subscription" under noncurrent liabilities in the consolidated statements of financial position as of December 31, 2021 and 2020, in accordance with FRB No. 6 as issued by the SEC.



On September 29, 2021, the Parent Company received a letter from the Philippine Stock Exchange (PSE) giving the Parent Company until December 31, 2021 to submit its responses to the PSE. However, due to the COVID-19 situation, the Parent Company was unable to submit the remaining requirements for its listing application for the stock rights offering with the PSE and thereafter the PSE considered the listing application abandoned.

On May 13, 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to ₱2,426.5 million, into equity through the issuance of shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements (see Note 22).

19. Income Taxes

For income tax purposes, as the entity was granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2).

The provision for income tax consists of final tax amounting to ₱7,116, ₱26,110 and ₱63,227 in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income from its hotel and rental operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Group's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

As of December 31, 2021 and 2020, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Deferred tax assets: | | |
| Net operating loss carry over (NOLCO) | ₱433,446,884 | ₱583,041,155 |
| Allowance for impairment of input VAT | 90,190,101 | — |
| Allowance for ECL | 30,239,587 | 35,479,242 |
| Unearned income | 3,492,997 | 5,975,748 |
| Customer deposits | 375,055 | 1,315,592 |
| Retirement liability | 776,505 | 744,675 |
| | 558,521,129 | 626,556,412 |
| Deferred tax liabilities: | | |
| Deferred rent income | 749,180 | 920,367 |
| Unrealized foreign exchange gain - net | 169,675 | 170,046 |
| Unrealized gain on loan modification | 1,750,706 | 268,113 |
| | 2,669,561 | 1,358,526 |
| | ₱555,851,568 | ₱625,197,886 |



As of December 31, 2021, the details of NOLCO is as follows:

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three consecutive taxable years, as follows:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Available Until |
|---------------|-------------------|----------|----------------|----------------|-----------------|
| 2018 | ₱701,678,755 | ₱– | (₱701,678,755) | ₱– | 2021 |
| 2019 | 719,221,396 | – | – | 719,221,396 | 2022 |
| | ₱1,420,900,151 | ₱– | (₱701,678,755) | ₱719,221,396 | |

As of December 31, 2021, the Group has incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Year Incurred | Beginning Balance | Incurred | Expired | Ending Balance | Available Until |
|---------------|-------------------|--------------|---------|----------------|-----------------|
| 2020 | ₱522,570,365 | ₱– | ₱– | ₱522,570,365 | 2025 |
| 2021 | – | 491,995,775 | – | 491,995,775 | 2026 |
| | ₱522,570,365 | ₱491,995,775 | ₱– | ₱1,014,566,140 | |

The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 follows:

| | 2021 | 2020 | 2019 |
|--|----------------|----------------|----------------|
| Benefit from income tax based on accounting income before income tax | (₱229,565,085) | (₱176,685,935) | (₱192,608,912) |
| Additions to (reductions in) income tax resulting from tax effects of: | | | |
| Expired NOLCO | 175,419,689 | 228,608,796 | 121,794,713 |
| Movement in unrecognized deferred tax assets | 34,861,149 | (69,148,944) | 113,699,070 |
| Loss (income) from gaming operations exempt from income tax | 18,595,613 | 17,926,129 | (51,618,609) |
| Nondeductible expenses (nontaxable income) and others | 752,756 | (58,602) | 8,828,652 |
| Interest income subjected to final tax | (57,006) | (615,334) | (31,687) |
| Provision for income tax | ₱7,116 | ₱26,110 | ₱63,227 |



Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax (CIT) and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

The reduction in tax rates under CREATE Act has no significant impact to the consolidated financial statements as of and for the year ended December 31, 2021.

20. PEZA Registration

On February 10, 2015, the Parent Company's registration as an Ecozone Tourism Enterprise for the development and operation of tourist, leisure and entertainment facilities is approved by Philippine Economic Zone Authority (PEZA).

As provided in its Registration Agreement dated February 24, 2015, the Parent Company shall be entitled only to tax and duty-free importation and zero-VAT rating on local purchases of capital equipment in accordance with PEZA Board Resolution No. 12-610 dated November 13, 2012, except for casino operations and other gaming/gambling operations, if any, subject to all evaluation and/or processing requirements and procedures prescribed under PEZA Rules and Regulations, pertinent circulars and directives.

21. Related Party Transactions

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entity, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form. Outstanding balances are generally settled through cash.



Transactions with Related Parties

In the ordinary course of business, the Group has significant transactions with related parties as follows:

| Party | Amount/Volume | | Receivable (Payable) | | | Financial Statements Account | Terms | Conditions |
|--|---------------|-------------|----------------------|-----------------|-----------------|---------------------------------------|---|-------------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | | | |
| Stockholder | | | | | | | | |
| Manila Jockey Club, Inc. (MJCI) | | | | | | | | |
| Deposit for future stock subscription (Note 18) | ₱— | ₱— | ₱84,000,000 | (₱321,233,646) | (₱321,233,646) | Deposit for future stock subscription | Non-interest bearing | Unsecured, unguaranteed |
| Advances ^(a) (Note 14) | — | (11,285) | — | (4,982,104) | (4,982,104) | Advances from related parties | Non-interest bearing; due and demandable | Unsecured, unguaranteed |
| Commission from the off-track betting ^(b) (Note 7) | — | (41,389) | 105,701 | 418,347 | 418,347 | Receivable | Non-interest bearing; due and demandable | Unsecured, unguaranteed |
| Various Shareholders | | | | | | | | |
| Deposits for future stock subscription (Note 18) | — | — | 200,300,651 | (2,105,268,102) | (2,105,268,102) | Deposit for future stock subscription | Non-interest bearing | Unsecured, unguaranteed |
| Advances from stockholders ^(c) | 166,904,808 | 102,704,215 | 343,581,012 | (613,190,035) | (446,285,227) | Advances from stockholders | Interest-bearing and non-interest bearing | Unsecured, unguaranteed |
| Interest payable on advances from stockholders ^(c) | 18,390,553 | 13,534,528 | 1,623,611 | (33,548,692) | (15,158,139) | Interest payable | Non-interest bearing; | Unsecured, unguaranteed |
| Affiliate | | | | | | | | |
| Manila Cockers Club, Inc. (MCI) | | | | | | | | |
| Commission from the off-track betting ^{(d), (e)} (Note 7) | — | — | 2,899,564 | — | — | Receivable | Noninterest bearing; due and demandable | Unsecured, unimpaired |
| | | | | | | Deposit for future stock subscription | | |
| | | | | | | Advances from related parties | | |
| | | | | | | Receivable | | |
| | | | | | | Advances from stockholders | | |
| | | | | | | Interest payable | | |

^(a) The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.

^(b) Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.

^(c) The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures. The payable amount is gross of discount on non-interest-bearing advances from shareholders amounting to ₱1,684,715 and ₱9,970,642 in 2021 and 2020, respectively.

^(d) Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.

^(e) MCI is an affiliate through a common stockholder, MJCI.



Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱16.2 million, ₱26.5 million, and ₱35.1 million as of December 31, 2021, 2020 and 2019, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2021, 2020 and 2019, the BOD received directors' fees aggregating to ₱0.7 million, ₱0.9 million and ₱0.7 million respectively (see Note 24).

22. Equity

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 433 equity holders for the years 2021, 2020 and 2019.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one right share for every two common shares held as of record date.

As discussed in Note 18, on September 29, 2021, the Parent Company received a letter from the Philippine Stock Exchange (PSE) giving the Parent Company until December 31, 2021 to submit its responses to the PSE. However, due to the COVID-19 situation, the Parent Company was unable to submit the remaining requirements for its listing application for the stock rights offering with the PSE and thereafter the PSE considered the listing application abandoned. On May 13, 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to ₱2,426.5 million, into equity through the issuance of new shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements.

23. Basic/Diluted Loss Per Share

| | 2021 | 2020 | 2019 |
|---|----------------------|---------------|---------------|
| Net loss | ₱918,267,454 | ₱588,979,225 | ₱642,092,932 |
| Divided by weighted average number of outstanding common shares | 3,174,405,821 | 3,174,405,821 | 3,174,405,821 |
| Basic/diluted losses per share | ₱0.289 | ₱0.186 | ₱0.202 |

The Group has no potential dilutive common shares as of December 31, 2021, 2020 and 2019. Therefore, the basic and diluted loss per share are the same as of those dates.



24. Operating Costs and Expenses

| | 2021 | 2020 | 2019 |
|---|---------------------|--------------|----------------|
| Provision for impairment of input VAT (Note 9) | ₱360,760,403 | ₱— | ₱— |
| Depreciation and amortization (Notes 11, 12 and 13) | 244,331,464 | 280,355,802 | 431,056,540 |
| Utilities | 61,962,111 | 57,545,363 | 93,983,063 |
| Salaries and wages | 56,773,291 | 64,716,520 | 85,845,771 |
| Taxes and licenses | 45,840,576 | 51,388,603 | 44,141,254 |
| Repairs and maintenance | 39,904,956 | 40,398,581 | 44,659,054 |
| Contracted services | 32,670,874 | 31,727,740 | 89,438,862 |
| Service fee (Note 17) | 28,651,071 | 6,253,571 | 34,780,715 |
| Security services | 22,375,035 | 20,028,847 | 41,985,517 |
| Advertising and marketing | 16,259,156 | 18,437,847 | 32,639,466 |
| Transportation and travel | 10,100,900 | 6,140,923 | 7,688,775 |
| Food, beverage, and tobacco | 9,568,935 | 13,462,213 | 44,379,030 |
| Hotel room and supplies | 9,124,380 | 11,885,174 | 22,146,015 |
| Insurance | 8,616,070 | 8,302,163 | 6,415,174 |
| Communication | 7,501,339 | 7,268,015 | 7,385,551 |
| Professional fees | 6,632,154 | 7,811,520 | 12,444,111 |
| Provision for ECL (Note 7) | 2,694,210 | 7,882,222 | 55,204,817 |
| Supplies | 1,689,081 | 1,359,687 | 3,787,909 |
| Meetings and conferences | 1,322,813 | 1,401,096 | 1,533,809 |
| Retirement (Note 16) | 990,114 | 1,341,597 | 3,094,974 |
| Gaming fees (Note 2) | 941,320 | 5,688,253 | 53,999,160 |
| Directors' fees (Note 21) | 719,000 | 867,000 | 675,000 |
| Entertainment | 127,778 | 2,693,856 | 13,949,007 |
| Commission | 97,458 | 1,352,842 | 1,926,430 |
| Rent | 74,110 | 1,561,643 | 2,977,415 |
| Banquet expenses | 36,921 | 4,254,816 | 21,171,297 |
| Others | 6,442,111 | 10,263,139 | 42,257,896 |
| | ₱976,207,631 | ₱664,389,033 | ₱1,199,566,612 |

25. Operating Segment Information

The Group has two operating segments in 2021, 2020, and 2019. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.



Segment Revenue and Expenses

The segment results for the years ended December 31, 2021, 2020 and 2019 are as follows:

| | 2021 | | |
|------------------------------|----------------------|-----------------------|----------------------|
| | Gaming | Non-gaming | Total |
| Revenue | ₱102,979,152 | ₱117,007,148 | ₱219,986,300 |
| Operating costs and expenses | (186,221,363) | (789,986,268) | (976,207,631) |
| Other expenses - net | — | (162,039,007) | (162,039,007) |
| Provision for income tax | — | (7,116) | (7,116) |
| Net loss | (₱83,242,211) | (₱835,025,243) | (918,267,454) |

| | 2020 | | |
|-------------------------------|----------------------|-----------------------|-----------------------|
| | Gaming | Non-gaming | Total |
| Revenue | ₱161,885,244 | ₱59,473,593 | ₱221,358,837 |
| Operating costs and expenses | (219,872,160) | (444,516,873) | (664,389,033) |
| Other income (expenses) - net | — | (145,922,919) | (145,922,919) |
| Provision for income tax | — | (26,110) | (26,110) |
| Net income (loss) | (₱57,986,916) | (₱530,992,309) | (₱588,979,225) |

| | 2019 | | |
|------------------------------|--------------------|-----------------------|-----------------------|
| | Gaming | Non-gaming | Total |
| Revenue | ₱546,866,978 | ₱196,294,920 | ₱743,161,898 |
| Operating costs and expenses | (486,717,633) | (712,848,979) | (1,199,566,612) |
| Other expenses - net | 23,348 | (185,648,339) | (185,624,991) |
| Provision for income tax | (4,670) | (58,557) | (63,227) |
| Net income (loss) | ₱60,168,023 | (₱702,260,955) | (₱642,092,932) |

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | | |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| | Gaming | Non-gaming | Total |
| Assets | ₱1,441,164,918 | ₱3,553,930,915 | ₱4,995,095,833 |
| Liabilities | 874,988,201 | 5,221,192,510 | 6,096,180,711 |
| Capital expenditures | 2,916,959 | 18,108,324 | 21,025,283 |
| Interest income | — | 256,488 | 256,488 |
| Depreciation and amortization | 61,400,129 | 182,931,335 | 244,331,464 |

| | 2020 | | |
|-------------------------------|----------------|----------------|----------------|
| | Gaming | Non-gaming | Total |
| Assets | ₱1,417,480,295 | ₱4,248,408,683 | ₱5,665,888,978 |
| Liabilities | 300,097,400 | 5,548,680,430 | 5,848,777,830 |
| Capital expenditures | 564,253 | 13,238,527 | 13,802,780 |
| Interest income | — | 2,138,149 | 2,138,149 |
| Depreciation and amortization | 73,614,690 | 206,741,112 | 280,355,802 |



26. Financial Risk Management Objectives and Policies and Fair Value Measurement

The Group's consolidated financial instruments comprise of cash, receivables (excluding "advances from employees"), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. As a matter of policy, the Group limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Group transacts only with related parties and with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The table below shows the maximum exposure to credit risk of the Group as at December 31, 2021 and 2020 as follows:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| At amortized cost/loans and receivables: | | |
| Cash * (Note 6) | ₱10,657,635 | ₱19,139,102 |
| Receivables** (Note 7) | 213,737,671 | 200,836,017 |
| Deposits (Note 10) | — | — |
| Long-term deposits (Note 13) | 6,267,386 | 6,267,386 |
| Receivable arising from PTO related to gaming equipment - net of current portion (Note 13) | 241,616,356 | 331,107,901 |
| | ₱472,279,048 | ₱557,350,406 |

*Excluding cash on hand amounting to ₱2,170,140 and ₱1,910,295 as of December 31, 2021 and, 2020, respectively.

**Excluding advances to employees amounting to ₱6,165,189 and ₱3,247,805 as of December 31, 2021 and, 2020, respectively

As of December 31, 2021 and 2020, the aging analysis of receivables is as follows:

| 2021 | Total | Neither past due nor impaired | Past due but not impaired | | | | | Impaired |
|-----------------------------|---------------------|-------------------------------|----------------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------------|
| | | | Less than 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | |
| Trade: | | | | | | | | |
| Non-related parties | ₱96,859,684 | ₱13,111,575 | ₱6,167,698 | ₱8,929,691 | ₱2,810,312 | ₱— | ₱55,263,976 | ₱10,576,432 |
| Related parties | 418,347 | 418,347 | — | — | — | — | — | — |
| Nontrade | 125,681,357 | — | — | — | — | — | 15,299,440 | 110,381,917 |
| Receivable arising from PTO | 353,352,988 | 353,134,480 | — | — | — | — | 218,508 | — |
| | ₱576,312,376 | ₱366,664,402 | ₱6,167,698 | ₱8,929,691 | ₱2,810,312 | ₱— | ₱70,781,924 | ₱120,958,349 |

| 2020 | Total | Neither past due nor impaired | Past due but not impaired | | | | | Impaired |
|-----------------------------|---------------------|-------------------------------|----------------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------------|
| | | | Less than 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | |
| Trade: | | | | | | | | |
| Non-related parties | ₱84,177,684 | ₱19,504,043 | ₱2,213,768 | ₱502,416 | ₱1,712,900 | ₱— | ₱52,362,335 | ₱7,882,222 |
| Related parties | 418,347 | 418,347 | — | — | — | — | — | — |
| Nontrade | 125,681,357 | — | — | — | — | — | 15,299,440 | 110,381,917 |
| Receivable arising from PTO | 439,930,669 | 439,690,546 | — | 155,357 | — | — | 84,766 | — |
| | ₱650,208,057 | ₱459,612,936 | ₱2,213,768 | ₱657,773 | ₱1,712,900 | ₱— | ₱67,746,541 | ₱118,264,139 |



The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2021 and 2020, based on the Group's experience with its debtor's ability to pay:

| | 2021 | | | Total |
|-----------------------------|---------------------|-------------------|-----------------|---------------------|
| | Grade A | Grade B | Grade C | |
| Trade: | | | | |
| Non-related parties | ₱7,540,943 | ₱5,262,944 | ₱307,688 | ₱13,111,575 |
| Related parties | 418,347 | — | — | 418,347 |
| Receivable arising from PTO | 353,134,480 | — | — | 353,134,480 |
| | ₱361,093,770 | ₱5,262,944 | ₱307,688 | ₱366,664,402 |

| | 2020 | | | Total |
|-----------------------------|---------------------|-----------------|-------------------|---------------------|
| | Grade A | Grade B | Grade C | |
| Trade: | | | | |
| Non-related parties | ₱17,889,544 | ₱376,746 | ₱1,237,753 | ₱19,504,043 |
| Related parties | 418,347 | — | — | 418,347 |
| Receivable arising from PTO | 439,690,546 | — | — | 439,690,546 |
| | ₱457,998,437 | ₱376,746 | ₱1,237,753 | ₱459,612,936 |

The credit quality of the financial assets was determined as follows:

- **Grade A**
This includes cash deposited with banks having good reputation and bank standing and receivables from customers or affiliates that always pay on time or even before the maturity date.
- **Grade B**
This includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group.
- **Grade C**
This includes receivables which are still collected within their extended due dates.

Liquidity Risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. The Group's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

On July 23, 2021, the bank provided a revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company (see Note 15).

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The unused credit line as of August 4, 2021 amounted to ₱400.0 million (see Note 15)



The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

| | 2021 | | | |
|--|--------------------|---------------------|-----------------------|-----------------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| Loans payable* | P- | P129,295,036 | P2,666,498,763 | P2,795,793,799 |
| Accounts payable and other current liabilities** | 4,982,104 | 679,090,701 | - | 684,072,805 |
| Retention payable | 4,120,784 | - | - | 4,120,784 |
| Interest payable | - | 51,445,063 | - | 51,445,063 |
| Advances from stockholders* | - | - | 670,238,123 | 670,238,123 |
| | P9,102,888 | P859,830,800 | P3,336,736,887 | P4,205,670,574 |

*Including interest payable

**Excluding contract liabilities and withholding taxes payable amounting to P16,099,010 and P6,258,810, respectively.

| | 2020 | | | |
|--|--------------------|---------------------|-----------------------|-----------------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| Loans payable* | P- | P276,209,870 | P2,504,005,465 | P2,780,215,335 |
| Accounts payable and other current liabilities** | 4,982,104 | 587,239,400 | - | 592,221,504 |
| Retention payable | 7,934,014 | - | - | 7,934,014 |
| Interest payable | - | 40,233,541 | - | 40,233,541 |
| Advances from stockholders* | - | - | 503,333,315 | 503,333,315 |
| | P12,916,118 | P903,682,811 | P3,007,338,780 | P3,331,716,205 |

*Including interest payable

**Excluding contract liabilities and withholding taxes payable amounting to P16,558,725 and P1,252,882, respectively.

The following tables show the profile of financial assets used by the Group to manage its liquidity risk:

| | 2021 | | | |
|--------------------|--------------------|---------------------|---------------------|---------------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| At amortized cost: | | | | |
| Cash | P12,827,775 | P- | P- | P12,827,775 |
| Receivables | 22,205,344 | 191,532,327 | 241,616,356 | 455,354,027 |
| Long-term deposits | - | - | 6,267,386 | 6,267,386 |
| | P35,033,119 | P191,532,327 | P247,883,742 | P474,449,188 |

| | 2020 | | | |
|--------------------|---------------------|---------------------|---------------------|---------------------|
| | Due and Demandable | Less than 1 year | 1 year or above | Total |
| At amortized cost: | | | | |
| Cash | P21,049,397 | P- | P- | P21,049,397 |
| Receivables | 80,371,200 | 120,464,817 | 331,107,901 | 531,943,918 |
| Long-term deposits | - | - | 6,267,386 | 6,267,386 |
| | P101,420,597 | P120,464,817 | P337,375,287 | P559,260,701 |

As discussed in Note 18, on May 13, 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances, aggregating to P2,426.5 million, into equity through the issuance of new shares of stock. Accordingly, such advances will be converted into equity within 2022 upon completion of necessary requirements.



Fair Value Measurement

The carrying values of cash, receivables, accounts payable and other current liabilities (excluding “withholding taxes payable”) approximate their fair values due to the short-term nature of these accounts.

The fair values of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

| | 2021 | | 2020 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | | | | |
| Receivable arising from PTO related to gaming equipment | ₱331,565,992 | ₱381,328,949 | ₱412,091,165 | ₱498,257,876 |
| Long-term deposits | 6,267,386 | 6,267,386 | 6,267,386 | 6,267,386 |
| | ₱337,833,378 | ₱387,596,335 | ₱418,358,551 | ₱504,525,262 |
| Financial Liabilities | | | | |
| Advances from stockholders | ₱613,190,035 | ₱613,190,035 | ₱446,285,227 | ₱446,285,227 |
| Loans payable | 2,289,957,577 | 2,289,957,577 | 2,292,782,667 | 2,292,782,667 |
| | ₱2,903,147,612 | ₱2,903,147,612 | ₱2,739,067,894 | ₱2,739,067,894 |

As of December 31, 2021 and 2020, the Group’s financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of December 31, 2021 and 2020.

27. Working Capital and Capital Management

The primary objective of the Group’s working capital and capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligation and maximize stockholders’ value. The Group considers its total equity, including deposit for future stock subscription, amounting to ₱1.3 billion and ₱2.2 billion as its capital as of December 31, 2021 and 2020, respectively.

The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Group monitors working capital and capital on the basis of current ratio and debt-to-equity ratio. On August 2020, due to COVID-19 crisis, the bank has granted the Parent Company waiver for quarterly calculation of debt-to-equity ratio until September 2021. In July 2021, this was further deferred to 2023 (see Note 15).

In computing the debt-to-equity ratio, the ‘deposits for future stock subscription’ formed part of the total shareholders’ equity, as the deposits are considered as future additional shareholders’ interest in the Group.



Current ratio and debt-to-equity ratio of the Group are as follows:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Total current assets | ₱352,874,320 | ₱370,344,596 |
| Total current liabilities | 761,966,472 | 793,731,299 |
| Current ratio | 0.46 | 0.47 |
| Total liabilities, excluding deposits for future stock subscription | ₱3,669,678,963 | ₱3,422,276,082 |
| Total equity, including deposits for future stock subscription | 1,325,416,870 | 2,243,612,896 |
| Debt-to-equity ratio | 2.77 | 1.53 |

The Group's strategy is to maintain a sustainable current ratio and debt-to-equity ratio. The Parent Company managed to defer the principal payments of its loans payable from July 2021 to January 2023 and obtained a credit line amounting to ₱400.0 million. In 2022, the BOD of the Parent Company requested from the principal stockholders a confirmation of their agreement to convert their advances for future stock subscription into equity through the issuance of new shares of stock (see Note 18).

28. Note to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

| | December 31, 2020 | Cash flows | Others* | December 31, 2021 |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Loans payable | ₱2,292,782,667 | ₱— | (₱2,825,090) | ₱2,289,957,577 |
| Advances from stockholders | 436,314,585 | 166,904,808 | 8,285,927 | 611,505,320 |
| Restricted cash | (103,562,631) | 35,448,918 | — | (68,113,713) |
| Interest payable | 40,233,541 | (144,631,290) | 155,842,812 | 51,445,063 |
| Total liabilities from financing activities | ₱2,665,768,162 | ₱57,722,436 | ₱161,303,649 | ₱2,884,794,247 |

*Others include accrual of interest from interest-bearing loans, discount on non-interest bearing advances from stockholders and accretion of loans payable.

| | December 31, 2019 | Cash flows | Others* | December 31, 2020 |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Loans payable | ₱2,337,637,890 | (₱47,100,000) | ₱2,244,777 | ₱2,292,782,667 |
| Advances from stockholders | 343,581,012 | 102,704,215 | (9,970,642) | 436,314,585 |
| Restricted cash | (163,271,629) | 59,708,998 | — | (103,562,631) |
| Interest payable | 15,216,781 | (130,067,342) | 155,084,102 | 40,233,541 |
| Total liabilities from financing activities | ₱2,533,164,054 | (₱14,754,129) | ₱147,358,237 | ₱2,665,768,162 |

*Others include accrual of interest from interest-bearing loans, discount on non-interest bearing advances from stockholders and accretion of loans payable.

| | December 31, 2018 | Cash flows | Others* | December 31, 2019 |
|---|-----------------------|-----------------------|---------------------|-----------------------|
| Loans payable | ₱2,786,509,587 | (₱462,622,500) | ₱13,750,803 | ₱2,337,637,890 |
| Advances from stockholders | — | 343,581,012 | — | 343,581,012 |
| Restricted cash | — | (163,271,629) | — | (163,271,629) |
| Deposit for future stock subscription | 2,142,201,097 | 284,300,651 | — | 2,426,501,748 |
| Interest payable | 15,925,877 | (187,818,869) | 187,109,773 | 15,216,781 |
| Total liabilities from financing activities | ₱4,944,636,561 | (₱185,831,335) | ₱200,860,576 | ₱4,959,665,802 |

*Others include accrual of interest from interest-bearing loans and advances from stockholders, other financing charges and accretion of loans payable.



29. Other Matter

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, the Office of the President of the Philippines issued a directive imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.

The community quarantine classification was subsequently extended or changed as follows:

| Classification | Effectivity |
|--|--|
| General community quarantine | June 1 – August 1, 2020 |
| Modified enhanced community quarantine | August 2 – 18, 2020 |
| General community quarantine | August 19, 2020 – March 27, 2021 |
| Enhanced community quarantine | March 28, 2021 – April 11, 2021 |
| Modified enhanced community quarantine | April 12, 2021 – May 31, 2021 |
| General community quarantine | June 1, 2021 – July 31, 2021 |
| Modified enhanced community quarantine | August 1, 2021 – August 5, 2021 |
| Enhanced community quarantine | August 6, 2021 – August 20, 2021 |
| Modified enhanced community quarantine | August 21, 2021 – September 7, 2021 |
| General community quarantine | September 8, 2021 – September 30, 2021 |
| Alert level 4 | October 1, 2021 – October 15, 2021 |
| Alert level 3 | October 16, 2021 – November 4, 2021 |
| Alert level 2 | November 5, 2021 – January 2, 2022 |
| Alert level 3 | January 3, 2022 – January 30, 2022 |
| Alert level 2 | February 1, 2022 – February 28, 2022 |
| Alert level 1 | March 1, 2022 – March 31, 2022 |

These measures have caused disruptions to most businesses and significant increase in economic uncertainty. Due to the Group's nature of business, these measures have significant impact on its financial position and performance as at and for the years ended December 31, 2021 and 2020. The Group will continue to monitor the situation.

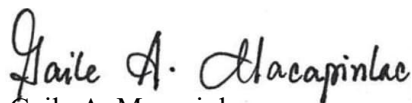


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
Winford Hotel and Casino, MJC Drive
Sta. Cruz, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and its subsidiary (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 13, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 13, 2022

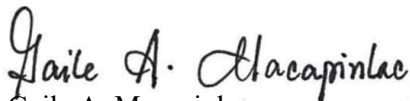


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
Winford Hotel and Casino, MJC Drive
Sta. Cruz, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and its subsidiary (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 13, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 1621-AR-1 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854320, January 3, 2022, Makati City

May 13, 2022



Annex “C”

Supplementary Schedules

MJC INVESTMENTS CORPORATION

SCHEDULE A: FINANCIAL ASSETS

December 31, 2021

| Financial Assets | Name of Issuing entity and association of each | Number of shares or principal amount of bonds and notes | Amount shown in the Balance Sheet | Valued based on market quotation at balance sheet date | Income Received and Accrued |
|---|---|--|--|---|------------------------------------|
| Cash and cash equivalents* | N/A | N/A | ₱10,657,635 | N/A | N/A |
| Receivables** | N/A | N/A | 213,737,671 | N/A | N/A |
| Long-term deposits*** | N/A | N/A | 6,267,386 | N/A | N/A |
| Receivable arising from PTO related to gaming equipment - net of current portion*** | N/A | N/A | 241,616,356 | N/A | N/A |
| TOTAL | | | ₱472,279,048 | | |

*Excluding cash on hand amounting to ₱2,170,140 as of December 31, 2021.

**Excluding advances to employees amounting to ₱6,164,189 as of December 31, 2021.

***Presented under "Other noncurrent assets" in consolidated financial statements.

MJC INVESTMENTS CORPORATION

*SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)*

December 31, 2021

| Name and designation of Debtor | Balance at beginning of period | Additions | Deductions | | Current | Not Current | Balance at End of period |
|--------------------------------|--------------------------------|-------------------|-------------------|---------------------|-------------------|-------------|--------------------------|
| | | | Amounts Collected | Amounts Written Off | | | |
| Manila Jockey Club, Inc. | ₱418,347 | ₱– | (₱) | ₱– | ₱418,347 | ₱– | ₱418,347 |
| Manila Cockers Club, Inc. | – | – | – | – | – | – | – |
| Advances to Employee | 3,247,805 | 2,916,384 | – | – | 6,164,189 | – | 6,164,189 |
| TOTAL | ₱3,666,152 | ₱2,916,384 | (₱) | ₱– | ₱6,582,536 | ₱– | ₱6,582,536 |

MJC INVESTMENTS CORPORATION

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2021

| Name and Designation of Debtor | Balance at the Beginning of Period | Additions | Deductions | | | Current | Not Current | Balance at End of period |
|---|---------------------------------------|-----------|----------------------|------------------------|----------|-----------|----------------|-----------------------------|
| | | | Amounts Collected | Amounts Written Off | Others | | | |
| Trafalgar Square Leisure Corporation | ₱114,441,618 | ₱- | ₱17,283,260 | ₱- | ₱- | ₱- | ₱- | ₱97,158,358 |
| TOTAL | ₱114,441,618 | ₱- | ₱17,283,260 | ₱- | ₱ | ₱- | ₱- | ₱97,158,358 |

MJC INVESTMENTS CORPORATION

SCHEDULE D: LONG TERM DEBT

December 31, 2021

| Title of Issue and Type of Obligation | Amount authorized by Indenture | Amount shown under caption "Current Portion of Long term Debt" in related Balance Sheet | Amount shown under caption "Long Term Debt" in Related Balance Sheet |
|--|---|--|---|
| Bank Loan | ₱2,307,900,000 | ₱– | ₱2,289,957,577 |
| TOTAL | ₱2,307,900,000 | ₱– | ₱2,289,957,577 |

MJC INVESTMENTS CORPORATION
SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)

December 31, 2021

| Name of Related Party | Balance at beginning of period | Balance at End of Period |
|-----------------------|--------------------------------|--------------------------|
| Various stockholders | ₱436,314,585 | ₱611,505,320 |
| Total | ₱436,314,585 | ₱611,505,320 |

MJC INVESTMENTS CORPORATION
SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2021

| Name of issuing entity issuing 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 |
|--|--|--|---|---------------------|
|--|--|--|---|---------------------|

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE G: CAPITAL STOCK

December 31, 2021

| Title of Issue | No. of Shares Authorized | No. of shares issued and outstanding and shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by affiliates | Directors, Officers and Employees | Others |
|----------------|--------------------------|--|--|-------------------------------------|-----------------------------------|--------|
| Common Stock | 5,000,000,000 | 3,174,405,821 | N/A | N/A | 26,671,438 | N/A |
| TOTAL | 5,000,000,000 | 3,174,405,821 | | | 26,671,438 | |

MJC INVESTMENTS CORPORATION

SCHEDULE H: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2021

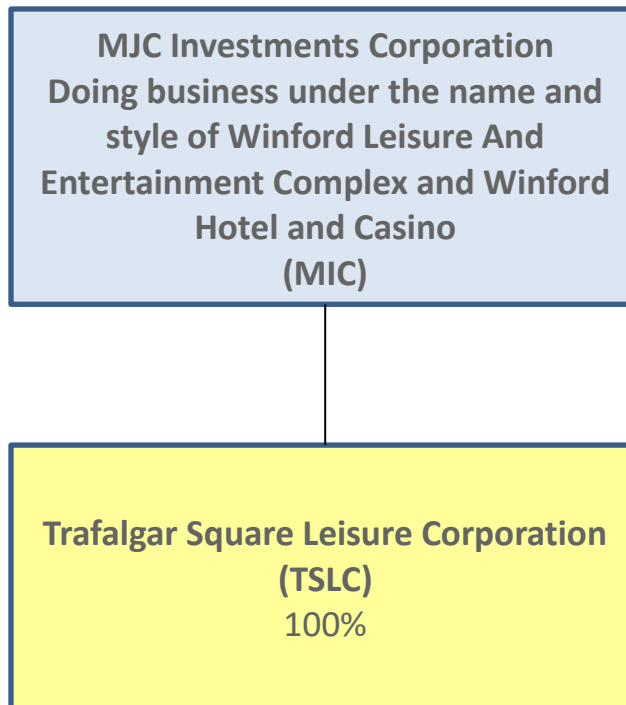
| Name of Creditor | Designation of Creditor | Balance at the Beginning of Period | Additions | Deductions | | Current | Not Current | Balance at End of period |
|------------------|-------------------------|------------------------------------|-----------|--------------|--------|---------|-------------|--------------------------|
| | | | | Amounts Paid | Others | | | |

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE J: MAP OF AFFILIATES

December 31, 2021



MJC INVESTMENTS CORPORATION
SCHEDULE K: Financial Soundness Indicators
December 31, 2021

| | 2021 | 2020 |
|---|---------------|---------|
| Liquidity ratios | | |
| Current ratio ^(a) | 0.46 | 0.47 |
| Acid test ratio ^(b) | 0.32 | 0.30 |
| Interest rate coverage ratio ^(c) | (3.15) | (1.08) |
| Solvency ratios | | |
| Solvency ratios ^(d) | (0.11) | (0.05) |
| Debt to equity ratio ^(e) | (2.64) | (14.92) |
| Asset to equity ratio ^(f) | (4.54) | (30.98) |
| Profitability ratio | | |
| Return on equity ^(g) | (0.83) | 3.22 |
| Return on assets ^(h) | (0.18) | (0.10) |
| Net profit margin ⁽ⁱ⁾ | (4.17) | (2.66) |
| EBITDA margin ^(j) | (2.32) | (0.71) |

^(a) Current assets over current liabilities

^(b) Current assets excluding inventories and prepayments over current liabilities

^(c) EBITDA over interest expense and other financing charges

^(d) Total assets over total liabilities

^(e) Interest bearing debts over total equity

^(f) Total assets over total equity

^(g) Total net revenue over total equity

^(h) Total net revenue over total assets

⁽ⁱ⁾ Net profit over gross revenues from operations

^(j) EBITDA over gross revenues from operations

Annex “D”

Sustainability Report

Sustainability Report

Contextual Information

| Company Details | |
|--|--|
| Name of Organization | MJC Investments Corporation |
| Location of Headquarters | MJC Drive corner Consuelo Streets, San Lazaro Tourism and Business Park, Brgy. 350 Zone 035, Sta Cruz Manila 1014 |
| Location of Operations | MJC Drive corner Consuelo Streets, San Lazaro Tourism and Business Park, Brgy. 350 Zone 035, Sta Cruz Manila 1014 |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | Aside from the Company, below subsidiary is included in this report: - Trafalgar Square Leisure Corporation |
| Business Model, including Primary Activities, Brands, Products, and Services | <p>MJC Investment Corporation (MJIC) is a publicly-listed company whose primary business is in the tourism and entertainment industries. Listed in the Philippine Stock Exchange (PSE) under the ticker symbol "MJIC", the company is majority-owned by a group of strategic investors with substantial experience in financial and tourism-related projects, with the Manila Jockey Club, Inc., also a listed company, as the biggest single stockholder.</p> <p>The Company's primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.</p> <p>MJIC owns and operates Winford Manila Resort and Casino (WMRC) which was launched in 2017. WMRC is a luxury hotel and tourism complex located in Sta. Cruz, Manila, offering world-class accommodations within its 0.75-hectare property, an 18-storey high-rise development with 128 premium hotel rooms, fine dining restaurants, a pillar-less 900+ capacity ballroom, and over 9,000 square meters of internationally-designed indoor entertainment space that regularly hosts well-known Filipino artists.</p> |
| Reporting Period | Year Ended December 31, 2021 |
| Highest Ranking Person responsible for this report | Atty Alfonso Reyno Jr Chairman and Chief Executive Officer Jeffrey Rodrigo Evora President and Chief Operating Officer |

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

For the purpose of identifying the topics material to the Company, Management tasked the relevant departments of the Company to collect and gather the data and information for the disclosure topics under this Report.

Based on the existing data and information, the Sustainability Report Team identified the material topics based on Materiality Process of the Global Reporting Initiative (GRI) so as to understand and communicate the organization's impact. The end goal is to create real action to create benefits for all. The topics were assessed based on the following: (i) impact of the organization on the economy, environment, and society, and (ii) their substantive influence on the assessments and decisions of stakeholders.

Per assessment, the following are topics identified as material to the Company:

| | Topic |
|-----|---|
| | Economic |
| 1. | Direct Economic Value Generated & Distributed |
| 2. | Procurement Practices |
| 3. | Anti-corruption |
| | Environmental |
| 4. | Energy consumption within the organization |
| 5. | Reduction of energy consumption |
| 6. | Water consumption within the organization |
| 7. | Air Emissions |
| 8. | Solid Waste |
| 9. | Effluents |
| | Social |
| 10. | Employee Hiring and Benefits |
| 11. | Employee Training and Development |
| 12. | Labor-Management Relations |
| 13. | Diversity and Equal Opportunity |
| 14. | Occupational Health and Safety |
| 15. | Labor Laws and Human Rights |
| 16. | Supply Chain Management |
| 17. | Significant Impacts on Local Communities |
| 18. | Customer Management |
| 19. | Customer Satisfaction |

¹ See [GRI 102-46](#) (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|-------------|-------|
| Direct economic value generated (revenue) <i>Pertains to Total Gross Revenue after Philippine Amusement and Gaming Corporation (PAGCOR) 60% Revenue Share, Franchise Tax, Cost of Services from Gaming Operation and Finance Lease Adjustments plus Hotel, F&B and Other Revenues</i> | 219,986,300 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs <i>Pertains to Cost of Food, Beverages and Services, Utilities, Security Services, Advertising and Marketing Expenses, Hotel Operating Supplies, Entertainment and Other Expenses (excluding Provision for Nonrealizability of Input VAT, Bad Debts and Depreciation)</i> | 231,195,493 | PhP |
| b. Employee wages and benefits <i>Salaries and wages and contract services presented in the Operating Costs and Expenses</i> | 89,444,165 | PhP |
| c. Dividends given to stockholders and interest payments to loan providers <i>Pertains to Total Interest Expenses reported in 2021</i> | 162,510,644 | PhP |
| d. Taxes given to government <i>Pertains to Remittances to PAGCOR, BIR, LGU and other government agencies (Taxes and Licenses plus Gaming Fees presented in the Operating Costs and Expenses)</i> | 46,781,896 | PhP |
| e. Investments to community (e.g. donations, CSR) <i>Pertains to Donations and Cost Related to Community Services</i> | 400,000 | PhP |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | <ul style="list-style-type: none"> • Economic contribution to the country through the 60% revenue share of PAGCOR and taxes and fees paid to the National Government and Local Government; • Value generation for its stockholders; • Human resources management; • Improvement of customer relations and satisfaction; • Compliance to government regulations; • Provision of direct and outsourced employment; and |
| Which stakeholders are affected? | Stockholders; Customers; Direct and Outsourced Employees; National and Local Governments |

| | |
|----------------------------|---|
| Management Approach | The Company shall establish continuing sustainability through its progressive and proactive policies and programs. With such an approach, the Company is able to ensure that the expectations and interests of the stakeholders are addressed and that it contributes in strengthening the country's tourism and gaming industry. |
|----------------------------|---|

| | |
|---|---|
| What are the Risks Identified? | In March, 2020, WMRC operations were indefinitely suspended due to the COVID-19 pandemic and the implementation of enhanced community quarantine (ECQ) that followed. In compliance with directives issued by the government, the hotel and casino were temporarily closed to the public, while a skeletal workforce was implemented by WMRC management for the safety of its personnel. Other identified risks include a reduced number of bettors as a result of the TRAIN Law; illegal betting or "bookies"; the presence of product substitutes, such as casinos and online gambling; a decline in race horse population; and online betting fraud and cyber theft. |
| Which stakeholders are affected? | Stockholders; SMEs; OTB Operators; Employees; Local Government Units ("LGUs"); Landowners; Government Regulators (SEC, PSE) |
| Management Approach | To address the COVID-19 threat, WMRC management embarked on a comprehensive mission to thoroughly disinfect the entire property by engaging the services of a reputable third party, as well as tightening and enhancing overall health and safety protocols. This major endeavor was accompanied by an internal and external communications campaign anchored on a coined marketing slogan, #SafetyWins, and posted throughout the entire property, WMRC website, social media pages, and press releases in local dailies. Other management approaches include the institution of technological advancements to promote betting to existing and potential customers; rationalizing of operations; rightsizing of the Company; strengthening of cyber security and information management; and strengthening of the internal control process. |

| | |
|---|--|
| What are the Opportunities Identified? | With WMRC temporarily closed to leisure guests, other opportunities to create new revenue streams were identified. WMRC focused on an opportunity to tap both loyal patrons and potential new clients staying at home during quarantine. When ECQ was downgraded to GCQ in Q2, 2020, WMRC saw an opportunity to leverage on renewed foot traffic in the property by expanding its food and beverage services. Other opportunities include the use of social media platforms to promote the businesses of the Company; and the presence of e-commerce facilities that enhance betting transactions. |
|---|--|

| | |
|---|--|
| Which stakeholders are affected? | Stockholders; SMEs; Employees, National and Local Governments, Travel Agencies, Suppliers, Event Organizers |
| Management Approach | A WMRC-branded food delivery/catering service dubbed “Winford on Wheels”, which offers luxury meals at inexpensive prices and delivered for free anywhere in Metro Manila, was launched in Q3, 2020. Later in the year, al fresco and executive dining services were introduced in the property to cater to walk-in guests, while strictly adhering to IATF guidelines. Other approaches taken by management include improved and developed strategies (i.e. aggressive marketing and business expansion) to be more competitive; technological upgrades and retooling; and the introduction and development of new product lines. |

Procurement Practices

Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 80 | % |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization’s involvement in the impact? | The impact of the Company’s procurement practices is economic inclusion and support to local business and individuals, which in turn translates to business enhancement to SMEs and revenue generation for the Government. The Company regard its suppliers as key allies in advancing its sustainability program. |
| Which stakeholders are affected? | Suppliers; SMEs; Government |
| Management Approach | Utilizing local vendors’ benefits not just our company in terms of cost and efficiency, but also the businesses and individuals with whom we do business. Locally sourced goods and services may result in both profit and cost savings. The Company shall continue its procurement spending on local suppliers. |

| | |
|---|---|
| What are the Risks Identified? | <ul style="list-style-type: none"> • Reliability and quality control • Limited sources |
| Which stakeholders are affected? | Company; Suppliers; Government |
| Management Approach | <ul style="list-style-type: none"> • Continuous supplier accreditation • Expand supplier base |

| | |
|---|---|
| What are the Opportunities Identified? | <ul style="list-style-type: none"> • New market network • Development of product substitutes |
| Which stakeholders are affected? | Suppliers; SMEs; Government |
| Management Approach | The Company pledges to keep developing its material management, which involves planning, procurement, and distribution. |

Anti-corruption –

Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of directors and management that have received anti-corruption training | 100 | % |
| Percentage of employees that have received anti-corruption training | 100 | % |

Incidents of Corruption

| Disclosure | Quantity | Units |
|--|-----------------|--------------|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | <p>The Company's anti-corruption policy and program is indicated in its Code of Business Conduct and Ethics (the "Code"). Under said Code, the Company restricts the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly, in consideration of any act, omission or transaction of the Company favorable to such third person or entity with existing or intended business dealings with the Company.</p> <p>As reported in the Company's Integrated Annual Corporate Governance Report (I-ACGR), Department Heads have the responsibility for the monitoring, ensuring, and enforcing compliance with this Code within their department. The Department Heads shall also be responsible for the dissemination thereof and reporting non-compliance with this Code, including taking or implementing disciplinary actions after proper exercise of due process.</p> |
| Which stakeholders are affected? | Employees; Directors and Management; Business Partner |
| Management Approach | The Company will make an active effort to provide anti-corruption training to its employees, directors, and management, as well as to convey anti-corruption policies and procedures to its business partners. |

| | |
|---|---|
| What are the Risks Identified? | Fraud and Game-fixing |
| Which stakeholders are affected? | Company; Officers; Suppliers; Customers |
| Management Approach | The Company shall enforce strict implementation of administrative and criminal sanctions. |

| | |
|---|--|
| What are the Opportunities Identified? | <ul style="list-style-type: none"> • Maintain the Company's integrity • Ensure customer satisfaction |
| Which stakeholders are affected? | Customers; Company Officers; Government Regulators |
| Management Approach | The Company shall establish integrity among its core values. |

ENVIRONMENT

Resource Management (Property management)

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|--|-------------------|-------|
| Energy consumption (renewable sources) | No available data | GJ |
| Energy consumption (gasoline) | No available data | GJ |
| Energy consumption (LPG) | 1951.2 | GJ |
| Energy consumption (diesel) | 96.85 | GJ |
| Energy consumption (electricity) | 9,204,515 | kWh |

Reduction of energy consumption:

| Disclosure | Quantity | Units |
|--------------------------------|-------------------|-------|
| Energy reduction (gasoline) | No available data | GJ |
| Energy reduction (LPG) | No available data | GJ |
| Energy reduction (diesel) | No available data | GJ |
| Energy reduction (electricity) | No available data | kWh |
| Energy reduction (gasoline) | No available data | GJ |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | <p>Energy is consumed through its primary business operations. Liquefied Petroleum Gas (LPG) is used for stoves and other kitchen equipment. Diesel fuel is used to operate boiler operations and generator sets. Electricity is supplied to gaming floors, hotel, restaurant, ballroom and other areas.</p> |
| Which stakeholders are affected? | Company |
| Management Approach | <p>The Company intends to continue its energy consumption advocacies through the following activities:</p> <ul style="list-style-type: none"> (a) Energy reduction consumption campaigns among its employees during lean hours; (b) Conversion and use of energy efficient lighting for efficient energy consumption; and (c) Better programming of corporate shuttle service for the employees. |
| What are the Opportunities Identified? | <ul style="list-style-type: none"> • Conversion to renewable and energy-efficient systems • Installation of energy-efficient generator |
| Which stakeholders are affected? | Employees; Community |
| Management Approach | The Company shall continue with compliance with government standards and regulations |

Water consumption within the organization

| Disclosure | Quantity | Units |
|---------------------------|-------------------|--------------|
| Water withdrawal | No available data | Cubic meters |
| Water consumption | 53,595 | Cubic meters |
| Water recycled and reused | No available data | Cubic meters |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Energy is consumed through its primary business operations. Water is supplied to gaming floors, hotel, restaurant, ballroom and other areas. |
| Which stakeholders are affected? | Company |
| Management Approach | The Company will make an effort to save water resources by implementing water recycling and reuse programs. |

| | |
|---|---|
| What are the Risks Identified? | Wastage of water use |
| Which stakeholders are affected? | Company |
| Management Approach | Implement a scheme to conserve water and repair leaks in the pipes. |

| | |
|---|--|
| What are the Opportunities Identified? | Proper water usage |
| Which stakeholders are affected? | Company |
| Management Approach | Implement a public awareness campaign to promote the efficient use of water resources. |

Environmental impact management

Air Emissions

GHG

| Disclosure | Quantity | Units |
|---|-------------------|--------------------------|
| Direct (Scope 1) GHG Emissions | 136.52 | Tonnes CO ₂ e |
| Energy indirect (Scope 2) GHG Emissions | 3985.55 | Tonnes CO ₂ e |
| Emissions of ozone-depleting substances (ODS) | No available data | Tonnes |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Primary business operations |
| Which stakeholders are affected? | Company; Community |
| Management Approach | Implement an energy-saving program to reduce energy consumption. |

| | |
|---|---|
| What are the Risks Identified? | Health and environment issues |
| Which stakeholders are affected? | Company and Community |
| Management Approach | Implement an energy reduction program to lessen the energy consumptions. Implement an energy-saving program to reduce energy consumption. Preventive maintenance of equipment on an annual basis to reduce the likelihood of an electrical outage. |

| | |
|---|--|
| What are the Opportunities Identified? | Lessen the GHG emission |
| Which stakeholders are affected? | Company |
| Management Approach | Implement an energy reduction program to lessen the energy consumptions. Annual preventive maintenance of equipment to lessen electrical outage. |

Solid and Hazardous Wastes

Solid Waste

| Disclosure | Quantity | Units |
|-----------------------------|-------------------|-------|
| Total solid waste generated | 13,157 | kg |
| Reusable | No available data | kg |
| Recyclable | 500 | kg |
| Composted | No available data | kg |
| Incinerated | No available data | kg |
| Residuals/Landfilled | No available data | kg |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Primary business operations |
| Which stakeholders are affected? | Company; Community |
| Management Approach | Garbage segregation of recyclable wastes & hazardous materials, proper waste management through sourcing of products in eco-friendly packaging. Reduce the use of one-time use plastic containers by 50%. |

| | |
|---|--|
| What are the Risks Identified? | Improper waste management & handling of hazardous wastes that may lead to health & environment risks. |
| Which stakeholders are affected? | Company; Community |
| Management Approach | Daily monitoring and strict compliance to government's waste management guidelines. Strict enforcement of standard operating procedures. |

| | |
|---|---|
| What are the Opportunities Identified? | Create a recycle program that could monetize our recyclable wastes. |
| Which stakeholders are affected? | Company; Community |
| Management Approach | Source for partnership with external party. |

Effluents

| Disclosure | Quantity | Units |
|----------------------------------|----------|--------------|
| Total volume of water discharges | 33,741 | Cubic meters |
| Percent of wastewater recycled | 0 | % |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Primary business operations |
| Which stakeholders are affected? | Company and Community |
| Management Approach | Implement awareness program for the efficient usage of water resources |

| | |
|---|--|
| What are the Risks Identified? | Health issue; Water pollution |
| Which stakeholders are affected? | Company and Community |
| Management Approach | Proper maintenance and operation of STP. Implement awareness program for the efficient usage of water resources. |

| | |
|---|--|
| What are the Opportunities Identified? | Usage of gray water |
| Which stakeholders are affected? | Company and Community |
| Management Approach | Proper maintenance and operation of STP. Implement awareness program for the efficient usage of water resources. |

SOCIAL

Employee Management (Human Resources)

Employee Hiring and Benefits

Employee data

| Disclosure | Quantity | Units |
|--|----------|-------|
| Total number of employees ² | 121 | |
| a. Number of female employees | 35 | # |
| b. Number of male employees | 86 | # |
| Attrition rate ³ | 11.7% | rate |
| Ratio of lowest paid employee against minimum wage | 0% | ratio |

Employee benefits

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|-----|--|--|
| SSS | Y | 22% | 17% |
| PhilHealth | Y | 11% | 7% |
| Pag-ibig | Y | 8% | 12% |
| Parental leaves | Y | 5% | 2% |
| Vacation leaves | Y | 100% | 100% |
| Sick leaves | Y | 100% | 100% |
| Medical benefits (aside from PhilHealth)) | Y | 100% | 100% |
| Housing assistance (aside from Pag-ibig) | N | 0% | 0% |
| Retirement fund (aside from SSS) | Y | 0% | 0% |
| Further education support | Y | 0% | 2% |
| Company stock options | N | 0% | 0% |
| Telecommuting | Y | 25% | 25% |
| Flexible-working Hours | Y | 100% | 100% |
| (Others) Emergency loan | Y | 2% | 3% |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | <p>The Company provides employee benefits as required under Philippine labor laws. The Company believes that the quality of benefits is a key factor in the retention, recruitment, development, motivation, rewards and recognition of employees.</p> <p>The investment in human capital will allow the Company to achieve its goals and objectives.</p> |
|--|---|

² Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

³ Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| | |
|----------------------------|--|
| Management Approach | <p>The Company shall maintain and enhance its investment in human capital since it believes that a healthy and well-motivated workforce is the key to the productivity and profitability of the Company.</p> <p>Because its business operates in a trusting environment, the Company will not tolerate fraudulent or dishonest behavior from its employees or in dealings with other stakeholders.</p> |
|----------------------------|--|

| | |
|---------------------------------------|---|
| What are the Risks Identified? | With COVID-19 posing a serious threat to the health and safety of all WMRC employees and agency staff, management faced various risks ranging from increased attrition, operational inefficiency, and potential acts of dishonesty fueled by the desperate need of its personnel to survive the pandemic. |
| Management Approach | WMRC management addressed this risk by retaining 100 percent of all regular employees throughout its temporary closure brought about by the pandemic. This was achieved by implementing a reduced work week schedule in order to keep attrition to a minimum, while allowing the Company to compensate for reduced revenue by slashing its OPEX commensurately. |

| | |
|---|--|
| What are the Opportunities Identified? | <ul style="list-style-type: none"> • Efficiency in its operations • Improvement of organizational demographics |
| Management Approach | <ul style="list-style-type: none"> • Continuing evaluation of roles of employees • Positive correlation between employee benefits and productivity |

Employee Training and Development

| Disclosure | Quantity | Units |
|--|-----------------|----------------|
| Total training hours provided to employees | | |
| a. Female employees – ave. of 40 hours/year | 840 | hours |
| b. Male employees – ave. of 40 hours/year | 2064 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 24 | hours/employee |
| b. Male employees | 24 | hours |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Technical and functional competency trainings especially on the following areas – Safety, Security, Finance, Information Technology, Customer Handling, Marketing and others which contribute to the employee's professional growth and efficiency. |
|--|---|

| | |
|----------------------------|---|
| Management Approach | <ul style="list-style-type: none"> • Conduct of regular training needs analysis to all employees • Establishment of career development and succession planning policy |
|----------------------------|---|

| | |
|---------------------------------------|--|
| What are the Risks Identified? | <ul style="list-style-type: none"> • Resignation of trained employees • Lack of proper training and evaluation may result in error, mistakes, inefficiency |
|---------------------------------------|--|

| | |
|----------------------------|--|
| Management Approach | <ul style="list-style-type: none"> • Establishment of a training policy with provisions on imposing fines or penalty in case of non-compliance with return of service requirement • Skills development through training will lead to better organizational fit |
|----------------------------|--|

| | |
|---|---|
| What are the Opportunities Identified? | <ul style="list-style-type: none"> • In depth training on information technology which are readily available in the market for continuous innovation on business processes • Free trainings provided by government agencies such as DOLE, BIR, SSS, Philhealth, Pag-ibig, BSP and various business partners |
|---|---|

| | |
|----------------------------|--|
| Management Approach | <ul style="list-style-type: none"> • Full support on technical training on information technology, especially in the field of programming and software development • Maintain close contact with government agencies in order to keep updated with the latest issuances and/or orders and to maximize free trainings and seminars that these government agencies provide |
|----------------------------|--|

Labor-Management Relations

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| % of employees covered with Collective Bargaining Agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies | 1,565 | # |

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Maintaining open communication with employees. |
|--|--|

| | |
|----------------------------|--|
| Management Approach | <ul style="list-style-type: none"> • Creation of Labor Management Committee; • Employee empowerment by involving them in various engagement activities |
|----------------------------|--|

| | |
|---------------------------------------|--|
| What are the Risks Identified? | Labor cases |
| Management Approach | Creation of Labor Management Committee |

| | |
|---|--|
| What are the Opportunities Identified? | Industrial peace and more efficient information dissemination to employees |
| Management Approach | Maintaining an open communication with employees through regular meetings |

Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| % of female workers in the workforce | 31 | % |
| % of male workers in the workforce | 69 | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 2 | % |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| | |
|--|--|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | Equal treatment and non-discrimination are highly regarded values of the Company. |
| Management Approach | <ul style="list-style-type: none"> • Longer maternity leave benefit for women and additional workplace requirements which are gender specific • Company provided a designated breastfeeding area and/ or nursery station in the workplace and a dedicated refrigerator for milk storage while the mothers are still at work. |

| | |
|---------------------------------------|---|
| What are the Risks Identified? | Risk of having sexual harassment case/s |
| Management Approach | Inclusion of anti-sexual harassment policy in Employee Handbook as required by DOLE |

| | |
|---|---|
| What are the Opportunities Identified? | Introduction of Gender and Development (GAD) Programs |
| Management Approach | The Company promotes inclusive policies. |

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

| Disclosure | Quantity | Units |
|--------------------------------|------------------|--------------|
| Safe Man-Hours | 8 | Man-hours |
| No. of work-related injuries | 26 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 56 | # |
| No. of safety drills | 24 drills a year | # |

| | |
|--|---|
| What is the impact and where does it occur? What is the organization's involvement in the impact? | <p>Bullying/Sexual Harassment Affects Job Performance</p> <p>Workplace bullying/harassment has detrimental effects on employers, not just the victim and their co-workers who witness it. In addition to disrupting the work environment and impacting worker morale it can also:</p> <ul style="list-style-type: none"> • Reduce productivity • Create a hostile work environment • Promote absenteeism • Impact worker's compensation claims • Result in costly, and possibly embarrassing legal issues |
| Management Approach | <p>The Company do not tolerate any form of workplace bullying/harassment as stated in our Code of Conduct. Corresponding sanctions were enforced to delinquent associates.</p> <p>Also, prevention is more cost-effective than intervention or mediation.</p> <p>Hence, the company provided gender sensitivity trainings for managers, supervisors, other authority figures and all associates. Also, the company strived to create a workplace environment that cultivates teamwork, cooperation, and positive interaction instead.</p> |

| | |
|---------------------------------------|---|
| What are the Risks Identified? | <p>Other costly effects on the employer include:</p> <ul style="list-style-type: none"> • Increased use of sick leave, health care claims and staff turnover |
|---------------------------------------|---|

| | |
|----------------------------|---|
| | <ul style="list-style-type: none"> • Loss of employee loyalty and commitment • Additional costs to recruit and train new employees • Poor public image and negative publicity • Increased risk of legal action |
| Management Approach | <p>The Company do not tolerate any form of workplace bullying/harassment as stated in our Code of Conduct. Corresponding sanctions were enforced to delinquent associates.</p> <p>Also, prevention is more cost-effective than intervention or mediation.</p> <p>Hence, the company provided gender sensitivity trainings for managers, supervisors, other authority figures and all associates. Also, the company strived to create a workplace environment that cultivates teamwork, cooperation, and positive interaction instead.</p> |

| | |
|---|---|
| What are the Opportunities Identified? | Improvements in the workplace that is both safe and healthy |
| Management Approach | The Company shall conduct studies on the improvement of the workplace to improve the productivity and efficiency of employees |

Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|-----------------|--------------|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|--------------|------------|--|
| Forced labor | N | |
| Child labor | N | |
| Human Rights | Y | Bullying, Sexual Harassment in the workplace, Gross Misconduct (Code of Conduct) |

Relationship with Community

Significant Impacts on Local Communities

| | |
|---|--|
| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | All businesses |
| Location | Sta. Cruz Manila |
| Vulnerable groups (if applicable)* | Elderly, solo parents, PWD |
| Does the particular operation have impacts on indigenous people (Y/N)? | N |
| Collective or individual rights that have been identified that or particular concern for the community | Local employment, healthy and safe community |
| Mitigating measures (if negative) or enhancement measures (if positive) | Gift Giving Project, Brigada Eskwela, and other CSR activities |

Customer Management

Customer Satisfaction

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------|--------------|---|
| Customer satisfaction | 8.3 | Yes. Booking.Com Traveller Review Awards 2022 |

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---------------------------|--|--|---|
| Gaming | For Company and Employees : SDG 3 – Good Health and Well Being SDG 8 – Decent Work and Economic Growth | Gaming still has a negative connotation in comparison to life balance, and as a result, it will see a decrease in patronage. Similarly, LGUs aren't always pleased with the business relationships established under the provisions of the franchise agreement | Comply with government restrictions and reassess future practicability and viability in light of new strategies and technologies. |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*