

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

B	L	O	O	M	B	E	R	R	Y	R	E	S	O	R	T	S	C	O	R	P	O	R	A	T	I	O	N
A	N	D	S	U	B	S	I	D	I	A	R	I	E	S													

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

T	h	e	E	x	e	c	u	t	i	v	e	O	f	f	i	c	e	s	,	S	o	l	a	i	r	e
R	e	s	o	r	t	&	C	a	s	i	n	o	,	1	A	s	e	a	n	A	v	e	n	u	e	,
E	n	t	e	r	t	a	i	n	m	e	n	t	C	i	t	y	,	T	a	m	b	o	,			
P	a	r	a	ñ	a	q	u	e	C	i	t	y														

Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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**COMPANY INFORMATION**

Company's Email Address

[investorrelations@bloomberry.ph](mailto:investorrelations@bloomberry.ph)

Company's Telephone Number

8888-8888

Mobile Number

-

No. of Stockholders

96

Annual Meeting (Month / Day)

Every Third Thursday of April

Fiscal Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Gerard Angelo Emilio J. Festin

Email Address

[gerardfestin@solairesort.com](mailto:gerardfestin@solairesort.com)

Telephone Number/s

8883-8921

Mobile Number

-

**CONTACT PERSON'S ADDRESS**

**The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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 **31 December 2021**
2. SEC Identification Number **A1999-04864** 3. BIR Tax Identification No. **204-636-102-000**
4. Exact name of issuer as specified in its charter **BLOOMBERRY RESORTS CORPORATION**
5. **Philippines** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue,  
Entertainment City, Tambo Parañaque City** **1701**  
Address of principal office Postal Code
8. **(02) 8883-8921**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Unclassified Shares Outstanding
<b>Unclassified Shares, P1.00 par value</b>	<b>10,861,125,857 Shares</b>

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** **Unclassified Shares**

12. Check whether the issuer:

(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. The aggregate market value of the voting stock held by non-affiliates of the registrant as of January 31, 2022 are follows:

- (a) Total number of shares held by non-affiliates as of January 31, 2022 is 3,701,665,201 shares.
- (b) Closing price of the Registrant's share on the exchange as of January 31, 2022 is ₱6.27.
- (c) Aggregate market price of (a) as of January 31, 2022 is ₱23,209,440,810.

**SEC FORM 17-A**

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### 1.1 Business Development

Bloomberry Resorts Corporation (formerly Active Alliance, Incorporated), referred to as “Bloomberry” or Parent Company, is incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on May 3, 1999. Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) until 2003. Effective December 14, 2009, the lease agreement between Bloomberry and Subic Bay Metropolitan Authority was mutually rescinded. Bloomberry’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose of shares of stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE) under the ticker BLOOM.

As of December 31, 2011, the Parent Company was a majority-owned subsidiary of Wespac Holdings Incorporated (WHI). On January 26, 2012, Prime Strategic Holdings, Inc. (PSHI) acquired 60,000,000 shares of Bloomberry, constituting 75% of the outstanding capital stock, from WHI and other stockholders through a cross sale transaction in the PSE.

On February 6, 2012, PSHI sold 100% of its ownership interest in Sureste Properties, Inc. (“Sureste”), to Bloomberry for ₱5.9 billion. As of December 31, 2020, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels, Inc. (BRHI), Bloom Capital B.V and its subsidiary Solaire de Argentina S.A., Solaire Korea Co., Ltd (“Solaire Korea”) and its subsidiaries Golden & Luxury Co., Ltd (“G&L”) and Muui Agricultural Corporation (“Muui”), Bloomberry Cruise Terminal, Inc. (“BCTI”) and Bloomberry Resorts Japan, Inc. (“BRJI”) (collectively referred to as “the Group”).

On February 27, 2012, the SEC approved the increase in the authorized capital stock of the Company to ₱15 billion pesos divided into 15 billion shares and the following amendments in its articles of incorporation, among others: change in the corporate name to Bloomberry Resorts Corporation; change in the primary purpose to that of a holding company; and change in the Parent Company’s registered office address to Unit 601, 6/F Ecoplaza Building, Chino Roces Avenue Extension, Makati City. This was further amended to its present address at the Executive Offices of Solaire Resort & Casino in June 2014.

For the increase in the authorized capital stock, PSHI subscribed to additional 7,265,656,500 shares of Bloomberry.

In May 2012, Bloomberry and its parent company, PSHI, completed a Placing and Subscription Transaction under which PSHI first sold in a private placement to various institutional investors 1,179,963,700 shares of stock in Bloomberry at ₱7.50 per share. The transaction was crossed through the Philippine Stock Exchange on May 5, 2012. PSHI then used the proceeds of the placing transaction to subscribe to an equivalent number of shares in Bloomberry at the same subscription price of ₱7.50 per share.

On May 28, 2012, CLSA Limited as the stabilizing agent exercised the over-allotment option to purchase 117,996,300 shares of stock in Bloomberry from PSHI at the same purchase price of ₱7.50 per share. The net proceeds of this exercise was used by PSHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱7.50 per share.

A total of 1,297,960,000 new shares were subscribed by PSHI as a result of the foregoing Placing and Subscription Transaction, including the exercise of the over-allotment option by the stabilizing agent. These shares were listed in the Philippine Stock Exchange on December 7, 2012. On December 18, 2012, PSHI purchased an additional 3,000,000 Bloomberry shares from the market. As a result, PSHI directly owns 54.64% and indirectly owns 8.48% (through Quasar Holdings Inc.) equity stake in Bloomberry.

In November 2014, Bloomberry and its parent company, PSHI, completed a Placing and Subscription Transaction under which PSHI first sold in a private placement to various institutional investors 435,000,000 shares of stock in Bloomberry at ₱13.00 per share. The net proceeds of the private placement were used by PSHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱13.00 per share.

Razon & Co. Inc. (formerly Falcon Investco Holdings, Inc.) is Bloomberry's ultimate parent company as of December 31, 2021 and 2020.

On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter, the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's earnings before interest, taxes, depreciation and amortization.

Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle the dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law ("UNCITRAL") using Philippine law as the governing law.

Under the MSA, GGAM was granted an option over the shares of BRHI and Sureste. After the backdoor listing of Bloomberry the option was granted to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from PSHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. On December 21, 2012, GGAM exercised its option to purchase 921,184,056 shares in Bloomberry from PSHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the application of BRHI, Sureste and PSHI for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares in order to maintain the status quo. GGAM filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

GGAM filed a Manifestation with the MRTC concerning the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PSHI filed a Counter-Manifestation on impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court on Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgment/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PSHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that 1) GGAM has not misled BRHI/Sureste (Respondents) into signing the MSA, and the Respondents were not justified to terminate the MSA because the services rendered by the Respondent's Management Team should be considered as services rendered by GGAM under the MSA, 2) rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste, 3) that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; 4) reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties, 5) reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM.

On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based on the fraud allegations previously raised in the request for reconsideration.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM filed a petition for review with the Court of Appeals to question this MRTC order. The Court of Appeals denied this petition, and GGAM has filed a petition in the Supreme Court to question the decision of the Court of Appeals.

On September 27, 2019, BRHI and Sureste received the Final Remedies Award of the arbitration tribunal in the case filed. The Final Award awarded less than half of the damages sought by GGAM. It provides that:

- a) Respondents pay US\$85.2 million as damages for lost management fees to Claimants;
- b) Respondents pay US\$391,224 as pre-termination fees and expense to Claimants;
- c) Respondents pay P10,169,871,978.24 for the (921,184,056) GGAM shares in Bloomberry in exchange for Claimants turning over the Shares after the payment. If Respondents do not pay for the Shares, GGAM may sell the Shares in the market and Respondents are directed to take all steps necessary to facilitate this sale. Respondents will be liable for the difference in the selling price if it is less than the awarded price;

- d) Respondents to take all steps necessary to release to GGAM the cash dividends on the Shares (currently subject of the injunction of the RTC Makati);
- e) Respondents to pay Claimants Cost of US\$14,998,052.
- f) Post-award interest at the annual rate of 6%, compounded annually, or 50 basis per month for the pre-termination expenses in (b), beginning 30 days after the Award.

On November 5, 2019, BRHI and Sureste filed in the Singapore High Court an application to set aside the Final Award on the grounds of fraud and fraudulent concealment among others.

BRHI and Sureste received a decision of the Singapore High Court dated January 3, 2020 in OS 1432 dismissing their petition to vacate and oppose the enforcement of the Partial Award of the Arbitration Tribunal dated 20 September 2016. The Court said that the FCPA Findings (referring to the U.S. Department of Justice non-prosecution agreement with Las Vegas Sands and the U.S. SEC order on Foreign Corrupt Practices Act involving Weidner and Chiu while they were with Las Vegas Sands) “do not constitute strong and cogent evidence of any species of fraud” raised by Sureste and BRHI against GGAM. On February 3, 2020, BRHI and Sureste appealed this decision to the Court of Appeals in Singapore. In a decision dated February 16, 2021, the Singapore Court of Appeals denied the appeal of BRHI and Sureste.

On May 29, 2020, Singapore High Court issued a decision dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019.

The Singapore High Court ruled that the “Constructive Remedy,” which requires Sureste and BRHI to either (1) pay for the Bloomberry shares held by GGAM in exchange for the Bloomberry shares, or (2) take steps to facilitate GGAM’s sale of the Bloomberry shares, was not outside the scope of the parties’ arbitration agreement. The Singapore High Court also rejected the challenges based on the FCPA Findings (referring to the findings of the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding conduct by two of GGAM’s four executives during their tenure at Las Vegas Sands that violated the U.S. Foreign Corrupt Practices Act) and GGAM’s fraudulent concealment of evidence during the Arbitration. The Singapore High Court likewise denied the argument that GGAM Netherlands, to which the MSA was assigned, was a sham entity established solely to evade U.S. and Philippine taxes, because the Arbitration Tribunal rejected the same argument, and thus, the High Court found that the grant of damages to GGAM Netherlands is not contrary to Singapore public policy. Costs were charged against Sureste and BRHI.

On June 29, 2020, Sureste and BRHI filed a Notice of Appeal to the Singapore Court of Appeals to appeal the Singapore High Court’s decision dated May 29, 2020 in case number OS 1385 dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019 docketed as CA98. The parties filed the required submissions, and the hearings on this appeal was held in April 2021. On October 4, 2021, the Singapore Court of Appeals issued a decision which denied the appeal of BRHI and Sureste against the decision dated May 29, 2020.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

On March 29, 2021, GGAM (without GGAM Netherlands joining) sued Enrique K. Razon Jr., BRHI, Sureste and other companies in the U.S. associated with Mr. Razon in the U.S. District Court in Southern District of New York. By this suit GGAM wants to enforce in the U.S. against Mr. Razon personally and companies in the U.S. associated with him the arbitral award that was issued only against BRHI and Sureste. The defendants have a pending motion to dismiss the case for lack of jurisdiction and *for forum non-conveniens*.

The Company has marketing offices in the Asian region. Currently, the Company has marketing presence in Korea, Macau, Singapore, Malaysia, Indonesia, Thailand, Taiwan and Japan.

### *Solaire North*

In 2015, Sureste purchased from the National Housing Authority (NHA) 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI's proposed second integrated resort in the Philippines, "Solaire North", under the same PAGCOR license. The Group started the excavation work for the said project in July 2019. In line with the ECQ, construction work at the site was temporarily halted. Construction resumed when Metro Manila was placed under GCQ. Work commenced with limited construction capacity last June 15, 2020.

On February 11, 2019, Sureste and BRHI signed an Omnibus Loan and Security Agreement for a 10-year combined loan facility in the principal amount of ₱40.0 billion (₱27.0 billion for BRHI and ₱13.0 billion for Sureste) with the following Lenders: Philippine National Bank, BDO Unibank, Inc., Metropolitan Bank & Trust Company, Union Bank of the Philippines, Bank of Commerce, China Banking Corporation, and Robinsons Bank Corporation. BDO Unibank, Inc. - Trust and Investments Group is the security trustee, facility agent and paying agent for the loan facility, while BDO Capital & Investment Corporation acted as the lead arranger and sole bookrunner. The proceeds of the loan will be used by Sureste and BRHI to partially finance the design, construction and development of an integrated hotel and gaming resort, "Solaire North", located at the Vertis North Complex in Quezon City, Metro Manila. The initial drawdown amounting to ₱1.9 billion (₱1.3 billion for BRHI and ₱617.5 million for Sureste) was made on November 6, 2020. Additional loans totaling ₱3.1 billion (₱2.1 billion for BRHI and ₱1.0 billion for Sureste) were drawn in 2021.

Bloomberg is continually exploring potential projects both in the Philippines and other parts of the world.

## 1.2 Business of Issuer

### Overview

The Parent Company was engaged in the manufacture of printed circuit boards up to 2003. It ceased commercial operations in December 2003 up until 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has for its subsidiaries Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea and its subsidiaries G&L and Muui, BCTI, and BRJI. BRHI has 49% shareholdings in Falconer Aircraft Management Inc., a company engaged in aircraft management.

#### *Sureste Properties, Inc.*

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As such, Sureste enjoys certain incentives granted by the government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. (MORE) and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

#### *Bloomberry Resorts and Hotels Inc.*

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. (BIHI) for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

#### *Bloomberry Cruise Terminals Inc.*

Bloomberry established a new company named BCTI to manage and operate its port terminal assets including the proposed Solaire Cruise Center and Yacht Harbor, and a cruise tender including terminal being developed in the Port of Salomague, Cabugao, Ilocos Sur in the northern Philippines. The proposed Solaire Cruise Center and Yacht Harbor were designated by the Tourism Infrastructure and Enterprise Zone Authority as a Tourism Enterprise Zone.

Sureste was awarded a 10-year lease from the Philippine Ports Authority which gives Sureste the right to construct, develop, manage and operate cruise passenger facilities at the Port of Salomague. Operations commenced last December 2019. In February 2020, operations in the Port of Salomague were suspended and the lease was given up due to the onset of the COVID-19 pandemic which caused cruise ships to halt operations.

BCTI has terminated the lease with PPA and suspended its port operations in Salomague, Ilocos Sur as cruise ships have temporarily halted operations due to the COVID-19 pandemic.

#### *Bloom Capital B.V.*

In 2013, Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired a 94% stake in Solaire de Argentina S.A. Bloom Capital B.V is currently not in operation. Solaire de Argentina S.A. has

started the process of liquidation. Such process requires the filing of corporate documents and financial statements with different authorities in Argentina. The procedure also includes the publishing of notices and clearances from the authorities.

#### *Solaire Korea Co., Ltd.*

On December 28, 2014 Bloomberry established, through a nominee, a company named Solaire Korea, to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberry now owns 100% of Solaire Korea.

#### *Golden & Luxury Co., Ltd.*

On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, it acquired an additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

#### *Muui Agricultural Corporation*

On March 8, 2016, Solaire Korea established Muui Agricultural Corporation (Muui) to hold Solaire Korea's investment interest in agricultural land in Muui and Silmi pending its conversion. Solaire Korea owns 90% of Muui.

#### *Bloomberry Resorts Japan, Inc.*

In November 2019, Bloomberry acquired 100% of the capital stock of BRJI. The primary purpose of BRJI is to engage in the business of Integrated Resorts in Japan including planning, construction and operation as well as other related activities.

#### *Solaire Resort & Casino*

Solaire Resort & Casino ("Solaire"), is the first premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, owns and operates the casino while Sureste owns and operates the hotel and other non-gaming business.

Upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, BRHI and Sureste commenced commercial operations on March 16, 2013. Solaire opened with its main gaming area and initial non-gaming amenities, which included hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): a 240-seat Chinese restaurant, a 182-seat Korean restaurant (operated by a third party), a 150-seat Japanese restaurant, a 120-seat Italian restaurant, a 322-seat international buffet/coffee shop, a 170-seat noodle shop, a 150-seat live entertainment lounge, a 406-seat food court, a 20-seat lobby bar, and a 50-seat lounge area. It has a spa and fitness center, a bayview promenade, and multilevel parking building with approximately 1,500 parking slots.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 230 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP patrons, state-of-the art meeting rooms ("The Forum"), and a lyrical theater ("The Theatre"). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,740-seat theatre designed to provide a superior audio-visual experience for a wide range of theatre plays and musicals, concerts, shows and performing

arts. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solaire was established as a temporary versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. Sky Tower is accessible through a multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. The Shoppes in the Sky Tower features retail stores, including premium brands such as Louis Vuitton, Versace, Cartier, Dior, Yves Saint Laurent, Bvlgari, Givenchy, Prada, Porsche Design, Stefano Ricci, Lukfook Jewelry, and Chow Tai Fook.

On December 7, 2018, Solaire unveiled The Cigar Bar and Poker Room, a high-end poker area with eight gaming tables. In July 2019, The Cigar Bar and Poker Room was renamed to The Baccarat Room & Bar. On February 11, 2019, Solaire opened the Philippine's first electronic table games ("ETG") stadium called "Players Stadium" - an expansive and colorful entertainment space highlighted by a massive 360 square meter surround screen.

A part of the Solaire parking building in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

### *Coronavirus Pandemic*

On January 31, 2020, the World Health Organization (WHO) declared the novel coronavirus acute respiratory disease (now COVID-19) health event as a public health emergency of international concern. On the same day, the Philippines issued a temporary travel ban covering all travelers coming from Hubei Province of China. On February 2, 2020, the Philippines banned all travel to and from China and its two administrative regions, Hong Kong and Macau, to stem the spread of the virus.

On March 14, 2020, Philippine President Rodrigo Duterte placed Metro Manila under "Enhanced Community Quarantine" (ECQ). On March 16, 2020, the ECQ was expanded to cover the entire Luzon island. The ECQ, which is effectively a lockdown, restricts the movement of the population to contain the pandemic. The ECQ mandated the temporary closure of non-essential shops and businesses.

In line with the declaration of ECQ in Metro Manila, PAGCOR announced on March 15, 2020 that casino operations would be suspended for the duration of the quarantine. The temporary closure applied to PAGCOR-operated casinos, all licensed and integrated resort casinos, electronic games (eGames), bingo (traditional and electronic), sports betting, poker, slot machine clubs and other activities regulated by PAGCOR. Accordingly, all gaming operations in Solaire and the other integrated resorts in Entertainment City were suspended to comply with PAGCOR's directive.

The ECQ was originally set to last until April 12, 2020 but was extended three (3) times up to May 15, 2020, particularly for Metro Manila and other high-risk COVID-19 areas in Luzon. On May 16, 2020, the government transitioned Metro Manila from ECQ to "Modified Enhanced Community Quarantine" (MECQ). On June 1, 2020, MECQ in Metro Manila and other areas was relaxed to the "General Community Quarantine" (GCQ). On August 4, 2020, Metro Manila and other areas in Luzon were placed under MECQ and were reverted to GCQ on August 19, 2020.

In June 2020, relevant authorities allowed Solaire and other integrated resorts in Entertainment City to commence limited dry run gaming operations under GCQ. Such dry run operations, which involve only in-house and select invited guests, are a means for operators to fine tune their services in accordance with new normal protocols. Capital expenditures made related to health, safety, and sanitation totaled over ₱32 million and ₱400 million in 2021 and 2020, respectively. For the time Solaire was open in 2020, it maintained an invite-only policy and was not open to the public.

Due to the resurgence in COVID-19 cases in March 2021, Metro Manila and nearby provinces reverted to ECQ starting March 29, 2021 and transitioned to the less restrictive MECQ on April 12, 2021. On May 15, 2021, the government placed Metro Manila and other areas to the more relaxed GCQ. Solaire suspended its operations from March 29, 2021 when Metro Manila reverted to ECQ

and MECQ and reopened on May 15, 2021, as allowed by relevant authorities, when Metro Manila was relaxed to GCQ.

To prevent the surge in COVID-19 cases particularly due to the Delta variant, Metro Manila was again placed under ECQ and MECQ from August 6, 2021 to September 15, 2021. During this time, Solaire was closed to the public.

On September 16, 2021, the government amended its quarantine classification system for Metro Manila to allow for granular lockdowns. The new system employs an “Alert Level” approach, where major classifications include only ECQ (Alert Level 5) and GCQ (Alert Level 4 to 1). Under GCQ, each classification level from Alert Level 4 corresponds to less strict limitations on mobility with Alert Level 1 being the most relaxed.

On September 16, 2021, Metro Manila was placed under GCQ Alert Level 4 and Solaire reopened keeping to its invite-only policy and limited capacity operations. On October 16, 2021, government eased the quarantine restriction to GCQ Alert Level 3. From November 15 to December 31, 2021, Metro Manila was placed under GCQ Alert Level 2. There was a surge in cases of the highly contagious but less severe Omicron variant in December 2021.

#### *Solaire North*

In 2015, Sureste purchased from the NHA 15,676 square meters of land in Vertis North, which is situated within the Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI’s proposed second integrated resort in the Philippines, “Solaire North”, under the same PAGCOR license. The Group started the excavation work for the said project in July 2019. In line with the ECQ in March 2020, construction work at the site was temporarily halted. Work commenced with limited construction capacity last June 2020. In 2021, construction work was continued even during ECQ subject to strict compliance with the construction safety guidelines issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (“IATF”).

The Solaire North Project was recognized by the Local Government of Quezon City as a Priority Project due to its generative employment impact.

#### *Jeju Sun Hotel & Casino*

On April 24, 2015 and subsequently on May 22, 2015, Bloomberry, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand name “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operations by Bloomberry, the property was rebranded as “Jeju Sun Hotel & Casino” (“Jeju Sun”). The property consists of a 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operations with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guests and casino players. In 2018, a reorganization was implemented separating hotel and casino operations. Jeju Sun appointed a Hotel Operations Officer and a Casino Operations Officer, in January and July, respectively. In the fourth quarter of 2018, Jeju Sun embarked on a renovation project covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovations were completed in December 2019.

In response to the COVID-19 situation in South Korea, Jeju Sun began a phased suspension of operations on March 6, 2020 with full suspension achieved by March 21, 2020. To date, operations at Jeju Sun have not resumed. Since the property has a foreigner-only casino, its reopening will depend on when tourism is allowed into to Jeju Island.

#### **Competition**

As an integrated gaming resort designed, planned and developed according to world-class industry standards, Solaire competes with integrated tourism resorts and casinos domestically in the

Philippines, as well as in Macau, Malaysia and Singapore and other casinos and resort developments that operate in Asia. Solaire Resort & Casino competes against facilities in the world's other major gaming centers, including Las Vegas and Australia. In particular, with respect to VIP customers, the Company competes primarily with Macau, Malaysia, Cambodia, Vietnam and Australia for customers of independent junket promoters, while Singapore is a strong competition for Premium Direct customers.

The Company competes effectively because of its well-designed facilities and targeted gaming offerings, as well as the expertise of its current management team in effectively managing gaming and non-gaming operations, developing events and promotions for the mass market and procuring business from junket operators throughout the region.

In the Philippine gaming market, the Company is one of only four private gaming operators in Entertainment City, along with Travellers International Hotel Group, Inc. ("Travellers"), Melco Resorts and Entertainment (Philippines) Corporation ("Melco Philippines") and Tiger Resort Leisure & Entertainment, Inc. ("Tiger"). The Company is not aware of any other potential new private applicants for additional licenses from PAGCOR in Entertainment City.

In 2018, Landing Resorts Philippines Development Corporation was granted a provisional license by PAGCOR but it was suspended after the lease contract over its project site was cancelled on instruction of President Rodrigo Duterte for violation of Philippine Build-Operate-Transfer ("BOT") Law.

In terms of its integrated tourism resort and tourism business, the Company competes domestically with both Philippine and foreign-owned hotels and resorts.

With respect to its gaming business in particular, Solaire competes domestically with PAGCOR gaming facilities, existing privately owned casinos and the facilities, built and operated by the three other developers in Entertainment City. As of end-2021, there are 10 casino branches and 37 satellite casinos throughout the Philippines owned and/or operated by PAGCOR. In addition, outside of Entertainment City and Metro Manila, PAGCOR has licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, and one in Binangonan, Rizal. PAGCOR has granted provisional licenses for two integrated casino resorts in in the province of Cebu. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

Travellers opened Resorts World Manila in August 2009, the first PAGCOR-licensed integrated tourism resort located in the Newport City Cybertourism Zone ("Newport City") in the vicinity of Manila's international airport. Travellers is a joint venture between Genting Hong Kong Limited ("Genting HK"), a Hong Kong-based gaming operator and a part of the Genting Group that has facilities worldwide, and Alliance Global Group, Inc. ("AGI"), a Philippine conglomerate that owns Megaworld Corporation, a large Philippine property developer. Travellers has commenced construction on the first phase of its second integrated resort, Westside City Resorts World Bayshore, located in Entertainment City. In October 2019, Travellers and its subsidiary, Westside City Resorts World, entered into a co-development agreement with SunTrust Home Developers, Inc. ("SunTrust") to develop a Hotel Casino within Entertainment City. SunTrust is 51% owned by Suncity Group Holdings Limited.

City of Dreams Manila ("COD") is a project of Hong Kong-based Melco Resorts Philippines (previously known as Melco Crown Philippines) and Belle Corporation thru its subsidiary, Premium Leisure Corp. COD is an integrated tourism resort near Entertainment City on an approximately 6.2-hectare site, which initially opened its doors to the public in December 2014. COD, which is solely operated and managed by Melco Resorts Philippines, includes gaming, hotel, retail, dining and entertainment facilities.

Okada Manila ("Okada") is a project of Japan-based Universal Entertainment, through its domestic subsidiary, Tiger Resort Leisure & Entertainment Inc. Okada is also an integrated tourism resort

which occupies an area of 44 hectares in New Seaside Drive, Entertainment City. On December 21, 2016, the casino complex was opened for preview and officially commenced casino operations on December 30, 2016.

The Company believes that Solaire can continue to compete effectively against its competitors with its captured mass and VIP customers in the Philippines and across Asia, as well as through its superior product and excellent service. These appeal to the preferences of all segments of the Philippine gaming market, which are expected to grow significantly over the next few years.

### **Principal Suppliers/ Service Providers**

Sureste and BRHI retain various suppliers including Bluefire LPG Marketing Inc., RGB Ltd., Filairco Inc., Green Amenities Supply Corporation, Maxicare Healthcare Corporation, Pilipinas Shell Petroleum Corporation, PLDT, Angel Singapore PTE Ltd., Royal Country Marketing, MERALCO M-Power and Maynilad Water Services Inc.

### **Customers**

The Company expects that each area of Solaire and its respective facilities and gaming offerings will meet the needs of each category of customer. Solaire's world-class facilities are complemented by extensively trained employees with skillsets tailored to the customer base that they will be serving, allowing Solaire to offer them the best possible gaming experience.

#### *VIP Players*

Solaire's VIP customers are players who are on a rolling chip or revenue share program at Solaire. These VIP players may come to Solaire directly without any agent or independent gaming promoter intermediary, or they may be sourced from independent gaming promoters operating in the Philippines and across Asia.

#### *Mass Market*

Solaire's table and slot machine customers who do not fall under the VIP customer segments mentioned above are classified under Mass Market.

### **Related Parties**

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into at arm's length terms comparable to those available from unrelated third parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **Intellectual Property, Licenses, Contract and Agreements**

Sureste and BRHI, have registered or applied to register trademarks in connection with the Company's properties, facilities and development projects. The following trademarks are duly registered: "Solaire Manila", "Solaire Resort & Casino Manila", "Solaire Resort & Casino Manila", "Solaire Resort & Casino", "Finestra", "Red Lantern", "Yakumi", "Lucky Noodles", "Sabong Cards Exclusive at Solaire", "Fresh" and "Food Court". These are brand names under which Sureste and BRHI market its properties and services. The Company considers these brand names to be important to its business since they have the effect of developing brand identification and

awareness. The Company expects to apply to register additional trademarks for its logos, club names, restaurants and other property as needed to protect its brand names.

Sureste and BRHI also possess copyrights for certain proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the use of these software systems are secured at all times to ensure continued use and support from vendors.

## **Insurance**

Sureste and BRHI maintain insurance which covers incidents such as damage to property; the transport of gaming chips, playing cards and equipment; monetary loss due to third party and/or employee theft or fraud; damage to third party property and injury / death to persons; and life, accident and medical insurance for employees. Each policy has exclusions customary in the Philippines. Sureste and BRHI also maintain business interruption insurance for Solaire.

Notwithstanding the insurance coverage, damage to its facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, intentional unlawful act or natural disaster could nevertheless materially and adversely affect the Company's financial condition and results of operations to the extent that such occurrences disrupt the Company's normal operations. In addition, there are certain types of risks that are not covered by the Company's insurance policies, including acts of war and acts of terrorism.

The Company maintains a director and officers liability insurance, which covers directors and officers for errors and omissions. The Company does not maintain key personnel insurance for any of its directors or other members of senior management.

## **Government License and Regulatory**

### *Provisional License/Gaming License*

PAGCOR issued to BRHI a provisional license ("Provisional License") for the development of an integrated casino, hotel and entertainment complex within Entertainment City on April 8, 2009. BRHI is one of four licensees in Entertainment City.

On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License. The US\$50 million held in escrow under the Provisional License was released upon issuance of the regular casino gaming license. The Provisional License, as well as the regular license issued to replace it, is co-terminus with PAGCOR's franchise. PAGCOR's franchise will expire on July 11, 2033 and the license may be renewed when PAGCOR's franchise is renewed by law.

Solaire North, BRHI's second casino resort in the Philippines is covered by the same PAGCOR license.

### *PEZA Registration*

Sureste is a PEZA-registered Tourism Economic Zone Enterprise for the construction, development, management and operation of a hotel and entertainment complex within Entertainment City.

## **Employees**

The Group recruits most of Solaire's gaming, hotel, food and beverage and other staff locally. The Group aims to generate jobs in Metro Manila in support of PAGCOR's policy goals, both directly as Solaire expands and indirectly as Solaire stimulates local tourism.

As of December 31, 2021, the Group employed 4,780 individuals at Solaire, 656 officers and managers, 1,147 supervisors and 2,977 rank and file employees. These employees serve various departments including management and administrative, gaming, hotel operations, food and beverage, property and marketing, among others.

The Group complies with all applicable Philippine labor and employment regulations. The Company currently has in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, the Company, through its human resources and legal departments, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations. Approximately 29% of the Group's Philippine employees are currently covered by collective bargaining agreements.

## **Discussion of Risks**

Management has identified major business risk factors affecting the Group as follows: (i) General Risks Relating to the Group; (ii) Risks Relating to the Gaming License and Regulation of the Philippine Gaming Industry; (iii) Risks Relating to Future Expansion; (iv) Risks Relating to the Operation of Solaire; and (v) Risks Relating to the Philippines.

### General Risks Relating to the Group

Solaire has been operational for nine years and is still subject to significant risks and uncertainties. The Group's short operating history should be considered to determine its future operating results and prospects.

The Group's businesses and assets are in the Philippines and South Korea, and a significant number of its VIP customers are from Greater China, Korea, Singapore, Thailand, Malaysia and other parts of Asia. The gaming business is vulnerable to global economic downturns and pandemics.

### Risks Relating to the Gaming License and Regulation of the Philippine Gaming Industry

The Company's gaming operations are dependent on the Gaming License issued by PAGCOR.

Any additional gaming licenses issued by PAGCOR could increase competition and diminish the value of the Company's Gaming License and the Company's business may be adversely affected by policy changes or additional conditions on its Gaming License. In 2018, Landing Resorts Philippines Development Corporation was granted a provisional license by PAGCOR but it was suspended after the lease contract over its project site was cancelled on instruction of President Rodrigo Duterte for violation of Philippine BOT Law.

New regulations or laws on gaming operations may adversely affect the gaming operations of BRHI. For example, smoking ban in casinos may have an adverse impact on customers who are smokers, or a change in tax regime for casinos.

### Risks Relating to Future Expansion

The Group's local and international expansion plans and any further plans to expand Solaire may not materialize or be successful.

### Risks Relating to the Operation of Solaire

The loss of members of the Solaire's management team may adversely affect the Group's operations.

Solaire faces competition in the Philippines and elsewhere in Asia, and it may have difficulty in competing and gaining the desired market share. The Group also needs to maintain, or develop additional, successful relationships with reputable independent gaming promoters to be successful as the Philippine gaming industry grows.

Solaire's success partly depends on the reputation and integrity of the independent gaming promoters it engages, and the Group may be affected by a lack of probity and integrity of any such operators. There could also be increased regulation or scrutiny on independent gaming promoters.

The Group is exposed to risk on credit extended to its clients. Any default by VIP gaming customers may cause significant volatility in the Group's revenues and cash flows.

Solaire's ability to generate revenues depends to a substantial degree on Manila's development as a tourist and as a gaming destination. Metro Manila's transport infrastructure is a key component for the development of the Philippine's gaming industry.

Solaire requires a substantial number of qualified managers and employees, and is dependent on the Group's ability to recruit, train and retain a sufficient number of such qualified personnel.

### Risks Relating to the Philippines

The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations. In addition, political instability in the Philippines could destabilize the country and may have a negative effect on the Group. Acts of terrorism could also destabilize the country and could have a material adverse effect on the Group's assets and financial condition.

The current campaign of the Duterte Administration against the drug menace have given rise to concerns about extrajudicial killings which have alarmed the U.S. and European Union governments. The approval of the House of Representatives of the House Bill re-imposing the death penalty has led U.S. and EU Governments to warn about imposition of the trade restrictions on the Philippines which could have an adverse impact on the Philippine economy.

The COVID-19 pandemic presents an uncertainty on the Group's future operations after considering 1) the absence of a commercially available cure, 2) slow vaccine deployment, and 3) ongoing restrictions on international travel. Metro Manila and other areas in Luzon are currently under GCQ Alert Level 1 with minimal restriction on business activities and movement of people in and out of these areas.

### **Item 2. Properties**

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period was for 23 years, and was co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The schedule of the annual lease rental was provided for in the agreement. On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. BRHI remained solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease. In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land was executed. In December 2014, a second addendum to the contract of lease covering 73,542 square meters of PAGCOR land was executed under similar terms and conditions

of the original contract of lease. In late 2017, PAGCOR attempted to auction off the 160,359 square meters of land covered by the amended contract of lease. After two failed biddings, Sureste was able to negotiate its acquisition of the said land.

During the first quarter of 2015, the Company signed four real estate sales agreements with several landowners for the purchase of land with an aggregate area of 12.2 hectares located in Muui Island in the Republic of Korea. The property is intended to be developed into a leisure and tourism complex with entertainment facilities and mixed-use developments. The property was acquired under Solaire Korea. Bloomberry also signed a real estate sales agreement for the purchase of the Silmi Island in the Republic of Korea. Silmi Island has an area of 20.96 hectares and is adjacent to the 12.2 hectares property in Muui Island. Silmi Island is also intended to be developed into a leisure and tourism complex with entertainment facilities and mixed use developments. The Silmi Island property was also acquired by Solaire Korea. On March 8, 2016, Solaire Korea established Muui Agricultural Corporation to hold Solaire Korea's investment interest in agricultural land. As of December 31, 2016, Muui Agricultural Corporation owns a total of 33.16 hectares of agricultural land located in the Muui and Silmi Islands.

In 2015, Sureste purchased from the NHA 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI's proposed second integrated resort in the Philippines, "Solaire North", under the same PAGCOR license. The Group started the excavation work for the said project in July 2019.

### **Item 3. Legal Proceedings**

#### *BRHI & Sureste vs. GGAM*

Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law ("UNCITRAL") using Philippine law as the governing law.

Under the MSA, GGAM was granted an option over the shares of BRHI and Sureste. After the backdoor listing of Bloomberry the option was granted to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from PSHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. On December 21, 2012, GGAM exercised its option to purchase 921,184,056 shares in Bloomberry from PSHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the application of BRHI, Sureste and PSHI for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares in order to maintain the status quo. GGAM filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

GGAM filed a Manifestation with the MRTC concerning the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PSHI filed a Counter-Manifestation on impropriety of GGAM Manifestation given its non-compliance with requirements of the Special Rules of Court on Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgment/interim measures of protection. GGAM also filed a Manifestation and

Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PSHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that 1) GGAM has not misled BRHI/Sureste (Respondents) into signing the MSA, and the Respondents were not justified to terminate the MSA because the services rendered by the Respondent's Management Team should be considered as services rendered by GGAM under the MSA, 2) rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste, 3) that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; 4) reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties, 5) reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM.

On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based on the fraud allegations previously raised in the request for reconsideration.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM filed a petition for review with the Court of Appeals to question this MRTC order. The Court of Appeals denied this petition, and GGAM has filed a petition in the Supreme Court to question the decision of the Court of Appeals.

On September 27, 2019, BRHI and Sureste received the Final Remedies Award of the arbitration tribunal in the case filed. The Final Award awarded less than half of the damages sought by GGAM. It provides that:

- a) Respondents pay US\$85.2 million as damages for lost management fees to Claimants;
- b) Respondents pay US\$391,224 as pre-termination fees and expense to Claimants;
- c) Respondents pay ₱10,169,871,978.24 for the (921,184,056) GGAM shares in Bloomberry in exchange for Claimants turning over the Shares after the payment. If Respondents do not pay for the Shares, GGAM may sell the Shares in the market and Respondents are directed to take all steps necessary to facilitate this sale. Respondents will be liable for the difference in the selling price if it is less than the awarded price;
- d) Respondents to take all steps necessary to release to GGAM the cash dividends on the Shares (currently subject of the injunction of the RTC Makati);
- e) Respondents to pay Claimants Cost of US\$14,998,052.
- f) Post-award interest at the annual rate of 6%, compounded annually, or 50 basis per month for the pre-termination expenses in (b), beginning 30 days after the Award.

On November 5, 2019, BRHI and Sureste filed in the Singapore High Court an application to set aside the Final Award on the grounds of fraud and fraudulent concealment among others.

BRHI and Sureste received a decision of the Singapore High Court dated January 3, 2020 in OS 1432 dismissing their petition to vacate and oppose the enforcement of the Partial Award of the Arbitration Tribunal dated 20 September 2016. The Court said that the FCPA Findings (referring to the U.S. Department of Justice non-prosecution agreement with Las Vegas Sands and the U.S. SEC order on Foreign Corrupt Practices Act involving Weidner and Chiu while they were with Las Vegas Sands) “do not constitute strong and cogent evidence of any species of fraud” raised by Sureste and BRHI against GGAM. On February 3, 2020, BRHI and Sureste appealed this decision to the Court of Appeals in Singapore. In a decision dated February 16, 2021, the Singapore Court of Appeals denied the appeal of BRHI and Sureste.

On May 29, 2020, Singapore High Court issued a decision dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019.

The Singapore High Court ruled that the “Constructive Remedy,” which requires Sureste and BRHI to either (1) pay for the Bloomberry shares held by GGAM in exchange for the Bloomberry shares, or (2) take steps to facilitate GGAM’s sale of the Bloomberry shares, was not outside the scope of the parties’ arbitration agreement. The Singapore High Court also rejected the challenges based on the FCPA Findings (referring to the findings of the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding conduct by two of GGAM’s four executives during their tenure at Las Vegas Sands that violated the U.S. Foreign Corrupt Practices Act) and GGAM’s fraudulent concealment of evidence during the Arbitration. The Singapore High Court likewise denied the argument that GGAM Netherlands, to which the MSA was assigned, was a sham entity established solely to evade U.S. and Philippine taxes, because the Arbitration Tribunal rejected the same argument, and thus, the High Court found that the grant of damages to GGAM Netherlands is not contrary to Singapore public policy. Costs were charged against Sureste and BRHI.

On June 29, 2020, Sureste and BRHI filed a Notice of Appeal to the Singapore Court of Appeals to appeal the Singapore High Court’s decision dated May 29, 2020 in case number OS 1385 dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019 docketed as CA98. The parties filed the required submissions, and the hearings on this appeal was held in April 2021. On October 4, 2021, the Singapore Court of Appeals issued a decision which denied the appeal of BRHI and Sureste against the decision dated May 29, 2020.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

On March 29, 2021, GGAM (without GGAM Netherlands joining) sued Enrique K. Razon Jr., BRHI, Sureste and other companies in the U.S. associated with Mr. Razon in the U.S. District Court in Southern District of New York. By this suit GGAM wants to enforce in the U.S. against Mr. Razon personally and companies in the U.S. associated with him the arbitral award that was issued only against BRHI and Sureste. The defendants have a pending motion to dismiss the case for lack of jurisdiction and *for forum non-conveniens*.

#### *Proceedings Related to Money Laundering and the Bangladesh Bank*

On March 15, 2016, the Court of Appeals (“CA”) issued a 30-day freeze order on one of BRHI’s bank accounts upon the petition filed by the Anti-Money Laundering Council (“AMLC”) in relation to their ongoing investigation. The freeze order of the CA on the bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. As of December 31, 2021 and 2020, the balance of this bank account amounting to ₱112.8 million and ₱112.7 million, respectively, is presented as “Fund held in trust” under the “Prepayments and

other current assets” account in the consolidated statements of financial position. In a decision dated September 2, 2020, but received by BRHI only on June 1, 2021, the Supreme Court dismissed the AMLC petition for being moot and academic and lifted the restraining order on the BRHI bank account. The Supreme Court said the freeze order cannot be issued indefinitely, and AMLC failed to initiate any action against BRHI to prove BRHI’s culpability in the Bangladesh Bank money laundering incident within the six months period of the freeze order.

In February 2019, BRHI received the summons and complaint as one of 17 Philippine companies and individuals that the Bangladesh Bank impleaded in the civil suit that it filed in the US District Court in New York against RCBC for recovery of the US\$81 million allegedly stolen from Bangladesh Bank account with the Federal Reserve Bank in New York that were allegedly laundered through Philippine casinos. BRHI through counsel filed a motion to dismiss the case for lack of subject matter jurisdiction and *for forum non-conveniens*. On March 20, 2020, the Federal Court of New York granted the motion to dismiss the case. Bangladesh Bank filed an appeal of the dismissal with the U.S. Court of Appeals which it withdrew later.

On September 23, 2020, BRHI received the summons in the civil complaint filed by Bangladesh Bank against RCBC and 17 other Philippine companies and individuals (including BRHI) in the New York State Court. The complaint in the State Court is for: conversion/ theft/ misappropriation; aiding and abetting the same; conspiracy to commit the same; fraud (against RCBC); aiding and abetting and conspiracy to commit fraud; conspiracy to commit trespass against chattels; unjust enrichment; and return of money received.

On December 9, 2020, BRHI filed its motion to dismiss the case because the Court has no jurisdiction over BRHI, the Philippines is the proper forum for the dispute, and the plaintiff’s allegation is insufficient to plead any claim against BRHI under New York Law.

Except for the matters discussed in the preceding paragraphs, neither the Company nor any of its subsidiaries are involved in or the subject of any legal proceedings which, if determined adversely to the Company or the relevant subsidiary’s interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

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

None

## PART II - SECURITIES OF THE REGISTRANT

### Item 5. Market for Issuer's Equity and Related Stockholder Matters

#### 5.1 Market Information

Principal Market where Company's shares are traded: Philippine Stock Exchange

As of the latest practicable trading date on January 31, 2022, the share prices of the Company were:

	<b>Price/Share</b>
Opening:	6.22
High:	6.39
Low:	6.22
Closing:	6.27

The high and low share prices for each quarter within the last two years are:

<b>Calendar</b>	<b>Period</b>	<b>High</b>	<b>Low</b>
<b><u>2020</u></b>			
	Quarter 1	11.32	4.03
	Quarter 2	8.00	5.16
	Quarter 3	8.21	6.00
	Quarter 4	8.95	6.89
<b><u>2021</u></b>			
	Quarter 1	8.40	6.70
	Quarter 2	7.30	5.95
	Quarter 3	6.99	5.29
	Quarter 4	8.05	5.83

#### 5.2 Holders

The number of stockholders of record as of the latest practicable date on December 31, 2021 was 96 excluding shares under PCD Nominees. Shares outstanding as of the same date were 10,861,125,857 shares which are all listed at the PSE.

The following are the Company's top 20 registered stockholders holding listed and unlisted shares as of December 31, 2021:

	<b>Name</b>	<b>No. of Shares Held</b>	<b>% of Total</b>
1	PCD Nominee (Filipino)	4,758,900,276	43.13%
2	Prime Strategic Holdings, Inc. (formerly Prime Metroline Holdings, Inc.)	3,494,472,444	31.67%
3	PCD Nominee (Non-Filipino)	2,542,098,896	23.04%
4	Razon & Co. Inc. (formerly Falcon Investco Holdings Inc.)	225,000,000	2.04%
5	Lesothea Management Inc.	2,018,256	0.02%
6	Nossahead Management Inc.	2,018,256	0.02%
7	Ondareta Management Inc.	1,651,588	0.01%
8	Real Sociedad Management Inc.	1,651,588	0.01%
9	Hock Seng Yeo	1,500,000	0.01%
10	Chadbrad Management Inc.	833,400	0.01%

	<b>Name</b>	<b>No. of Shares Held</b>	<b>% of Total</b>
11	Croker Island Management Inc	833,400	0.01%
12	Willy O. Dizon or Nene C. Dizon	640,000	0.01%
13	Medy Chua See	250,000	0.00%
14	Isabel C. Suntay	210,000	0.00%
15	Chaoyong Xu	156,600	0.00%
16	Diosdado M. Peralta	100,000	0.00%
17	Jose Manuel M. De Jesus	100,000	0.00%
18	Anita L. Kaw	91,000	0.00%
19	Anna Vanessa Robles Viola	50,000	0.00%
20	David Frago Halim	50,000	0.00%

As of December 31, 2021, the public ownership level of the Company is at 34.08%.

### **5.3 Dividends**

On March 6, 2020, the Parent Company's BOD approved the declaration of cash dividend of ₱0.25 per share or an aggregate amount of ₱2.7 billion to stockholders on record as of March 23, 2020 and was paid on March 31, 2020. No dividend was declared in 2021.

### **5.4 Recent Sales of Unregistered or Exempt Securities/ Exempt Transactions**

None.

## PART III - FINANCIAL INFORMATION

### Item 6. Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the financial condition and results of operations of Bloomberry and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended December 31, 2021.

#### 6.1 OVERVIEW

The Parent Company was engaged in the manufacture of printed circuit boards up to 2003. It ceased commercial operations in December 2003 up until 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has as its subsidiaries Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea and its subsidiaries G&L and Muui, BCTI, and BRJI. BRHI has 49% shareholdings in Falconer Aircraft Management Inc., a company engaged in aircraft management.

##### Sureste Properties, Inc.

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As such, Sureste enjoys certain incentives granted by the government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MORE") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

##### Bloomberry Resorts and Hotels Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate an integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

##### Bloomberry Cruise Terminals Inc.

Bloomberry established BCTI to manage and operate its port terminal assets including the proposed Solaire Cruise Center and Yacht Harbor, and a cruise tender port and terminal in the Port of Salomague, Cabugao, Ilocos Sur in the northern Philippines. The proposed Solaire Cruise Center and Yacht Harbor was designated by the Tourism Infrastructure and Enterprise Zone Authority as a Tourism Enterprise Zone.

Sureste was awarded a 10-year lease from the Philippine Ports Authority which gives Sureste the right to construct, develop, manage and operate cruise passenger facilities at the Port of Salomague. Operations commenced in December 2019. In February 2020, operations in the Port of Salomague were suspended and the lease was given up due to the onset of the COVID-19 pandemic which caused cruise ships to halt operations. In June 2020, BCTI terminated the lease with PPA and its operations in the Port of Salomague.

##### Bloom Capital B.V.

In 2013, Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the

Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired a 94% stake in Solaire de Argentina S.A. Bloom Capital B.V is currently not in operation. Solaire de Argentina S.A. has started the process of liquidation. Such process requires the filing of corporate documents and financial statements with different authorities in Argentina. The procedure also includes the publishing of notices and clearances from the authorities.

#### Solaire Korea Co., Ltd.

On December 28, 2014 Bloomberry established, through a nominee, a company named Solaire Korea Co., Ltd. (Solaire Korea), to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberry came to own 100% of Solaire Korea.

#### Golden & Luxury Co., Ltd.

On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of Golden & Luxury Co., Ltd. (G&L). On May 22, 2015, it acquired an additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

#### Muui Agricultural Corporation

On March 8, 2016, Solaire Korea established Muui Agricultural Corporation (Muui) to hold Solaire Korea's investment interest in agricultural land in the Muui and Silmi islands pending their conversion. Solaire Korea owns 90% of Muui.

#### Bloomberry Resorts Japan, Inc.

In November 2019, Bloomberry acquired 100% of the capital stock of BRJI. The primary purpose of BRJI is to engage in the business of Integrated Resorts in Japan including planning, construction and operation as well as other related activities.

#### Solaire Resort & Casino

Solaire Resort & Casino ("Solaire") is the first premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, owns and operates the casino while Sureste owns and operates the hotel and other non-gaming business.

Upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, BRHI and Sureste commenced commercial operations on March 16, 2013. Solaire opened with its main gaming area and initial non-gaming amenities, which included hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): a 240-seat Chinese restaurant, a 182-seat Korean restaurant (operated by a third party), a 150-seat Japanese restaurant, a 120-seat Italian restaurant, a 322-seat international buffet/coffee shop, a 170-seat noodle shop, a 150-seat live entertainment lounge, a 406-seat food court, a 20-seat lobby bar, and a 50-seat lounge area. It has a spa and fitness center, a bayview promenade, and multilevel parking building with approximately 1,500 parking slots.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 230 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP patrons, state-of-the art meeting rooms ("The Forum"), and a lyrical theater ("The Theatre"). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,740-seat theatre designed to provide a superior audio-visual experience for a wide range of theatre plays and musicals, concerts, shows and performing arts. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solaire was established as a temporary

versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. Sky Tower is accessible through a multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. The Shoppes in the Sky Tower features retail stores, including premium brands such as Louis Vuitton, Versace, Cartier, Dior, Yves Saint Laurent, Bvlgari, Givenchy, Prada, Porsche Design, Stefano Ricci, Lukfook Jewelry, and Chow Tai Fook.

On December 7, 2018, Solaire unveiled The Cigar Bar and Poker Room, a high-end poker area with eight gaming tables. In July 2019, The Cigar Bar and Poker Room was renamed to The Baccarat Room & Bar. On February 11, 2019, Solaire opened the Philippines' first electronic table games ("ETG") stadium called "Players Stadium" - an expansive and colorful entertainment space highlighted by a massive 360 square meter surround screen.

A part of the Solaire parking building in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

#### *Coronavirus Pandemic*

On January 31, 2020, the World Health Organization ("WHO") declared the novel coronavirus acute respiratory disease (now COVID-19) health event as a public health emergency of international concern. On the same day, the Philippines issued a temporary travel ban covering all travelers coming from Hubei Province of China. On February 2, 2020, the Philippines banned all travel to and from China and its two administrative regions, Hong Kong and Macau, to stem the spread of the virus.

On March 14, 2020 Philippine President Rodrigo Duterte placed Metro Manila under "Enhanced Community Quarantine" (ECQ). On March 16, 2020, the ECQ was expanded to cover the entire Luzon island. The ECQ, which is effectively a lockdown, restricts the movement of the population to contain the pandemic. The ECQ mandated the temporary closure of non-essential shops and businesses.

In line with the declaration of ECQ in Metro Manila, PAGCOR announced on March 15, 2020 that casino operations would be suspended for the duration of the quarantine. The temporary closure applied to PAGCOR-operated casinos, all licensed and integrated resort casinos, electronic games (eGames), bingo (traditional and electronic), sports betting, poker, slot machine clubs and other activities regulated by PAGCOR. Accordingly, all gaming operations in Solaire and the other integrated resorts in Entertainment City were suspended to comply with PAGCOR's directive.

The ECQ was originally set to last until April 12, 2020 but was extended three (3) times up to May 15, 2020, particularly for Metro Manila and other high-risk COVID-19 areas in Luzon. On May 16, 2020, the government transitioned Metro Manila from ECQ to "Modified Enhanced Community Quarantine" (MECQ). On June 1, 2020, MECQ in Metro Manila and other areas were relaxed to the "General Community Quarantine" (GCQ). On August 4, 2020, Metro Manila and other areas in Luzon were placed under MECQ and were reverted to GCQ on August 19, 2020.

In June 2020, relevant authorities allowed Solaire and other integrated resorts in Entertainment City to commence limited dry run gaming operations under GCQ. Such dry run operations, which involve only in-house and select invited guests, are a means for operators to fine tune their services in accordance with new normal protocols. Capital expenditures made related to health, safety, and sanitation totaled over ₱32 million and ₱400 million in 2021 and 2020, respectively. For the time Solaire was open to the public, it maintained an invite-only policy and was not open to the public.

Due to the resurgence in COVID-19 cases in March 2021, Metro Manila and nearby provinces reverted to ECQ starting March 29, 2021 and transitioned to the less restrictive MECQ on April 12, 2021. On May 15, 2021, the government placed Metro Manila and other areas to the more relaxed GCQ. Solaire suspended its operations from March 29, 2021 when Metro Manila reverted to ECQ and MECQ and reopened on May 15, 2021, as allowed by relevant authorities, when Metro Manila was relaxed to GCQ.

To prevent the surge in COVID-19 cases particularly due to the Delta variant, Metro Manila was again placed under ECQ and MECQ from August 6, 2021 to September 15, 2021. During this time, Solaire was closed to the public.

On September 16, 2021, the government amended its quarantine classification system for Metro Manila to allow for granular lockdowns. The new system employs an “Alert Level” approach, where major classifications include only ECQ (Alert Level 5) and GCQ (Alert Level 4 to 1). Under GCQ, each classification level from Alert Level 4 corresponds to less strict limitations on mobility with Alert Level 1 being the most relaxed.

On September 16, 2021, Metro Manila was placed under GCQ Alert Level 4 and Solaire reopened keeping to its invite-only policy and limited capacity operations. Starting October 16, 2021, government eased the quarantine restriction to GCQ Alert Level 3. From November 15 to December 31, 2021, Metro Manila was placed under GCQ Alert Level 2. There was a surge in cases of the highly contagious but less severe Omicron variant in December 2021.

#### Solaire North

In 2015, Sureste purchased from the NHA 15,676 square meters of land in Vertis North, which is situated within the Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI’s proposed second integrated resort in the Philippines, “Solaire North”, under the same PAGCOR license. The Group started the excavation work for the said project in July 2019. In line with the ECQ in March 2020, construction work at the site was temporarily halted. Work commenced with limited construction capacity last June 2020. In 2021, construction work was continued even during ECQ subject to strict compliance with the construction safety guidelines issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases.

The Solaire North Project was recognized by the Local Government of Quezon City as a Priority Project due to its generative employment impact.

#### Jeju Sun Hotel & Casino

On April 24, 2015 and subsequently on May 22, 2015, Bloomberry, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand name “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operations by Bloomberry, the property was rebranded as “Jeju Sun Hotel & Casino” (“Jeju Sun”). The property consists of a 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operations with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guests and casino players. In 2018, a reorganization was implemented separating hotel and casino operations. Jeju Sun appointed a Hotel Operations Officer and a Casino Operations Officer, in January and July, respectively. In the fourth quarter of 2018, Jeju Sun embarked on a renovation project covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovations were completed in December 2019.

In response to the COVID-19 situation in South Korea, Jeju Sun began a phased suspension of operations on March 6, 2020 with full suspension achieved by March 21, 2020. To date, operations at Jeju Sun have not resumed. Since the property has a foreigner-only casino, its reopening will depend on when tourism is allowed into Jeju Island.

## 6.2 RESULTS OF OPERATIONS

The following are the key performance indicators of the Group in 2021 with comparison for 2020:

**Table 6.0 Key Performance Indicators**

	<b>For the Year Ended December 31</b>	
<i>In thousands except for ratios</i>	<b>2021</b>	2020
EBITDA	<b>5,213,656</b>	1,430,002
Net Debt to Equity Ratio (D/E)	<b>2.23</b>	1.74
Current Ratio	<b>2.24</b>	2.06
Total Assets	<b>115,252,024</b>	113,454,575
Return on Equity (ROE)	<b>(15.2%)</b>	(25.3%)

*EBITDA (LBITDA) is earnings (loss) before interest, taxes, depreciation and amortization*

*Net Debt to Equity Ratio (Net D/E Ratio) is calculated by dividing total liabilities net of cash by shareholder's equity*

*Current Ratio is calculated by dividing current assets by current liabilities*

*Return on Equity (ROE) is calculated by dividing the Company's earnings for the applicable period by shareholders' equity*

The following table shows a summary of the results of operations for the year ended December 31, 2021, 2020, 2019 and 2018, as derived from the accompanying Audited Financial Statements.

	For the Year Ended December 31												% Change		
	2021			2020			2019			2018			2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated			
<i>In thousands, except % change data</i>															
Gross gaming revenues*	₱27,625,113	₱-	₱27,625,113	₱22,611,673	₱93,090	₱22,704,763	₱59,801,400	₱573,092	₱60,374,492	₱50,972,036	₱484,372	₱51,456,408	21.7	(62.4)	17.3
PFRS 15 allocation	(1,721,635)	-	(1,721,635)	(1,787,744)	-	(1,787,744)	(4,303,065)	-	(4,303,065)	(3,224,502)	-	(3,224,502)	(3.7)	(58.5)	33.4
Contra revenue accounts	(7,176,370)	-	(7,176,370)	(6,767,990)	(39,431)	(6,807,420)	(17,335,327)	(261,861)	(17,597,188)	(16,528,766)	(97,694)	(16,626,461)	5.4	(61.3)	5.8
<b>Net gaming revenues</b>	<b>18,727,108</b>	-	<b>18,727,108</b>	<b>14,055,940</b>	<b>53,659</b>	<b>14,109,599</b>	<b>38,163,008</b>	<b>311,231</b>	<b>38,474,239</b>	<b>31,218,768</b>	<b>386,678</b>	<b>31,605,445</b>	<b>32.7</b>	<b>(63.3)</b>	<b>21.7</b>
Non-gaming & other revenues**	3,285,931	1,815	3,287,746	3,653,171	25,897	3,679,068	8,024,999	129,017	8,154,016	6,535,541	220,316	6,755,857	(10.6)	(54.9)	20.7
<b>Net revenues</b>	<b>22,013,038</b>	<b>1,815</b>	<b>22,014,853</b>	<b>17,709,111</b>	<b>79,556</b>	<b>17,788,667</b>	<b>46,188,007</b>	<b>440,248</b>	<b>46,628,255</b>	<b>37,754,309</b>	<b>606,994</b>	<b>38,361,302</b>	<b>23.8</b>	<b>(61.9)</b>	<b>21.6</b>
Cash operating expenses	(15,533,204)	(359,385)	(15,892,588)	(15,175,297)	(474,475)	(15,649,772)	(25,634,085)	(904,175)	(26,538,260)	(22,590,522)	(847,183)	(23,437,705)	1.6	(41.0)	13.2
Provision for doubtful accounts	(908,609)	-	(908,609)	(708,893)	-	(708,893)	(259,568)	-	(259,568)	(29,224)	174	(29,050)	28.2	173.1	793.5
<b>EBITDA (LBITDA)</b>	<b>5,571,226</b>	<b>(357,570)</b>	<b>5,213,656</b>	<b>1,824,921</b>	<b>(394,919)</b>	<b>1,430,002</b>	<b>20,294,354</b>	<b>(463,927)</b>	<b>19,830,427</b>	<b>15,134,563</b>	<b>(240,015)</b>	<b>14,894,547</b>	<b>264.6</b>	<b>(92.8)</b>	<b>33.1</b>
Depreciation and amortization	(3,359,476)	(134,193)	(3,493,669)	(3,131,564)	(216,891)	(3,348,455)	(3,490,476)	(199,329)	(3,689,805)	(3,437,910)	(191,527)	(3,629,437)	4.3	(9.3)	1.7
Interest, foreign exchange loss & others	(5,147,827)	(820,161)	(5,967,988)	(6,133,234)	(483,179)	(6,616,413)	(6,029,880)	(2,025)	(6,031,905)	(3,827,411)	(398,359)	(4,225,770)	(9.8)	9.7	42.7
Benefit from (provision for) income tax	9,094	(10,459)	(1,365)	207,060	-	207,060	(23,572)	(164,191)	(187,763)	89,227	37,262	126,489	(100.7)	(210.3)	(248.4)
<b>Net Income (Loss)</b>	<b>(₱2,926,983)</b>	<b>(₱1,322,383)</b>	<b>(₱4,249,366)</b>	<b>(₱7,232,816)</b>	<b>(₱1,094,989)</b>	<b>(₱8,327,806)</b>	<b>₱10,750,426</b>	<b>(₱829,472)</b>	<b>₱9,920,954</b>	<b>₱7,958,469</b>	<b>(₱792,639)</b>	<b>₱7,165,829</b>	<b>49.0</b>	<b>(183.9)</b>	<b>38.4</b>
<b>Basic Earnings (Loss) Per Share</b>			(₱0.387)			(₱0.758)			₱0.903			₱0.652			
<b>Diluted Earnings (Loss) Per Share</b>			(₱0.387)			(₱0.758)			₱0.901			₱0.651			

\* before PFRS 15 allocation

\*\* includes Interest income

## 6.3 OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021 COMPARED WITH 2020

### 6.3.1 REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others and (4) Interest income. The table below illustrates the consolidated revenues for the year ended December 31, 2021 and 2020:

In thousands, except % change data	For the Year Ended December 31						% Change 2021 vs. 2020
	2021			2020			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	P25,903,478	P-	P25,903,478	P20,823,930	P93,090	P20,917,020	23.8
Hotel, food and beverage	1,430,702	-	1,430,702	1,628,555	22,309	1,650,864	(13.3)
Retail and others	1,811,585	1,779	1,813,364	1,894,411	3,532	1,897,943	(4.5)
Interest income	43,644	36	43,680	130,205	56	130,261	(66.5)
<b>Gross revenues*</b>	<b>29,189,408</b>	<b>1,815</b>	<b>29,191,224</b>	<b>24,477,101</b>	<b>118,987</b>	<b>24,596,087</b>	<b>18.7</b>
Less contra revenue accounts	7,176,370	-	7,176,370	6,767,990	39,431	6,807,420	5.4
<b>Net revenues</b>	<b>P22,013,038</b>	<b>P1,815</b>	<b>P22,014,853</b>	<b>P17,709,111</b>	<b>P79,556</b>	<b>P17,788,667</b>	<b>23.8</b>

\* as defined under PFRS 15

Revenues have been impacted by the COVID-19 pandemic which has had negative implications on the global economy and tourism. In response, PAGCOR on March 15, 2020 directed to suspend, for the duration of the quarantine, all casino operations in licensed integrated resort casinos, electronic games (eGames), bingo (traditional and electronic), sports betting, poker, slot machine clubs and other activities regulated by PAGCOR. Accordingly, all gaming operations in Solaire and the other integrated resorts in Entertainment City were suspended to comply with PAGCOR's directive. Note that performance in 2020 had the benefit of at least 74 days of pre-pandemic, full-capacity operations before the implementation of community quarantines.

As of June 15, 2020, relevant authorities allowed Solaire to commence limited dry run gaming operations under GCQ. Such dry run operations, which involve only in-house and select invited guests, are a means for operators to fine tune their services in accordance with new normal protocols.

On March 29, 2021, Solaire's operations were suspended in accordance with the return of Metro Manila to ECQ and subsequent easing to MECQ last April 12, 2021. On May 15, 2021, Solaire reopened when Metro Manila was relaxed to GCQ. However, from August 6 to September 15, Solaire again closed to the public when Metro Manila reverted to ECQ and MECQ. On September 16, 2021, restrictions in Metro Manila were relaxed under a new classification system to GCQ Alert Level 4. On the same day, Solaire reopened, keeping to its invite-only approach and limited capacity operations.

In 2021, consolidated gross gaming, non-gaming revenues (including hotel, food and beverage, retail and others), and interest income represented 88.8 percent, 11.1 percent and 0.1 percent of gross revenues, respectively. Gross gaming, non-gaming revenues and interest income in the same period last year accounted for 85.1 percent, 14.4 percent and 0.5 percent of gross revenues, respectively. Contra revenue increased to P7.2 billion, up by 5.4 percent year-on-year, due to the higher customer promotions and incentives provided to mass gaming guests.

#### 6.3.1.1 Gaming

##### Philippines

In 2021, VIP volumes posted a decline of 8.4 percent than last year, while mass table drop and slot coin-in volumes grew by 27.7 percent and 37.6 percent year-over-year, respectively.

Gaming revenues after PFRS 15 allocation in 2021 increased by 24.4 percent or P5.1 billion as compared to 2020.

Below is the breakdown of gross gaming revenues:

Amounts in millions	2021			2020			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	245,940	₱6,743	2.74%	268,393	₱8,034	2.99%	(₱1,291)	(16.1)
Mass tables	24,670	11,335	45.9%	19,318	7,340	38.0%	3,995	54.4
Slots	161,481	9,547	5.9%	117,357	7,238	6.2%	2,309	31.9
		<b>27,625</b>			<b>22,612</b>		<b>5,013</b>	<b>22.2</b>
PFRS 15 Allocation		(1,722)			(1,788)		66	(3.7)
Total		<b>₱25,903</b>			<b>₱20,824</b>		<b>₱5,080</b>	<b>24.4</b>

\*VIP volume represents rolling chips; Mass table volume represents mass drop; Slots volume represents coin-in

VIP revenue was ₱6.7 billion, representing a decrease of 16.1 percent. The VIP hold rate was 2.74 percent, lower than the 2.99 percent last year and normal hold of 2.85 percent. On a hold-normalized basis, VIP revenue would have decreased by 8.4 percent.

Mass table gaming revenues showed an improvement as reflected by an increase of 54.4 percent or ₱4.0 billion. Slot revenue also increased by ₱2.3 billion or 31.9 percent compared to the same period last year.

#### Korea

Jeju Sun reported nil gross gaming revenue in 2021 as the management decided to temporarily cease all operations in response to the COVID-19 pandemic from March 21, 2020.

#### **6.3.1.2 Hotel, Food and Beverage**

##### Philippines

Hotel, food and beverage revenue amounted to ₱1.4 billion in 2021, representing a decrease of ₱197.9 million or 12.1 percent as compared to in 2020 due to intermittent business conditions that adversely impacted REVPAR and the hotel occupancy rate.

In 2021, hotel cash revenues were 39.5 percent as compared to 52.6 percent last year. F&B cash revenues accounted for 45.9 percent of F&B revenues as compared to 47.2 percent in the prior year.

Solaire F&B outlets served approximately 944,739 covers in 2021 as compared to 922,454 covers in 2020, an increase of 2.4 percent. Average checks increased by 22.6 percent to ₱1,075.

##### Korea

The hotel and F&B operation of Jeju Sun generated nil of revenue in 2021, due to the suspension of its operations since March 21, 2020. In 2020, Jeju Sun generated ₱22.3 million of hotel and F&B revenue.

#### **6.3.1.3 Retail and Others**

##### Philippines

Retail and other revenues amounted to ₱1.8 billion in 2021, representing a decrease of 4.4 percent from ₱1.9 billion in 2020.

##### Korea

Jeju Sun generated ₱1.8 million of retail and other revenues in 2021 which is lower by 49.6 percent compared last year.

### 6.3.1.4 Interest Income

Consolidated interest income amounted to ₱43.7 million in 2021, representing a decrease of 66.5 percent from ₱130.3 million in 2020 due to lower average consolidated cash balances during the year.

### 6.3.2 EXPENSES

Total expenses include: (1) Cash operating expenses; (2) Depreciation and amortization; (3) Provision for doubtful accounts; (4) Interest expense; (5) Foreign exchange losses (gains) - net; and (6) Others.

In 2021, total expenses of the Group decreased by 0.2 percent to ₱26.3 billion.

Total cash operating expenses consist of: (1) Taxes and licenses; (2) Salaries and benefits; (3) Advertising and promotions; (4) Office expenses; (5) Outside services and charges; (6) Utilities; (7) Cost of sales; (8) Rent; (9) Repairs and maintenance; (10) Software and hardware maintenance (11) Communication and transportation and (12) Others.

The table below shows the breakdown of total expenses for 2021 and 2020.

**Table 6.3**

In thousands, except % change data	For the Year Ended December 31						% Change 2021 vs. 2020
	2021			2020			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Cash operating expenses:							
Taxes and licenses	₱6,341,797	₱67,026	₱6,408,822	₱5,200,396	₱61,904	₱5,262,300	21.8
Salaries and benefits	3,282,644	212,962	3,495,606	3,615,196	314,525	3,929,721	(11.0)
Advertising and promotions	294,338	-	294,338	336,613	12,020	348,633	(15.6)
Office expenses	970,671	462	971,133	802,990	8,332	811,322	19.7
Outside services and charges	1,663,090	22,823	1,685,914	2,117,776	30,442	2,148,218	(21.5)
Utilities	714,800	10,387	725,187	662,003	16,578	678,581	6.9
Cost of sales	1,391,379	-	1,391,379	1,567,588	3,916	1,571,504	(11.5)
Rent	41,377	981	42,358	84,772	1,561	86,334	(50.9)
Repairs and maintenance	176,474	1,184	177,658	131,734	2,624	134,358	32.2
Software and hardware maintenance	332,836	2,660	335,496	298,308	4,396	302,704	10.8
Communication and transportation	113,283	1,838	115,121	132,353	4,043	136,396	(15.6)
Others	210,515	39,062	249,577	225,569	14,134	239,702	4.1
	<b>15,533,204</b>	<b>359,385</b>	<b>15,892,588</b>	<b>15,175,297</b>	<b>474,475</b>	<b>15,649,772</b>	<b>1.6</b>
Depreciation and amortization	3,359,476	134,193	3,493,669	3,131,564	216,891	3,348,455	4.3
Provision for doubtful accounts	908,609	-	908,609	708,893	-	708,893	28.2
Interest expense	5,342,380	-	5,342,380	5,399,452	10,945	5,410,397	(1.3)
Foreign exchange losses (gains) – net	(202,245)	(1,826)	(204,071)	241,461	(10,769)	230,693	(188.5)
Others	7,693	821,987	829,680	492,321	483,002	975,323	(14.9)
<b>Total Expenses</b>	<b>₱24,949,116</b>	<b>₱1,313,739</b>	<b>₱26,262,855</b>	<b>₱25,148,988</b>	<b>₱1,174,545</b>	<b>₱26,323,533</b>	<b>(0.2)</b>

#### 6.3.2.1 Cash Operating Expenses

##### Philippines

Solaire cash operating expenses slightly increased by 2.4 percent to ₱15.5 billion. The increase in cash operating expenses was mainly due to higher gaming taxes which is consistent with the increase in gaming revenues.

### Korea

Solaire Korea registered ₱359.4 million of cash operating expenses in 2021 which was a decline of ₱115.1 million from last year. The decline was attributed to lower salaries and benefits. In 2021, Jeju Sun continued to avail of government aid to the tourism industry that partially covers payroll costs of eligible companies. Total subsidy received by Jeju Sun in 2021 amounted to \$2.1 million or ₱105.1 million.

### Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. Higher taxes and licenses is consistent with the increase in gaming revenues.

### Salaries and benefits

Salaries and wages decreased by 11.0 percent which is attributable to the rationalization of the Group's manpower requirements, lower compensation expense recognized related to the Stock Incentive Plan (SIP) and the government aid availed by Jeju Sun.

### Advertising and promotions

Advertising and promotions expenses decreased by 15.6 percent. This account consists of expenses relating to property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other similar expenses.

### Office expenses

Office expenses increased by 19.7 percent. This account consists of costs of gaming and office supplies, guest supplies, cleaning supplies, property and other insurance, housekeeping supplies and employee related expenses.

### Outside services and charges

Outside services and charges decreased by 21.5 percent in 2021 as compared to the prior year. This account pertains to the cost of professional and third-party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

### Utilities

Utilities expenses are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. Utilities expenses increased by 6.9 percent in 2021.

### Cost of sales

Cost of sales was lower by 11.5 percent due to decreased promotional items and complimentary items given to patrons.

### Rent

Rent pertains to cost incurred for the usage of leased gaming equipment and overseas marketing offices. Rent expense declined by 50.9 percent mainly due to the waiver of rental charges on the leased gaming equipment during the temporary closure of Solaire under ECQ and reduced rates during the limited dry run gaming operations under GCQ.

### Repairs and maintenance

Repairs and maintenance represent cost associated with the upkeep of property and equipment, including casino equipment, furniture and fixtures, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance expenses increased by 32.2 percent.

### Communication and transportation

Communication and transportation represent the cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. Communication and transportation expenses declined by 15.6 percent.

#### Others

Other expenses consist of miscellaneous expenses pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges.

#### **6.3.2.2 Depreciation and Amortization**

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment including operating equipment, over the useful lives of these assets which range between 3 years to 40 years. Depreciation and amortization increased by 4.3 percent.

#### **6.3.2.3 Provision for Doubtful Accounts**

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. In 2021, the Group provided ₱908.6 million for doubtful accounts.

#### **6.3.2.4 Interest Expense**

Interest expense decreased by 1.3 percent from ₱5.4 billion in 2020 to ₱5.3 billion in 2021 mainly due to lower average bank loan balance.

#### **6.3.2.5 Foreign Exchange Losses (Gains) – Net**

The Group registered a net foreign exchange gain of ₱204.1 million in 2021 as compared to ₱230.7 million net foreign exchange loss last year, mainly arising from the translation of foreign currency cash balances, receivables and payables at the period-end closing rate.

#### **6.3.2.6 Others**

Others pertains to the impairment of casino license and goodwill at Jeju Sun, share in net loss of Falconer Aircraft Management, Inc., and gain as a result of the compromise agreement with the previous owner of Jeju Sun.

#### **6.3.3 EBITDA**

##### Philippines

In 2021, Solaire's EBITDA of ₱5.6 billion was higher by 205.3 percent compared last year. EBITDA margin in 2021 was 25.3 percent as compared to 10.3 percent last year. The improvement in EBITDA is attributed to increased net gaming revenues.

##### Korea

Solaire Korea posted ₱357.6 million LBITDA in 2021, representing an improvement from the ₱394.9 million LBITDA recorded last year. Lower reported LBITDA was mainly due to the decline in cash operating expenses.

## CONSOLIDATED

Below is comparison of reported consolidated and hold-normalized EBITDA (LBITDA):

<i>In thousands, except % change data</i>	For the Year Ended December 31		Change
	2021	2020	
Net Revenue	22,014,853	17,788,667	23.8%
EBITDA (LBITDA)	5,213,656	1,430,002	264.6%
EBITDA (LBITDA) Margin	23.7%	8.0%	1,570 bps
<b>Hold-Normalized EBITDA (LBITDA)*</b>	<b>5,487,149</b>	<b>1,242,155</b>	<b>341.8%</b>
<b>Hold-Normalized EBITDA (LBITDA) Margin*</b>	<b>24.6%</b>	<b>7.1%</b>	<b>1,750 bps</b>

\* Hold-normalized EBITDA is based on 2.85% VIP hold.

The reported VIP hold in 2021 was 2.74 percent, 11 basis points lower than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 5.0 percent lower than hold-normalized EBITDA of ₱5.5 billion.

### 6.3.4 PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2021, the Group recognized a ₱1.4 million provision for income tax as compared to ₱207.1 million benefit from income tax in 2020.

### 6.3.5 NET INCOME (LOSS)

In 2021, the Group posted a consolidated net loss of ₱4.2 billion, an improvement from last year's consolidated net loss of ₱8.3 billion.

### 6.3.6 EARNINGS (LOSS) PER SHARE

The basic and diluted loss per share ₱0.387 in 2021 is lower compared to the basic and diluted loss per share of ₱0.758 last year.

## 6.4 OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020 COMPARED WITH 2019

### 6.4.1 REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others and (4) Interest income. The table below illustrates the consolidated revenues for the year ended December 31, 2020 and 2019:

<i>In thousands, except % change data</i>	For the Year Ended December 31						% Change 2020 vs. 2019
	2020			2019			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱20,823,930	₱93,090	₱20,917,020	₱55,498,335	₱573,092	₱56,071,427	(62.7)
Hotel, food and beverage	1,628,555	22,309	1,650,864	4,175,113	127,055	4,302,169	(61.6)
Retail and others	1,894,411	3,532	1,897,943	3,559,091	1,830	3,560,920	(46.7)
Interest income	130,205	56	130,261	290,795	132	290,927	(55.2)
<b>Gross revenues*</b>	<b>24,477,101</b>	<b>118,987</b>	<b>24,596,087</b>	<b>63,523,334</b>	<b>702,109</b>	<b>64,225,443</b>	<b>(61.7)</b>
Less contra revenue accounts	6,767,990	39,431	6,807,420	17,335,327	261,861	17,597,188	(61.3)
<b>Net revenues</b>	<b>₱17,709,111</b>	<b>₱79,556</b>	<b>₱17,788,667</b>	<b>₱46,188,007</b>	<b>₱440,248</b>	<b>₱46,628,255</b>	<b>(61.9)</b>

\* as defined under PFRS 15

Revenues in 2020 have been impacted by the COVID-19 pandemic which has had negative implications on the global economy and tourism. In response to the COVID-19 pandemic, PAGCOR on March 15, 2020 directed to suspend, for the duration of the quarantine, all casino operations in licensed integrated resort casinos, electronic games (eGames), bingo (traditional and electronic), sports betting, poker, slot machine clubs and other activities regulated by PAGCOR. Accordingly, all gaming operations in Solaire and the other integrated resorts in Entertainment City were suspended to comply with PAGCOR's directive.

In 2020, consolidated gross gaming, non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 85.1 percent, 14.4 percent and 0.5 percent of gross revenues, respectively. Gross gaming, non-gaming revenues and interest income in the same period last year accounted for 87.3 percent, 12.2 percent and 0.5 percent of gross revenues, respectively. Contra revenue decreased to ₱6.8 billion, down 61.3 percent year-on-year, mainly due to lower rebates to junket operators and VIP patrons as a result of lower VIP volume and gaming revenue.

#### 6.4.1.1 Gaming

##### Philippines

As of June 15, 2020, relevant authorities allowed Solaire to commence limited dry run gaming operations under GCQ. Such dry run operations, which involve only in-house and select invited guests, are a means for operators to fine tune their services in accordance with new normal protocols. Solaire is currently not open to the public and maintains an invite-only policy.

In 2020, VIP volumes, mass table drop and slot coin-in posted a decline of 65.2 percent, 62.5 percent and 54.0 percent, respectively, compared to the previous year.

Gaming revenues after PFRS 15 allocation in 2020 decreased by 62.5 percent or ₱34.7 billion as compared to 2019.

Below is the breakdown of gross gaming revenues:

Amounts in millions	2020			2019			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	268,393	8,034	2.99%	771,417	₱26,240	3.40%	(₱18,206)	(69.4)
Mass tables	19,318	7,340	38.0%	51,467	16,747	32.5%	(9,407)	(56.2)
Slots	117,357	7,238	6.2%	255,103	16,814	6.6%	(9,576)	(57.0)
		<b>22,612</b>			<b>59,801</b>		<b>(37,190)</b>	<b>(62.2)</b>
PFRS 15 Allocation		(1,788)			(4,303)		2,515	(58.5)
Total		<b>₱20,824</b>			<b>₱55,498</b>		<b>(₱34,674)</b>	<b>(62.5)</b>

\*VIP volume represents rolling chips; Mass table volume represents mass drop; Slots volume represents coin-in

VIP revenue was ₱8.0 billion, representing a decrease of 69.4 percent as a result of significant reduction in VIP volume and lower hold rate. The VIP hold rate was 2.99 percent, lower than the 3.40 percent last year but above the normal hold of 2.85 percent. On a hold-normalized basis, VIP revenue would have decreased by 65.2 percent.

Consistent with the lower drop and coin-in volume generated in 2020, mass table and slot revenues declined by 56.2 percent and 57.0 percent, to ₱ 7.3 billion and ₱ 7.2 billion, respectively.

##### Korea

Jeju Sun registered ₱93.1 million of GGR in the first 81 days of 2020, representing a decrease of 83.8 percent from ₱573.1 million in 2019. The management decided to temporarily cease all operations in response to the COVID-19 pandemic from March 21, 2020.

#### 6.4.1.2 Hotel, Food and Beverage

##### Philippines

Hotel, food and beverage revenue amounted to ₱1.6 billion in 2020, representing a decrease of ₱2.5 billion or 61.0 percent as compared in 2019. The decrease was primarily due to lower REVPAR and decreased F&B covers that resulted from the closure of Solaire during the second quarter of 2020 and limited operating capacity under GCQ.

Hotel REVPAR declined by 62.6% in 2020 to ₱2,970 from ₱7,948 in 2019. The hotel occupancy rate was 30.2 percent.

Solaire F&B outlets served approximately 922,454 covers in 2020 as compared to 1,965,163 covers for the comparable period in 2019, a decrease of 53.1 percent. Average check decreased by 23.9 percent to ₱877.

In 2020, hotel cash revenues were 52.6 percent as compared to 52.2 percent last year, while non-gaming F&B cash revenues accounted for 47.2 percent of F&B revenues as compared to 53.9 percent in the prior year.

#### Korea

The hotel and F&B operations of Jeju Sun generated ₱22.3 million of revenue in 2020, 82.4 percent lower than last year.

#### **6.4.1.3 Retail and Others**

#### Philippines

Retail and other revenues amounted to ₱1.9 billion in 2020, representing a decrease of 46.8 percent from ₱3.6 billion in 2019.

#### Korea

Jeju Sun generated ₱3.5 million of retail and other revenues in 2020 which is higher by 93.0 percent compared to the previous year.

#### **6.4.1.4 Interest Income**

Consolidated interest income amounted to ₱130.3 million in 2020, representing a decrease of 55.2 percent from ₱290.9 million in 2019 due to lower average consolidated cash balances during the year.

#### **6.4.2 EXPENSES**

Total expenses include: (1) Cash operating expenses; (2) Depreciation and amortization; (3) Provision for doubtful accounts; (4) Interest expense; (5) Foreign exchange losses (gains) - net; and (6) Others.

In 2020, total expenses of the Group decreased by 27.9 percent to ₱26.3 billion.

Total cash operating expenses consist of: (1) Taxes and licenses; (2) Salaries and benefits; (3) Advertising and promotions; (4) Office expenses; (5) Outside services and charges; (6) Utilities; (7) Cost of sales; (8) Rent; (9) Repairs and maintenance; (10) Software and hardware maintenance (11) Communication and transportation and (12) Others.

The table below shows the breakdown of total expenses for 2020 and 2019.

**Table 6.4**

<i>In thousands, except % change data</i>	For the Year Ended December 31						%
	2020			2019			2020 vs. 2019
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Cash operating expenses:							
Taxes and licenses	₱5,200,396	₱61,904	₱5,262,300	₱12,826,575	₱68,915	₱12,895,490	(59.2)
Salaries and benefits	3,615,196	314,525	3,929,721	4,095,309	469,503	4,564,813	(13.9)
Advertising and promotions	336,613	12,020	348,633	566,419	6,597	573,015	(39.2)
Office expenses	802,990	8,332	811,322	1,119,645	29,272	1,148,917	(29.4)
Outside services and charges	2,117,776	30,442	2,148,218	1,570,017	261,993	1,832,009	17.3
Utilities	662,003	16,578	678,581	787,532	32,067	819,599	(17.2)
Cost of sales	1,567,588	3,916	1,571,504	3,305,079	11,590	3,316,670	(52.6)
Rent	84,772	1,561	86,334	145,091	1,613	146,704	(41.2)
Repairs and maintenance	131,734	2,624	134,358	241,121	3,585	244,706	(45.1)

(forward)

In thousands, except % change data	For the Year Ended December 31						% Change 2020 vs. 2019
	2020			2019			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Software and hardware maintenance	₱298,308	₱4,396	₱302,704	₱238,689	₱5,998	₱244,687	23.7
Communication and transportation	132,353	4,043	136,396	192,734	10,125	202,859	(32.8)
Others	225,569	14,134	239,702	545,873	2,918	548,791	(56.3)
	<b>15,175,297</b>	<b>474,475</b>	<b>15,649,772</b>	<b>25,634,084</b>	<b>904,175</b>	<b>26,538,259</b>	<b>(41.0)</b>
Depreciation and amortization	3,131,564	216,891	3,348,455	3,490,476	199,329	3,689,805	(9.3)
Provision for doubtful accounts	708,893	-	708,893	259,568	-	259,568	173.1
Interest expense	5,399,452	10,945	5,410,397	5,549,849	12,181	5,562,031	(2.7)
Foreign exchange losses (gains) – net	241,461	(10,769)	230,693	330,401	(10,157)	320,244	(28.0)
Others	492,321	483,002	975,323	149,630	-	149,630	551.8
Total Expenses	<b>₱25,148,988</b>	<b>₱1,174,545</b>	<b>₱26,323,533</b>	<b>₱35,414,008</b>	<b>₱1,105,529</b>	<b>₱36,519,538</b>	<b>(27.9)</b>

#### 6.4.2.1 Cash Operating Expenses

Cash operating expenses decreased by 41.0 percent to ₱15.6 billion. The decline in cash operating expenses were due to lower revenue levels reflecting the impact of the COVID-19 pandemic and the Group's continuous cost management efforts.

##### Philippines

Solaire cash operating expenses decreased by 40.8 percent from ₱25.6 billion to ₱15.2 billion due to lower: a) gaming taxes which is consistent with the decrease in gaming revenues, b) cost of sales due to decreased promotional items and complimentary items given to patrons and c) salaries and benefits.

##### Korea

Solaire Korea registered ₱474.5 million of cash operating expenses in 2020 which was a decline of ₱429.7 million from last year. Mostly due to lower gaming promotions and salaries and benefits. Salaries and benefits expenses declined meaningfully as Jeju Sun availed of the government aid to the tourism industry that partially covers the payroll costs of eligible companies.

##### Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. Lower taxes and licenses is consistent with the decrease in gaming revenues.

##### Salaries and benefits

Salaries and wages decreased by 13.9 percent which is attributable to the rationalization of the Group's manpower requirements and the government aid availed by Jeju Sun.

##### Advertising and promotions

Advertising and promotions expenses decreased by 39.2 percent. This account consists of expenses relating to property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other similar expenses.

##### Office expenses

Office expenses decreased by 29.4 percent. This account consists of costs of gaming and office supplies, guest supplies, cleaning supplies, property and other insurance, housekeeping supplies and employee related expenses.

##### Outside services and charges

Outside services and charges increased by 17.3 percent in 2020 as compared to the prior year. This account pertains to the cost of professional and third-party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

#### Utilities

Utilities expenses are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. Utilities expenses decreased by 17.2 percent in 2020.

#### Cost of sales

Cost of sales was lower by 52.6 percent due to decreased promotional items and complimentary items given to patrons.

#### Rent

Rent pertains to cost incurred for the usage of leased gaming equipment and overseas marketing offices. Rent expense declined by 41.2 percent mainly due to the waiver of rental charges on the leased gaming equipment during the temporary closure of Solaire under ECQ and reduced rates during the limited dry run gaming operations under GCQ.

#### Repairs and maintenance

Repairs and maintenance represent cost associated with the upkeep of property and equipment, including casino equipment, furniture and fixtures, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance expenses decreased by 45.1 percent.

#### Communication and transportation

Communication and transportation represent the cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. Communication and transportation expenses declined by 32.8 percent.

#### Others

Other expenses consist of miscellaneous expenses pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges.

#### **6.4.2.2 Depreciation and amortization**

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment including operating equipment, over the useful lives of these assets which range between 3 years to 40 years. Depreciation and amortization declined by 9.3 percent.

#### **6.4.2.3 Provision of allowance for doubtful accounts**

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. In 2020, the Group provided ₱708.9 million for doubtful accounts.

#### **6.4.2.4 Interest Expense**

Interest expense decreased by 2.7 percent from ₱5.6 billion in 2019 to ₱5.4 billion in 2020 mainly due to lower bank loan balance.

#### **6.4.2.5 Foreign Exchange Losses (Gains) – Net**

Solaire registered a net foreign exchange loss of ₱241.5 million in 2020 as the Philippine Peso appreciated against the US dollar and the Hong Kong dollar. The Philippine peso appreciated from ₱50.635/US\$1 and ₱6.516/HKD1 as of December 31, 2019 to ₱48.023/US\$1 and ₱6.1935 /HKD1 as of December 31, 2020.

Solaire Korea recognized a ₱10.8 million foreign exchange gain in 2020 as the Korean won appreciated against the US dollar.

#### 6.4.2.6 Others

Others amounting to ₱975.3 million in 2020 pertains to the impairment of casino license and goodwill at Jeju Sun, share in net loss of Falconer Aircraft Management, Inc., and gain as a result of the compromise agreement with the previous owner of Jeju Sun.

#### 6.4.3 EBITDA

##### Philippines

In 2020, Solaire's EBITDA of ₱1.8 billion was 91.0 percent lower compared to 2019. EBITDA margin in 2020 was 10.3 percent as compared to 43.9 percent last year.

##### Korea

Solaire Korea posted ₱394.9 million LBITDA in 2020, representing an improvement from the ₱463.9 million LBITDA last year.

#### CONSOLIDATED

Below is comparison of reported consolidated and hold-normalized EBITDA (LBITDA):

	For the Year Ended December 31		Change
	2020	2019	
<i>In thousands, except % change data</i>			
Net Revenue	17,788,667	46,628,255	(61.9%)
EBITDA (LBITDA)	1,430,002	19,830,427	(92.8%)
EBITDA (LBITDA) Margin	8.0%	42.5%	(3,450 bps)
<b>Hold-Normalized EBITDA (LBITDA)*</b>	<b>1,242,155</b>	<b>17,162,089</b>	<b>(92.8%)</b>
<b>Hold-Normalized EBITDA (LBITDA) Margin*</b>	<b>7.1%</b>	<b>39.6%</b>	<b>(3,250 bps)</b>

\* Hold-normalized EBITDA is based on 2.85% VIP hold.

The reported VIP hold in 2020 was 2.99 percent, 14 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 15.1 percent higher than hold-normalized EBITDA of ₱1.2 billion.

#### 6.4.4 PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2020, the Group recognized a ₱207.1 million benefit from income tax as compared to ₱187.8 million provision for income tax in 2019. The turnaround is due to the reversal of deferred tax liabilities as a result of impairment of Jeju Sun's casino license.

#### 6.4.5 NET INCOME (LOSS)

In 2020, the Group posted a consolidated net loss of ₱8.3 billion, compared to last year's consolidated net income of ₱9.9 billion.

#### 6.4.6 EARNINGS (LOSS) PER SHARE

The basic loss per share of ₱0.758 in 2020 was a reversal from the ₱0.903 basic earnings per share reported last year. The diluted loss per share in 2020, after considering the shares granted under the stock incentive plan, was ₱0.758 compared to ₱0.901 diluted earnings per share in 2019.

## 6.5 OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019 COMPARED WITH 2018

### 6.5.1 REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others and (4) Interest income. The table below illustrates the consolidated revenues for the year ended December 31, 2019 and 2018:

In thousands, except % change data	For the Year Ended December 31						% Change 2019 vs. 2018
	2019			2018			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱55,498,335	₱573,092	₱56,071,427	₱47,747,534	₱484,372	₱48,231,906	16.3
Hotel, food and beverage	4,175,113	127,055	4,302,168	3,589,288	171,376	3,760,664	14.4
Retail and others	3,559,091	1,830	3,560,921	2,805,248	48,869	2,854,117	24.8
Interest income	290,795	132	290,927	141,005	71	141,076	106.2
<b>Gross revenues*</b>	<b>63,523,334</b>	<b>702,109</b>	<b>64,225,443</b>	<b>54,283,075</b>	<b>704,688</b>	<b>54,987,763</b>	<b>16.8</b>
Less contra revenue accounts	17,335,327	261,861	17,597,188	16,528,766	97,694	16,626,460	5.8
<b>Net revenues</b>	<b>₱46,188,007</b>	<b>₱440,248</b>	<b>₱46,628,255</b>	<b>₱37,754,309</b>	<b>₱606,994</b>	<b>₱38,361,303</b>	<b>21.6</b>

\* as defined under PFRS 15

In 2019, consolidated gross gaming, non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 87.3 percent, 12.2 percent and 0.5 percent of gross revenues, respectively. Gross gaming, non-gaming revenues and interest income in the same period last year accounted for 87.7 percent, 12.0 percent and 0.3 percent of gross revenues, respectively. Contra revenue increased to ₱17.6 billion, up 5.8 percent year-on-year, mainly due to higher rebates to junket operators and VIP patrons as a result of higher VIP gaming revenue as well as other customer promotions and incentives provided to mass gaming guests.

#### 6.5.1.1 Gaming

##### Philippines

In 2019, Solaire registered robust growth in mass table drop and slot coin-in which grew by 14.6 percent and 20.4 percent to record levels of ₱51.5 billion and ₱255.1 billion, respectively. On the other hand, VIP volumes declined by 4.8 percent.

Gaming revenues after PFRS 15 allocation in 2019 increased by 16.2 percent or ₱7.8 billion as compared to the same period last year.

Below is the breakdown of gaming revenues:

Amounts in millions	2019			2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	771,417	₱26,240	3.40%	810,233	₱21,817	2.69%	₱4,423	20.3
Mass tables	51,467	16,747	32.5%	44,894	15,258	34.0%	1,489	9.8
Slots	255,103	16,814	6.6%	211,887	13,897	6.6%	2,917	21.0
		<b>59,801</b>			<b>50,972</b>		<b>8,829</b>	<b>17.3</b>
PFRS 15 Allocation		(4,303)			(3,224)		(1,079)	33.4
<b>Total</b>		<b>₱55,498</b>			<b>₱47,748</b>		<b>₱7,751</b>	<b>16.2</b>

\*VIP volume represents rolling chips; Mass volume represents mass drop; Slots volume represents coin-in

VIP revenue amounted to ₱26.2 billion, representing an increase of 20.3 percent as a result of a higher VIP win rate. The VIP hold rate was 3.40 percent, higher than the 2.69 percent last year and the normal hold of 2.85 percent. On a hold normalized basis, VIP revenue would have decreased by 4.8 percent.

Following the performance of mass table drop and slot coin-in, mass table and slot revenues grew by 9.8 percent and 21.0 percent, to ₱16.7 billion and ₱16.8 billion, respectively.

There were 6,678,206 visitors in 2019, higher by 0.4 percent as compared to last year.

#### Korea

Jeju Sun registered ₱573.1 million of GGR in 2019, representing an increase of 18.3 percent from ₱484.4 million in 2018. The increase was attributable to higher level of play in VIP and mass segments as a result of the competitive casino programs of Jeju Sun.

#### **6.5.1.2 Hotel, Food and Beverage**

##### Philippines

Hotel, food and beverage revenue amounted to ₱4.2 billion in 2019, representing an increase of ₱585.8 million or 16.3 percent as compared to 2018. The increase was primarily due to higher REVPAR and average daily room rate which grew by 19.8 percent and 22.5 percent to ₱7,948 and ₱8,778, respectively. The hotel occupancy rate was 90.5 percent in 2019.

In 2019, hotel cash revenues were 52.2 percent as compared to 56.1 percent last year, while Solaire F&B cash revenues accounted for 53.9 percent of F&B revenues as compared to 58.0 percent in the prior year.

Solaire F&B revenue increased by ₱215.2 million or 12.6 percent despite the closure of the grand ballroom where banquets are held. The grand ballroom was closed to make way for a new gaming area. Excluding the banquet business, Solaire F&B served 1,901,675 covers in 2019 as compared to 1,920,712 covers for the comparable period in 2018, a decrease of 1.0 percent. Average checks increased by 5.2 percent to ₱1,152.

##### Korea

The hotel and F&B operation of Jeju Sun generated ₱127.1 million of revenue for 2019, 25.9 percent lower than the comparative period in 2018 due to renovations covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house, new ballroom and several mechanical, electrical and plumbing works for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovation works were completed in December 2019.

#### **6.5.1.3 Retail and Others**

##### Philippines

Retail and other revenues amounted to ₱3.6 billion in 2019, an increase of 26.9 percent from ₱2.8 billion in the same period last year. The increase was mainly due to additional rental revenue earned from new tenants at the Shoppes including Versace, Dior, Cartier, Chow Tai Fook, among others.

##### Korea

The retail and other revenues of Jeju Sun declined by 96.3 percent year-on-year to ₱1.8 million. The retail area was also adversely impacted by renovation works.

#### **6.5.1.4 Interest Income**

Consolidated interest income amounted to ₱290.9 million in 2019, representing an increase of 106.2 percent from last year's consolidated interest income of ₱141.1 million in the previous year, mainly due to higher average consolidated cash balances in 2019.

#### **6.5.2 EXPENSES**

Total operating cost and expenses consist of: (1) Taxes and licenses; (2) Advertising and promotions; (3) Depreciation and amortization; (4) Salaries and benefits; (5) Outside services and charges; (6) Office expenses; (7) Cost of sales; (8) Utilities; (9) Rent; (10) Repair and maintenance; (11) Software and hardware maintenance (12) Communication and transportation; (13) Provision for (reversal of) allowance for doubtful accounts; and (14) Others.

Total expenses include (1) Operating costs and expenses; (2) Interest expenses; (3) Foreign exchange losses (gains) – net; and (4) Others.

In 2019, total expenses of the Group increased by 16.6 percent to ₱36.5 billion.

The table below shows the breakdown of total expenses for 2019 and 2018.

**Table 6.5**

In thousands, except % change data	For the Year Ended December 31						% Change 2019 vs. 2018
	2019			2018			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses:							
Taxes and licenses	₱12,826,575	₱68,915	₱12,895,490	₱10,987,451	₱65,385	11,052,836	16.7
Salaries and benefits	4,095,309	469,503	4,564,813	3,714,935	552,232	4,267,167	7.0
Advertising and promotions	566,419	6,597	573,015	454,897	6,965	461,862	24.1
Office expenses	1,119,645	29,272	1,148,916	1,063,831	23,077	1,086,908	5.7
Outside services and charges	1,570,017	261,993	1,832,009	1,428,984	83,559	1,512,543	21.1
Utilities	787,532	32,067	819,599	858,367	44,432	902,799	(9.2)
Cost of sales	3,305,079	11,590	3,316,670	2,652,009	27,520	2,679,529	23.8
Rent	145,091	1,613	146,704	330,796	1,565	332,361	(55.9)
Repairs and maintenance	241,121	3,585	244,706	176,793	6,536	183,329	33.5
Software and hardware maintenance	238,689	5,998	244,687	212,005	10,561	222,566	9.9
Communication and transportation	192,734	10,125	202,859	189,533	10,651	200,184	1.3
Depreciation and amortization	3,490,476	199,329	3,689,805	3,437,910	191,527	3,629,437	1.7
Provision of (reversal of allowance) for doubtful accounts	259,568	-	259,568	29,224	(174)	29,050	793.5
Others	545,873	2,918	548,791	520,921	14,700	535,621	2.5
	<b>29,384,128</b>	<b>1,103,505</b>	<b>30,487,633</b>	<b>26,057,656</b>	<b>1,038,536</b>	<b>27,096,192</b>	<b>12.5</b>
Interest expense	5,549,849	12,181	5,562,031	4,564,370	17,557	4,581,927	21.4
Foreign exchange losses (gains) – net	330,401	(10,157)	320,244	(738,514)	380,802	(357,712)	(189.5)
Others	149,630	-	149,630	1,555	-	1,555	9,523.3
Total Expenses	<b>₱35,414,008</b>	<b>₱1,105,529</b>	<b>₱36,519,538</b>	<b>₱29,885,067</b>	<b>₱1,436,895</b>	<b>₱31,321,962</b>	<b>16.6</b>

### 6.5.2.1 Operating Costs and Expenses

Total operating costs and expenses increased by 12.5 percent to ₱30.5 billion.

#### Philippines

Solaire operating costs and expenses increased by 12.8 percent from ₱26.1 billion to ₱29.4 billion in 2019 compared to the prior year due to higher: a) gaming taxes which is consistent with the increase in gaming revenues, b) cost of sales due to the increased quality and quantity of promotional items given to patrons, c) salaries and benefits, and d) provision for doubtful accounts. These increases were partially offset by the decline in rent, utilities and others.

#### Korea

Solaire Korea registered ₱1.1 billion in operating costs which was ₱65.0 million higher than in 2018.

#### Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. The increase in taxes and licenses is consistent with the increase in gaming revenues.

#### Advertising and promotions

Advertising and promotions costs consist of expenses relating to property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other similar expenses.

#### Depreciation and amortization

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment including operating equipment, over the useful lives of these assets which range between 3 years to 40 years. Depreciation and amortization increased by 1.7 percent.

#### Salaries and benefits

Salaries and wages increased by 7.0 percent which is attributable to the ₱380.4 million increase in the Philippine operations due to higher salary rates, additional manpower requirements and Stock Incentive Plan (SIP) share grants. The increase was partially offset by the ₱82.7 million or 15.0 percent decrease in salaries and benefits of the Korean operations.

#### Outside services and charges

Outside services and charges increased by 21.1 percent in 2019 as compared to the prior year. This account pertains to the cost of professional and third-party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

#### Office expenses

Office expenses increased by 5.7 percent. This account consists of costs of gaming and office supplies, guest supplies, cleaning supplies, property and other insurance, housekeeping supplies and employee related expenses.

#### Cost of sales

Higher cost of sales in 2019 is due to increased quality and quantity of promotional items given to patrons.

#### Utilities

Utilities expenses are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. Utilities expenses decreased by 9.2 percent in 2019.

#### Rent

Rent consists of payments to PAGCOR for a 1,122 square meters parcel of land currently being used as a security checkpoint area. Rent is also paid for overseas marketing offices and gaming equipment. Rent decreased by 55.9 percent mainly due to the purchase of previously rented 160,359 square meters of land from PAGCOR.

#### Repairs and maintenance

Repairs and maintenance represent cost associated with the upkeep of property and equipment, including casino equipment, furniture and fixtures, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance expenses increased by 33.5 percent.

#### Communication and transportation

Communication and transportation represent the cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. Communication and transportation expenses increased by 1.3 percent.

#### Provision for allowance for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. In 2019, the Group provided ₱259.6 million for doubtful accounts.

#### Others

Other expenses consist of miscellaneous expenses pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges.

### 6.5.2.2 Interest Expense

Interest expense increased by 21.4 percent from ₱4.6 billion to ₱5.6 billion mainly due to the full year interest impact of the ₱73.5 billion Syndicated Loan Facility which was secured by the Group in the second quarter of 2018. The proceeds were used to retire the old debt facilities amounting ₱32.1 billion and purchase of PAGCOR land where Solaire is located for ₱40.4 billion, including taxes.

### 6.5.2.3 Foreign Exchange Losses (Gains) - Net

The Group recognized a net foreign exchange loss in 2019 of ₱320.2 million mainly due to unfavorable effect of the appreciation of Philippine Peso against US dollar and Hong Kong dollar. The Group also reported ₱738.5 million net foreign exchange gain in 2018. The Group maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

The Philippine peso appreciated against the US dollar from ₱52.563/US\$1 as of December 31, 2018 to ₱50.635/US\$1 as of December 31, 2019.

### 6.5.2.4 Others

Others mainly pertains to share in net loss of a joint venture, excess of acquisition cost over fair value of net assets acquired, mark-to-market loss.

### 6.5.3 EBITDA

#### Philippines

In 2019, Solaire's EBITDA of ₱20.3 billion was 34.1 percent or ₱5.2 billion higher compared to the same period last year. EBITDA margin in 2019 was 43.9 percent as compared to 40.1 percent in the same period last year.

#### Korea

Solaire Korea posted ₱463.9 million negative EBITDA in 2019 including overhead expenses for Silmi and Muui Islands of ₱53.46 million.

### CONSOLIDATED

Below is comparison of reported consolidated and hold-normalized EBITDA:

	For the Year Ended December 31		Change
	2019	2018	
<i>In thousands, except % change data</i>			
Net Revenue	46,628,255	38,361,302	21.6%
EBITDA	19,830,427	14,894,547	33.1%
EBITDA Margin	42.5%	38.8%	370 bps
<b>Hold-Normalized EBITDA*</b>	<b>17,162,089</b>	<b>16,049,409</b>	<b>6.9%</b>
<b>Hold-Normalized EBITDA Margin*</b>	<b>39.6%</b>	<b>40.4%</b>	<b>80 bps</b>

\* Hold-normalized EBITDA is based on 2.85% VIP hold.

The reported VIP hold in 2019 was 3.40 percent, 55 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA to be 13.5 percent higher than hold-normalized EBITDA of ₱17.2 billion.

### 6.5.4 PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2019, the Group recognized a ₱187.8 million provision for income tax as compared to ₱126.5 million benefit from income tax in 2018. The turnaround is due to the deferred tax effect relating to unrealized foreign exchange and Jeju Sun's NOLCO.

### **6.5.5 NET INCOME**

In 2019, the Group posted a consolidated net income of ₱9.9 billion, representing an increase of 38.4 percent from previous year's consolidated net income of ₱7.2 billion.

Solaire registered net income of ₱10.8 billion, an increase of 35.1 percent from net income of ₱8.0 billion in 2018.

### **6.5.6 EARNINGS PER SHARE**

Basic earnings per share of ₱0.903 in 2019 was 38.5 percent higher than the ₱0.652 reported in 2018. Diluted earnings per share, after considering the shares granted under the stock incentive plan, was ₱0.901 compared to ₱0.651 in 2018.

## **6.6 TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS**

The Group is exposed to a number of trends, events, and uncertainties which affect recurring revenues and profits of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel, and power.

The Group collects revenues in various currencies and the appreciation and depreciation of the US or HK dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

On January 31, 2020, the World Health Organization (WHO) declared the novel coronavirus acute respiratory disease (now COVID-19) health event as a public health emergency of international concern. On the same day, the Philippines issued a temporary travel ban covering all travelers coming from Hubei Province of China. On February 2, 2020, the Philippines banned all travel to and from China and its two administrative regions, Hong Kong and Macau, to stem the spread of the virus.

On March 14, 2020 Philippine President Rodrigo Duterte placed Metro Manila under "Enhanced Community Quarantine" (ECQ). On March 16, 2020, the ECQ was expanded to cover the entire Luzon island. The ECQ, which is effectively a lockdown, restricts the movement of the population to contain the pandemic. The ECQ mandated the temporary closure of non-essential shops and businesses which include the operation of Solaire.

The ECQ was originally set to last until April 12, 2020 but was extended three (3) times up to May 15, 2020, particularly for Metro Manila and other high-risk COVID-19 areas in Luzon. On May 16, 2020, the government transitioned Metro Manila from ECQ to "Modified Enhanced Community Quarantine" (MECQ), which is a less restrictive form of quarantine. On June 1, 2020, MECQ in Metro Manila and other areas was relaxed to the "General Community Quarantine" (GCQ). On August 4, 2020, Metro Manila and other areas in Luzon were placed under MECQ and reverted back to GCQ on August 19, 2020. Due to the resurgence in COVID-19 cases, Metro Manila and nearby provinces reverted to ECQ starting March 29, 2021 and transitioned to less restrictive MECQ on April 12, 2021. On May 15, 2021, the government placed Metro Manila and other areas to the more relaxed GCQ. Solaire suspended its operations from March 29, 2021 when Metro Manila reverted to ECQ and MECQ and reopened on May 15, 2021, as allowed by relevant authorities, when Metro Manila was relaxed to GCQ.

To prevent the surge in COVID-19 cases particularly due to the Delta variant, Metro Manila was again placed under ECQ and MECQ from August 6, 2021 to September 15, 2021. During this time, Solaire was closed to the public.

On September 16, 2021, the government amended its quarantine classification system for Metro Manila to allow for granular lockdowns. The new system employs an "Alert Level" approach, where major classifications include only ECQ (Alert Level 5) and GCQ (Alert Level 4 to 1). Under GCQ,

each classification level from Alert Level 4 corresponds to less strict limitations on mobility with Alert Level 1 being the most relaxed.

On September 16, 2021, Metro Manila was placed under GCQ Alert Level 4 and Solaire reopened keeping to its invite-only policy and limited capacity operations. Starting October 16, 2021, government eased the quarantine restriction to GCQ Alert Level 3. From November 15 to December 31, 2021, Metro Manila was placed under GCQ Alert Level 2. There was a surge in cases of the highly contagious but less severe Omicron variant in December 2021.

The COVID-19 pandemic presents an uncertainty on the Group's future operations after considering 1) the absence of a commercially available cure, 2) slow vaccine deployment, and 3) ongoing restrictions on international travel. At the moment, management cannot quantify the overall impact of COVID-19 on the Group's operations for the coming years.

## 6.7 FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of December 31, 2021, 2020 and 2019:

**Table 6.7 Balance Sheets**

<i>In thousands, except % change data</i>	As of December 31			% Change	% Change
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Current assets	₱27,767,930	₱26,600,168	₱46,400,104	4.4%	(42.7%)
Total assets	115,252,024	113,454,575	132,694,034	1.6%	(14.5%)
Current liabilities	12,385,704	12,884,636	20,175,901	(3.9%)	(36.1%)
Total interest-bearing debt	75,790,396	68,559,294	69,118,770	10.5%	(0.8%)
Total liabilities	87,328,213	80,560,566	88,663,310	8.4%	(9.1%)
Total equity*	28,006,826	32,946,812	44,069,049	(15.0%)	(25.2%)

\*Total equity attributable to Equity Holders of the Parent Company

<i>In thousands, except % change data</i>	As of December 31		
	2021	2020	2019
Current assets/total assets	24.09%	23.45%	34.97%
Current ratio	2.24	2.06	2.30
Debt-equity ratio <sup>1</sup>	3.13	2.45	2.01
Net debt-equity ratio <sup>2</sup>	2.23	1.74	1.06

<sup>1</sup>Debt includes all liabilities. Equity includes paid-up capital, equity reserves, share-based payment plan and retained earnings/deficit.

<sup>2</sup>Net Debt includes all liabilities less cash and cash equivalents and restricted cash (current and noncurrent portion).

Current assets increased by 4.4 percent to ₱27.8 billion as of December 31, 2021, mainly due to higher level of cash and cash equivalents.

The following summarizes the aging of the Group's receivables as of December 31, 2021:

<i>In thousands</i>	
Current	₱1,099,687
90 Days	26,024
Over 90 Days	1,394,415
Total	₱2,520,126

Total assets slightly increased by 1.6 percent to ₱115.3 billion due to the higher level of cash and cash equivalents and additions to property and equipment. This was partly offset by the full impairment of casino license and the decline in casino receivables and inventories.

Current liabilities fell by 3.9 percent mainly due to lower outstanding chips and other gaming liabilities and customers' deposits.

Total liabilities grew by 8.5 percent mainly attributed to the ₱9.2 billion net proceeds from additional drawdowns on the ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility. This was partly offset by the scheduled principal repayments relating to the ₱73.5 billion Syndicated Loan Facility and the lower level of current liabilities as mentioned above.

Total equity declined by 15.1 percent, driven by the ₱4.2 billion net loss incurred and ₱776.1 million treasury shares purchased in 2021.

#### **6.7.1 MATERIAL VARIANCES AFFECTING THE BALANCE SHEET FOR THE YEAR ENDING DECEMBER 31, 2021**

*Balance sheet accounts as of December 31, 2021 with variances of plus or minus 5.0 percent against December 31, 2020 balances are discussed, as follows:*

##### **Current Assets**

1. Cash and cash equivalents increased by 7.7 percent as a result of higher cash generated from operations in Solaire and net proceeds from additional drawdowns on the ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility. The movement in cash and cash equivalents will be further discussed in the liquidity section.
2. Receivables declined by 32.3 percent due to the write-off of casino receivables and additional provisions for doubtful accounts.
3. Inventories decreased by 26.9 percent due to lower inventory levels of operating supplies.

##### **Noncurrent Assets**

4. Intangible assets decreased by 100.0 percent mainly due to the full impairment of Jeju Sun's casino license.
5. Other noncurrent assets increased by 7.0 percent due to additional prepaid debt issue costs recognized relating to the undrawn portion of ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility and increase in creditable withholding tax.

##### **Current Liabilities**

6. Income tax payable decreased by 67.8 percent due to lower non-gaming taxable income.

##### **Noncurrent Liabilities**

7. Noncurrent portion of long-term debt increased by 10.9 percent mainly due to the additional drawdown on the ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility, partly offset by the scheduled principal repayments on the ₱73.5 billion Syndicated Loan Facility.
8. Lease liabilities decreased by 50.7 percent mainly due to lease payments, partially offset by the accretion of interest.

##### **Equity**

9. Treasury shares increased by 87.1 percent as a result of the acquisition of Bloomberry shares from the secondary market, partly offset by the issuance of treasury shares for vested stock awards.
10. Other comprehensive loss is mainly due to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
11. Retained earnings decreased by 44.1 percent primarily due to the ₱4.2 billion net loss attributable to equity holders of the parent entity.

## **6.7.2 MATERIAL VARIANCES AFFECTING THE BALANCE SHEET FOR THE YEAR ENDING DECEMBER 31, 2020**

*Balance sheet accounts as of December 31, 2020 with variances of plus or minus 5.0 percent against December 31, 2019 balances are discussed, as follows:*

### **Current Assets**

1. Cash and cash equivalents decreased by 44.2 percent primarily as a result of payment of the following: (a) cash dividends, (b) long-term debt (c) additional acquisition of property and equipment. Cash and cash equivalents was further reduced by Solaire's negative operating cash flows. The movement in cash and cash equivalents will be further discussed in the liquidity section.
2. Receivables decreased by 43.3 percent due to a lower level of casino receivables which is consistent with the decrease in gross gaming revenues and additional provisions for doubtful accounts.
3. Inventories increased by 29.5 percent due to higher inventory levels of operating supplies.

### **Noncurrent Assets**

4. Intangible assets decreased by 53.9 percent due to the impairment of goodwill and Jeju Sun's casino license and impact of foreign exchange translation.
5. Other noncurrent assets increased by 27.6 percent due to additional advances to contractors of Solaire North.

### **Current Liabilities**

6. Payables and other current liabilities decreased by 40.3 percent due to lower levels of outstanding chips and other gaming liabilities, customers' deposits and gaming taxes payable. Payables and other current liabilities were further reduced by the decrease in holdback liabilities and payable to contractors and suppliers.

### **Noncurrent Liabilities**

7. Noncurrent portion of lease liabilities decreased by 65.2 percent mainly due to lease payments, partially offset by the accretion of interest.

### **Equity**

8. Cost of shares held by a subsidiary decreased by 74.9 percent due to the issuance of Bloomberg shares held by BRHI as part of Solaire's rewards program.
9. Treasury shares increased by 53.9 percent as a result of the acquisition of Bloomberg shares from the secondary market, partially offset by the issuance of treasury shares for vested stock awards.
10. Other comprehensive income is mainly due to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
11. Retained earnings decreased by 53.6 percent due to the ₱2.7 billion cash dividends declared and paid in March 2020, and the ₱8.3 billion net loss attributable to equity holders of the parent entity.

### **6.7.3 MATERIAL VARIANCES AFFECTING THE BALANCE SHEET FOR THE YEAR ENDING DECEMBER 31, 2019**

*Balance sheet accounts as of December 31, 2019 with variances of plus or minus 5.0 percent against December 31, 2018 balances are discussed, as follows:*

#### **Current Assets**

1. Cash and cash equivalents increased by 14.8 percent as of December 31, 2019 due to higher cash generated by operations.
2. Receivables increased by 9.6 percent, primarily due to higher casino receivables which is consistent with the increase in gross gaming revenues.
3. Prepaid expenses and other current assets increased by 66.2 percent to ₱1.1 billion mainly due to the increase in prepaid taxes and input VAT.

#### **Noncurrent Assets**

4. Intangible assets decreased by 7.2 percent mainly due to the impact of foreign exchange translation.
5. Other noncurrent assets increased by 123.6 percent to ₱1.6 billion due to higher advances to contractors and the recognition of prepaid debt issue costs related to the ₱40.0 billion Syndicated Loan Facility which has not been drawn as of December 31, 2019.

#### **Current Liabilities**

6. Payables and other current liabilities increased by 6.8 percent primarily due to the increase in customer's deposits which was partially offset by the decline in outstanding chips and other gaming liabilities.
7. Income tax payable increased by 63.4 percent to ₱5.9 million due to an increase in non-gaming taxable income.

#### **Noncurrent Liabilities**

8. Retirement liability increased by 66.2 percent to ₱639.6 million due to the accrual of pension costs based on the latest actuarial valuation.

#### **Equity**

9. Cost of shares held by a subsidiary decreased by 71.9 percent to ₱2.6 million due to the issuance of Bloomberry shares held by BRHI.
10. Treasury shares increased by 94.9 percent to ₱361.3 million as a result of acquisition of Bloomberry shares from the secondary market to cover future maturing SIP shares, partially offset by the issuance of treasury shares for vested stock awards.
11. Share-based payment plan increased by 25.0 percent due to recognition of current period's compensation expense which was partially offset by issuance of shares for vested stock awards.
12. Other comprehensive loss pertains to the net effect of the translation of the financial statements of the Korean operation and unrealized loss on equity instrument designated at fair value through other comprehensive income.

13. Retained earnings increased by 66.1 percent to ₱20.5 billion mainly due to the net income generated in 2019 amounting to ₱9.9 billion which was partially offset by cash dividends declared in the current year and the remeasurement loss on defined benefit plan.

## 6.8 LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and use of funds as well as its debt and equity profile.

### 6.8.1 Liquidity

The table below shows the Group's consolidated cash flows for the years ended December 31, 2021, 2020 and 2019:

**Table 6.8.1 Consolidated Cash Flows**

<i>In thousands, except % change data</i>	For the Year Ended December 31			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Net cash provided by (used in) operating activities	₱5,006,715	(₱3,913,838)	₱20,683,009	227.3	(118.9)
Net cash used in investing activities	(4,958,909)	(5,232,602)	(5,167,989)	(5.2)	1.3
Net cash provided by (used in) financing activities	1,046,153	(9,224,481)	(9,823,771)	111.4	(6.1)
Effect of exchange rate changes on cash	713,191	(149,079)	(285,570)	578.4	(47.8)
Net increase (decrease) in cash and cash equivalents	<b>1,807,149</b>	<b>(18,520,000)</b>	<b>5,405,679</b>	<b>109.8</b>	<b>(442.6)</b>
Cash and cash equivalents, beginning	23,351,526	41,871,527	36,465,848	(44.2)	14.8
Cash and cash equivalents, end	<b>₱25,158,676</b>	<b>₱23,351,526</b>	<b>₱41,871,527</b>	<b>7.7</b>	<b>(44.2)</b>

In 2021, the Group registered positive cash flows from operating activities of ₱5.0 billion, compared to ₱3.9 billion negative cash flows last year. The improvement was backed by the decline in working capital requirements coupled with higher EBITDA.

Net cash used in investing activities in 2021 comprised of payments made in relation to the construction of Solaire North covering advances to contractors and ongoing construction projects at Solaire.

In 2021, net cash provided by financing activities consists primarily of ₱9.2 billion net proceeds from additional drawdowns on the ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility. This was partly offset by the scheduled principal repayments on the ₱73.5 billion Syndicated Loan Facility totaling ₱2.2 billion, interest payments amounting to ₱5.2 billion and the purchase of treasury shares worth ₱776.1 million.

### 6.8.2 Capital Resources

The table below shows the Group's capital sources as of December 31, 2021, 2020 and 2019:

**Table 6.8 Capital Sources**

<i>In thousands, except % change data</i>	As of December 31			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Long-term debt – net	₱75,790,396	₱68,559,294	₱69,118,770	10.5	(0.8)
Equity*	28,006,826	32,946,812	44,069,049	(15.0)	(25.2)
Total Capital	<b>₱103,797,222</b>	<b>₱101,506,106</b>	<b>₱113,187,819</b>	<b>2.3</b>	<b>(10.3)</b>

\*Attributable to equity holders of the Parent Company

Total capital grew 2.3 percent year-on-year to ₱103.8 billion driven by the ₱9.2 billion net proceeds from additional drawdowns on the ₱40.0 billion Syndicated Loan Facility and ₱20.0 billion additional facility. The increase was partly offset by the ₱4.2 billion net loss incurred in 2021, ₱2.2 billion principal repayment on the ₱73.5 billion Syndicated Loan Facility and ₱776.1 million purchase of treasury shares.

Please refer to Note 11 of the Notes to Audited Consolidated Financial Statements for the discussion on debt financing, covenants and collaterals.

## **6.9 RISKS**

The future operations of the Group shall be exposed to various market risks, particularly foreign exchange risk, liquidity risk and credit risk, which movements may materially impact the future financial results and conditions of the Group. The importance of managing these risks has significantly increased in light of the volatility in the Philippine and international financial markets. With a view to managing these risks, the Group has incorporated a financial risk management function in its organization, particularly in the treasury operations.

The COVID-19 pandemic presents an uncertainty on the Group's future operations after considering 1) the absence of a commercially available cure, 2) slow vaccine deployment, and 3) ongoing restrictions on international travel. Metro Manila and other areas in Luzon are currently under GCQ Alert Level 2 which limits business activities and the movement of people in and out of these areas.

Please refer to Note 20 of the Notes to Audited Consolidated Financial Statements for the discussion on Financial Assets and Liabilities and Financial Risk Management Objectives and Policies.

### **Item 7. Consolidated Financial Statements**

The Group's consolidated financial statements and accompanying notes are incorporated herein by reference.

## Item 8. Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, SyCip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

On April 15, 2021, the Stockholders of Bloomberry re-appointed SGV & Co. as principal accountant to audit its financial statements.

### 8.1 Information on Independent Accountant

The external auditor in 2021 is the firm SGV & Co. The Company has engaged Ms. Christine Vallejo, partner of SGV & Co., for the audit of the Company's books and accounts in 2021.

### 8.2 External Audit Fees and Services

The Group paid its external auditors the following fees in the last three years for professional services rendered:

Table 8.1 Audit Fees

<i>In thousands pesos</i>	For the Year Ended December 31		
	2021	2020	2019
Audit	₱13,741.8	₱13,589.0	₱12,074.8
Tax and others	3,327.1	4,595.5	4,103.5
Total	<b>₱17,0684.9</b>	<b>₱18,184.5</b>	<b>₱16,178.3</b>

Tax fees paid to the auditors are for tax compliance and tax advisory services. In 2021, 2020 and 2019, the other fees include fees for limited review services provided.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for.

## PART IV- MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 9. Directors and Executive Officers of the Issuer

The members of the Board of Directors and executive officers of the Group as of March 4, 2022 are:

Office	Name	Citizenship	Age
Chairman of the Board & Chief Executive Officer	Enrique K. Razon Jr.	Filipino	62
Vice Chairman	Jose Eduardo J. Alarilla	Filipino	70
Vice Chairman, Construction and Regulatory Affairs	Donato C. Almeda	Filipino	66
President & Chief Operating Officer	Thomas Arasi	American	64
Director	Christian R. Gonzalez	Filipino	46
Independent Director <sup>a</sup>	Carlos C. Ejercito	Filipino	76
Independent Director <sup>b</sup>	Octavio Victor R. Espiritu	Filipino	78
Independent Director <sup>c</sup>	Jose P. Perez	Filipino	75
Independent Director <sup>d</sup>	Diosdado M. Peralta	Filipino	69
Executive Vice President, Chief Financial Officer & Treasurer	Estella Tuason-Occea	Filipino	52
Executive Vice President, Casino Marketing	Cyrus Sherafat	American	39
Executive Vice President, International Marketing	Laurence Upton	New Zealander	52
Corporate Secretary and Compliance Officer	Silverio Benny J. Tan	Filipino	65
Assistant Corporate Secretary	Jonas S. Khaw	Filipino	43

<sup>a</sup> has served maximum 9-year cumulative term for independent directors

<sup>b</sup> elected during the Annual Stockholders' meeting on April 15, 2021

<sup>c</sup> cessation of term due to his demise on August 12, 2021

<sup>d</sup> appointed by BOD effective September 24, 2021

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

#### **Enrique K. Razon, Jr. — Chairman and Chief Executive Officer**

Mr. Razon is the Chairman, CEO and the President of International Container Terminal Services, Inc. (ICTSI)\*, IWI Container Terminal Holdings Inc., Razon Industries, Inc., Sureste Realty Corporation, Quasar Holdings, Inc., Razon & Co. Inc., Achillion Holdings, Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings, Inc., and Provident Management Group, Inc.; Chairman of Manila Water Company, Inc.\*, Sureste, Monte Oro Resources and Energy, Inc., BRHI, PSHI, and Pilipinas Golf Tournament Inc.; Director of ICTSI (Hongkong) Ltd., Australian Container Terminals, Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital, Xcell Property Ventures, Inc. and ICTSI Foundation, Inc.

Mr. Razon is a member of the US-Philippines Society, the ASEAN Business Club, and Philippines, Inc. The De La Salle University in the Philippines has conferred on Mr. Razon the degree of Doctor of Science in Logistics honoris causa.

*\*Publicly-listed Corporation*

#### **Jose Eduardo J. Alarilla — Vice Chairman**

Mr. Alarilla is the President of Lakeland Village Holdings, Inc., Devoncourt Estates Inc., Eiffle House Inc., Alpha Allied Holdings Ltd., Sureste, WawaJCo Inc., and Fremont Holdings Inc. He is the President and CEO of Mega Subic Terminal Services, Inc., Chairman of Mega Equipment International Corp., and President of Manila Holdings and Management, Inc. He is Chairman of Apex Mining Co. Inc.\* Mr. Alarilla is a director of BRHI, PSHI, MORE, MORE Electric & Power Corporation, International Cleanenvironment Systems Inc., Manila Harbor Center Port Services Inc., The Country Club Inc., and is a director and treasurer of Bloomberg Cultural Foundation Inc. and

Prime Metro Power Holdings Corp. He holds a Bachelor of Science in Mechanical Engineering from De La Salle University and a Master in Business Management from the Asian Institute of Management.

*\*Publicly-listed Corporation*

**Donato C. Almeda — Vice Chairman for Construction and Regulatory Affairs**

Mr. Almeda is a director of BRHI, Sureste, Bloomberry Cruise Terminals Inc. MORE Electric & Power Corporation, and is the President of Bloomberry Cultural Foundation Inc. He served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and Fort Ilocandia Hotel, Managing Director of Waterfront Promotions Ltd. (a gaming company) and President of Insular Hotel in Davao. He earned his Engineering Degree from De La Salle University.

**Thomas Arasi — President and Chief Operating Officer**

Mr. Arasi has been appointed as President and Chief Operating Officer of the Company since 2013. He was formerly President and Chief Executive Officer of Marina Bay Sands Pte Ltd. From 2009 to 2011. He has also held senior positions with InterContinental Hotels Group as President of three major divisions from 1997 to 2000, and was formerly the President of Tishman Hotel Corporation from 1992 to 1997. Mr. Arasi is a graduate of Cornell University, where he received a Bachelor of Arts degree in Hotel and Restaurant Administration.

**Christian R. Gonzalez — Director**

Mr. Gonzalez is the Executive Vice President and Chief Risk Officer of ICTSI\*. He is the Global Corporate Head of ICTSI Group and also served as Vice President, Regional Head - Asia Pacific. Prior to his current role, he served as the Director General and Chief Executive Officer (CEO) of Madagascar International Container Terminal Services Ltd. (MICTSL), Vice President and Head of Asia Pacific Region & Manila International Container Terminal, Chief Operating Officer and later CEO of MICTSL in 2009. In 2010, he became a Director of BRH and The Country Club. In 2012, Mr. Gonzalez was appointed as the Head of ICTSI's Business Development for Asia region. He is the President and a director of various ICTSI subsidiaries. He was also appointed as the President of ICTSI Foundation, Inc. on April 15, 2016. He is a director of Sureste and Prime Strategic Holdings, Inc.

Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

*\*Publicly-listed Corporation*

**Carlos C. Ejercito — Independent Director**

Mr. Ejercito is an independent director of Monte Oro Resources & Energy, Inc. He is the Chairman and President of Northern Access Mining Corporation, Forum Cebu Coal Corporation, Morganhouse Holdings Inc., Aboitiz Power Corporation\* and Century Properties Group, Inc\*. He is also a Director, President and Chief Executive Officer of Mount Grace Hospitals, Inc. and its affiliates and subsidiaries. He was Chairman of the Board of Directors of United Coconut Planters Bank, and was the former CEO of United Laboratories Inc. and several of its subsidiaries. He was a director of Ayala Greenfield Development Corporation. He was a former director in National Grid Corporation of the Philippines, Greenfield Development Corporation, Fort Bonifacio Development Corporation and Bonifacio Land Corporation. Mr. Ejercito is a governor of the Management Association of the Philippines and is a member of the Philippine Chamber of Commerce. Mr. Ejercito has a Bachelor's degree in Business Administration, cum laude, from the University of the East, and is an MBA candidate from Ateneo Graduate School of Business. He attended the Program for Management Development of Harvard Business School.

**Octavio Victor R. Espiritu — Independent Director**

Mr. Espiritu is currently an independent director of ICTSI\* from 2002 to 2021. He is a director of the Bank of the Philippine Islands (April 8, 2000 to present), Manila Water Co. Inc.,\* Philippine Stratbase Consultancy, Inc. (September 1, 2004 to present), Pueblo de Oro Golf and Country Club (October 19, 1998 to present) and The Country Club, Inc. (July 23, 2015 to present). He is also currently the Chairman of GANESP Ventures, Inc. (July 22, 2011 to present) and MAROV Holding Company, Inc. (April 15, 1998 to present) and a trustee board member of the Carlos P. Romulo Foundation (May 2, 1996 to present).

Mr. Espiritu was a three-term former President of the Bankers Association of the Philippines (March 25, 1991 to March 28, 1994), a former President and Chief Executive Officer of Far East Bank and Trust Company (March 1, 1987 to April 7, 2000), and Chairman of the Board of Trustees of the Ateneo de Manila University for twelve years (from 1991 to 2003).

Mr. Espiritu received his primary, secondary, and college education from the Ateneo de Manila University where he obtained his AB Economics degree in 1963. In 1966, at the age of 22, he received his Master's Degree in Economics from Georgetown University in Washington DC, USA.

*\*Publicly-listed Corporation*

**Jose P. Perez — Independent Director**

Retired Justice Perez was an independent director of Eagle Cement Corporation\*, SMC Yamamura Glass, SMC Hong Kong, South Luzon Tollway Corporation. He is the Dean of Manuel L. Quezon University School of Law. He was formerly an Associate Justice of the Supreme Court from December 2009 to December 2016. He holds a Bachelor of Laws degree from the University of the Philippines College of Law and a Bachelor of Arts degree Major in Political Science, from the University of the Philippines.

*\*Publicly-listed Corporation*

**Justice Diosdado M. Peralta – Independent Director**

Retired Chief Justice Peralta was appointed as Independent Director of the Company in 2021. He is also an Independent Director of ICTSI\* since 2021. In ICTSI he was likewise appointed Chairman of the Environmental, Social and Governance Sub-Committee, and Member of the Corporate Governance Committee, the Board Risk Oversight Committee and the Related Party Transactions Committee. Chief Justice Peralta was appointed by President Rodrigo Roa Duterte as the Chief Justice of the Supreme Court from October 23, 2019 until his retirement on March 27, 2021. He served as Associate Justice of the Philippines from 2009 to 2019; Presiding Judge of the Sandiganbayan from 2008 to 2009; Associate Justice of the Sandiganbayan on from 2002 to 2008; and Judge in the Regional Trial Court – Branch 95 Quezon City from 1994 to 2000. Before serving in the Judiciary, Chief Justice Peralta was an active member of the academe. He was a guest Lecturer in Pamantasan ng Lungsod ng Maynila Graduate School of Law and in San Beda College Graduate School of Law; a member of the Corp of Professor – Department of Criminal Law and Lecturer at Philippine Judicial Academy; and a Professor and Reviewer in Criminal Law/Criminal Procedure at University of Santo Tomas, Ateneo De Manila, San Beda College, University of the East, Philippine Christian University, San Sebastian College, and other review centers.

Retired Chief Justice Peralta finished his Bachelor of Science degree in San Juan de Letran in 1974 and his Bachelor of Laws degree in University of Santo Tomas in 1979. He passed the Bar Examination in 1980. On April 9, 2010, he received his Doctor of Laws degree, honoris causa, from Northwestern University, Laoag City, Ilocos Norte.

*\*Publicly-listed Corporation*

**Estella Tuason-Occea — Executive Vice President, Chief Financial Officer and Treasurer**

Ms. Occea is the Treasurer of BRHI and Sureste and Director and Treasurer of PSHI. She is an Executive Officer of ICTSI\*, Treasurer of Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc., and Razon Industries, Inc. She was Chief

Financial Officer of MORE and was a director and Chief Financial Officer of International Cleanenvironment Systems Inc. Ms. Occeña has an MBA from De La Salle University and graduated with Distinction from St. Scholastica's College with a Bachelor's Degree in Commerce.

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**Laurence Upton — Executive Vice President for International Marketing**

Mr. Upton was previously with Crown Ltd, Melbourne as Senior Vice President, VIP International Marketing from 2006 to 2013. He was also previously connected with Star City Pty Ltd in a variety of senior management roles from 2001 to 2006. He is a graduate of the New South Wales Vocational and Education and Training Accreditation Board in Australia with a diploma in Business Management.

**Cyrus Sherafat — Executive Vice President for Casino Marketing**

Mr. Sherafat has 17 years' experience in the gaming industry working in various marketing roles both at local casinos and international integrated resorts. Prior to working Solaire, he was the Vice President of Casino Marketing in Marina Bay Sands in Singapore from 2010 to 2014. He is a graduate of Cornell University's School of Hotel Administration. He began his career in the gaming industry with Pinnacle Entertainment, a regional casino operator in the United States.

**Silverio Benny J. Tan — Corporate Secretary & Compliance Officer**

Atty. Tan is a partner in and was managing partner from 2013 to 2015, in the law firm of Picazo Buyco Tan Fider & Santos. He is Chairman of the Board of Mapfre Insular Insurance Corporation. He is a director and corporate secretary of PSHI, Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., Razon & Co. Inc., Trident Water Company Holdings, Inc., and Negros Perfect Circles Food Corp. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., and Dress Line Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Apex Mining Company Inc.\*, ICTSI Foundation Inc., Sureste, BRHI., Bloomberry Cultural Foundation Inc., Lakeland Village Holdings Inc., Devoncourt Estates Inc., Monte Oro Resources & Energy Inc., Pilipinas Golf Tournaments, Inc. and Manila Water Company, Inc.\* and Assistant Corporate Secretary of ICTSI\*.

Atty. Tan holds a Bachelor of Laws (Cum Laude), from the University of the Philippines – College of Law and a Bachelor of Arts in Political Science (Cum Laude), from the University of the Philippines - Iloilo College. Atty. Tan placed third in the 1982 Philippine Bar exams.

*\*Publicly-listed Corporation*

**Jonas S. Khaw — Assistant Corporate Secretary**

Atty. Khaw is a partner in the law firm Picazo Buyco Tan Fider & Santos. He is the corporate secretary of Medco Holdings, Inc.\* Atty. Khaw holds a Juris Doctor and Bachelor of Science in Management Engineering degrees both from the Ateneo de Manila University.

*\*Publicly-listed Corporation*

**9.1 Significant Employees**

No person who is not an executive officer of Bloomberry is expected to make a significant contribution to Bloomberry.

**9.2 Family Relationships**

Director Christian R. Gonzales is the nephew of Chairman and Chief Executive Officer, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

### 9.3 Involvement in Certain Legal Proceedings

The Company is not aware of any of legal cases, which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, executive officers or controlling person.

### Item 10. Executive Compensation

The Group paid compensation in 2021 to the Chief Executive Officer (CEO) and executive officers named below, as a group, amounting to ₱170.5 million.

Name	Office
Enrique K. Razon Jr.	Chairman of the Board & CEO
Jose Eduardo J. Alarilla	Vice Chairman
Donato C. Almeda	Vice Chairman, Construction and Regulatory Affairs
Thomas Arasi	President & Chief Operating Officer
Christian R. Gonzalez	Director
Estella Tuason-Occeaña	Executive Vice President, Chief Financial Officer & Treasurer
Cyrus Sherafat	Executive Vice President for Casino Marketing
Laurence Upton	Executive Vice President for International Marketing

The following is the breakdown of the aggregate amount of compensation paid to the CEO and top five (5) highest paid executive officers in 2020 and 2021, and estimated to be paid to the CEO and top five (5) highest paid executive officers in 2022 named above (amounts in millions):

	Year	Salary	Bonus & Others	Total
President and Top 5 Executive Officers, as group:	2022 (Estimate)	₱33.3	₱42.6	₱75.9
Enrique K. Razon, Jr. – <i>Chairman &amp; Chief Executive Officer</i>	2021 (Actual)	34.9	90.3	125.2
Thomas Arasi – <i>President &amp; Chief Operating Officer</i>				
Cyrus Sherafat – <i>Executive Vice President for Casino Marketing</i>				
Laurence Upton – <i>Executive Vice President for International Marketing</i>	2020 (Actual)	34.3	58.7	93.0
David Batchelor – <i>Senior Vice President for Resort Operations</i>				
All Other Officers and Directors, as a group unnamed	2022 (Estimate)	₱25.9	₱9.8	₱35.7
	2021 (Actual)	25.9	19.3	45.2
	2020 (Actual)	25.9	11.2	37.1

The members of the Board are not expected to receive any compensation in 2021. There are no material terms of any other arrangements or contracts where any director of the Company was compensated or is to be compensated, directly or indirectly, in 2020, 2021 or in the coming year, for any service provided as a director.

Named executives officers are covered by Letters of Appointment, with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from the Company by any named executive officer, upon resignation, retirement or any other termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officers' responsibilities following a change-in-control.

### Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the board of directors. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC), which is composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP. The grant of shares under the SIP does not require an exercise price to be paid by the awardee. Originally, the shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Shares awarded in May 15, 2020 shall now vest in three years: 25% on the first anniversary date of the award; 25% on the second anniversary date of the award; and the remaining 50% on the third anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Unless the SIC determines otherwise, when dividends are declared by Bloomberry, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

Below is a summary of SIP grants and their corresponding schedule of vesting:

Grant Date	Details		2019		2020		2021		Balance as of December 31, 2021
	No. of Shares	Price per Share	Cancelled	Vested	Cancelled	Vested	Cancelled	Vested	
<b>2017</b>									
April 18*	26,914,402	8.38	156,370	13,383,771	-	-	-	-	-
<b>2018</b>									
May 16*	22,716,446	12.66	661,659	10,538,925	793,529	10,722,333	-	-	-
June 8*	91,068	11.40	-	44,574	-	46,494	-	-	-
August 1*	105,987	9.00	-	51,876	-	54,111	-	-	-
<b>2019</b>									
March 18*	25,465,791	11.62		147,475	50,728	12,342,451	306,040	12,619,097	-
<b>2020</b>									
May 15	66,985,802	5.4	-	-	-	-	2,580,653	16,038,368	48,366,781
<b>Total</b>	<b>142,279,496</b>		<b>818,029</b>	<b>24,166,621</b>	<b>844,257</b>	<b>23,165,389</b>	<b>2,886,693</b>	<b>28,657,465</b>	<b>48,366,781</b>

\* includes DRIP shares

The stock incentive obligation amounting to ₱146.2 million and ₱268.9 million for 2021 and 2020, respectively were recognized as part of "Salaries and benefits" under "Operating costs and expenses" in the consolidated financial statements.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2021, the Company does not know of anyone who beneficially owns in excess of 5% of the Company's shares of stock except as set forth in the table below:

### 11.1 Security Ownership of Certain Record and Beneficial Owners

Name	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. <sup>1</sup>	7,118,109,832	65.52%
PCD Nominee (Non-Filipino)	1,396,216,220	12.65%
PCD Nominee (Filipino)	2,542,098,896	23.04%

<sup>1</sup> Enrique K. Razon, Jr. is the beneficial owner of Prime Strategic Holdings, Inc., Quasar Holdings, Inc. and Razon & Co. Inc.

### 11.2 Security Ownership of Management as of December 31, 2021

Name	Citizenship	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. <sup>1</sup>	Filipino	7,118,109,832	65.5%
Thomas Arasi	American	18,460,955	0.17%
Estella Tuason-Occea	Filipino	4,585,100	0.04%
Cyrus Sherafat	American	4,562,804	0.04%
Donato C. Almeda	Filipino	4,771,837	0.04%
Jose Eduardo J. Alarilla	Filipino	4,194,965	0.04%
Laurence Upton	New Zealander	4,318,411	0.04%
Silverio Benny J. Tan	Filipino	212,619	0.00%
Christian R. Gonzalez	Filipino	100,933	0.00%
Octavio R. Espiritu	Filipino	43,200	0.00%
Diosdado M. Peralta	Filipino	100,000	0.00%

<sup>1</sup> Enrique K. Razon, Jr. is the beneficial owner of Prime Strategic Holdings, Inc., Quasar Holdings, Inc. and Razon & Co. Inc.

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

None

### 11.4 Changes in Control

None

## Item 12. Certain Relationships and Related Transactions

Descriptions and explanations of the related party transactions are disclosed in Note 12, *Related Party Transactions*, to the Annual Audited Consolidated Financial Statements.

Aside from the transactions as disclosed in the Annual Audited Consolidated Financial Statements, the Group does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

## PART V – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Company and optimize over time the returns to its shareholders by:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management,
- d. Reliable financial and operational information,
- e. Cost effective and profitable business operations, and
- f. Compliance with laws, rules, regulations and contracts.

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

1. Manual of Corporate Governance

On May 30, 2017, the Board approved a new Manual of Corporate Governance of the Company. Our Compliance Officer will continue to coordinate with the Philippine SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

2. Board of Directors

Bloomberry’s Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company’s overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company’s project development, future results of operations and financial position. Bloomberry’s Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are Independent Directors: Mr. Octavio Victor R. Espiritu and Retired Chief Justice Diosdado M. Peralta and except for Mr. Enrique K. Razon, Jr., Mr. Thomas Arasi, and Mr. Donato C. Almeda all members of the Board are non-executive Directors.

Bloomberry’s directors are elected at the Annual Stockholders’ Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Attendance of the Directors in the 2021 Board Meetings are as follows:

Name	January 18	February 22	March 4	April 15	April 15(5)	April 27	August 2	September 24	October 28	November 4	December 9
Enrique K. Razon, Jr	P	P	P	P	P	P	P	P	P	P	P
Jose Eduardo J. Alarilla	P	P	P	P	P	P	P	P	P	P	P
Donato C. Almeda	P	P	P	P	P	P	P	P	P	P	P
Thomas Arasi	P	P	P	P	P	P	P	P	P	P	P
Christian R. Gonzalez	P	P	P	P	P	P	P	P	P	P	P
Carlos C. Ejercito (1)	P	P	P	-	-	-	-	-	-	-	-
Octavio R. Espiritu (2)	-	-	-	P	P	P	P	P	P	P	P
Jose P. Perez (3)	P	P	P	P	P	P	P	-	-	-	-
Diosdado M. Peralta (4)	-	-	-	-	-	-	-	-	P	P	P

- P – Present                      A – Absent  
 (1) Served in office until 15 April 2021  
 (2) Served in office from 15 April 2021 to the present  
 (3) Served in office until 12 August 2021  
 (4) Served in office beginning 24 September 2021 to the present  
 (5) Organizational Meeting of the BOD

The directors and key officers of the Company attended the corporate governance seminar held on various dates on 9 November 2021, 26 November 2021, and 14 December 2021.

### 3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year. As of the date of this report, the Audit Committee Chairman is Mr. Octavio Victor R. Espiritu who serves with Mr. Christian R. Gonzalez and Atty. Diosdado M. Peralta as members.

The 2021 attendance of the audit committee are as follows:

Office	Name	Date of Appointment	No. of Meetings Held During the Year	No. of Meetings Attended	%	Length of Service as of 31 December 2021
Chairman <sup>(1)</sup>	Carlos C. Ejercito	6/18/2020	1 <sup>(5)</sup>	1	100%	87 Months
Chairman <sup>(2)</sup>	Octavio Victor R. Espiritu	4/15/2021	4 <sup>(6)</sup>	4	100%	8 Months
Member	Christian R. Gonzalez	4/15/2021	5	5	100%	95 months
Member <sup>(3)</sup>	Jose P. Perez	4/15/2021	3 <sup>(7)</sup>	3	100%	95 months
Member <sup>(4)</sup>	Diosdado M. Peralta	10/28/2021	2 <sup>(8)</sup>	2	100%	3 months

- (1) Served in office until 15 April 2021.  
 (2) Served in office from 15 April 2021 to the present.  
 (3) Served in office until 12 August 2021.  
 (4) Served in office beginning 28 October 2021 to the present.  
 (5) The Audit Committee had a total of 5 meetings in 2021 of which only 1 was held while Mr. Ejercito was in office.  
 (6) The Audit Committee had a total of 5 meetings in 2021 of which only 4 was held while Mr. Espiritu was in office.  
 (7) The Audit Committee had a total of 5 meetings in 2021 of which only 3 was held while Mr. Perez was in office.  
 (8) The Audit Committee had a total of 5 meetings in 2021 of which only 2 was held while Mr. Peralta was in office.

### 4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. As of the date of this report, the Nomination Committee Chairman is Mr. Enrique K. Razon, Jr. who serves with Mr. Jose Eduardo J. Alarilla and Mr. Christian R. Gonzalez as members.

### 5. Compensation and Remuneration Committee

A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. As of the date of this report, the Compensation and Remuneration Committee Chairman is Mr. Jose Eduardo J. Alarilla, who serves with Mr. Octavio R. Espiritu and Ms. Estella Tuason-Occeña as members. The Chairman and members of the Compensation and Remuneration Committee are likewise the chairman and members of the Stock Incentive Plan Committee.

### 6. Executive Officers

Bloomberry's Management Team in its operating subsidiaries are responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is The Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Tambo, Parañaque City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Internal Audit Department (IAD). The establishment of IAD is a positive step towards good corporate governance. Its purpose, authority and responsibilities is defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the IAD functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board together with the management has developed a reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions, will define the responsibilities of each department and will incorporate the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance

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

## PART VI - EXHIBITS AND SCHEDULES

### Item 14. Reports on SEC Form 17-C

The following is a summary of submissions of SEC Form 17-C filed during the year 2021:

<b>Date of Report</b>	<b>Item Reported</b>
15 January 2021	Grant and transfer of shares sourced from treasury shares pursuant to the Stock Incentive Plan (SIP) for employees, officers, and directors of BLOOM and its operating subsidiaries
16 February 2021	Decision of the Singapore Court of Appeals dated 16 February 2021 in CA 14 of 2020 which denied the appeal of SPI and BRHI against the decision of the Singapore High Court dated 3 January 2020.
22 February 2021	Date, Venue, Agenda and Record Date for the 2021 Annual Stockholders' Meeting
8 March 2021	Press release of BLOOM in connection with its 4Q2020 financial performance
15 March 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
16 March 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
17 March 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
18 March 2021	Grant and transfer of shares sourced from treasury shares pursuant to the Stock Incentive Plan (SIP) for employees, officers, and directors of BLOOM and its operating subsidiaries
23 March 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
31 March 2021	Clarification of News Report
5 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
6 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
7 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
8 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
12 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
13 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
14 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
15 April 2021	Results of the Annual Stockholders' Meeting
15 April 2021	Results of Organizational Meeting of the Board of Directors
20 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
21 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
22 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
26 April 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
27 April 2021	The maximum number of shares for the share buyback program has been increased to 250 million shares by the Board of Directors and Acquisition of BLOOM shares by Bloomberry Resorts Corporation
3 May 2021	Results of the Annual Stockholders' Meeting (Amendment)
4 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
5 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
6 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
7 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
7 May 2021	Press release of BLOOM in connection with its 1Q2021 financial performance
14 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
14 May 2021	Grant and transfer of shares sourced from treasury shares pursuant to the Stock Incentive Plan (SIP) for employees, officers, and directors of BLOOM and its operating subsidiaries
20 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
21 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation

<b>Date of Report</b>	<b>Item Reported</b>
24 May 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
26 July 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
2 August 2021	Press release of BLOOM in connection with its 2Q2021 financial performance
2 August 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
6 August 2021	The maximum number of shares for the share buyback program was increased to 350 million shares by the Board of Directors and Acquisition of BLOOM shares by Bloomberry Resorts Corporation
13 August 2021	Death of Independent Director
16 August 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
17 August 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation
24 September 2021	Appointment of retired Chief Justice Diosdado M. Peralta as an Independent Director of BLOOM.
4 October 2021	Decision of the Singapore Court of Appeal dated 4 October 2021
28 October 2021	Appointment of Independent Director to Board Committees of BLOOM
4 November 2021	Press release of BLOOM in connection with its 3Q2021 financial performance
7 December 2021	Acquisition of BLOOM shares by Bloomberry Resorts Corporation

## SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, duly authorized, in the City of Paranaque.

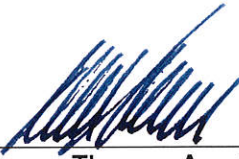
### Bloomberry Resorts Corporation

Issuer

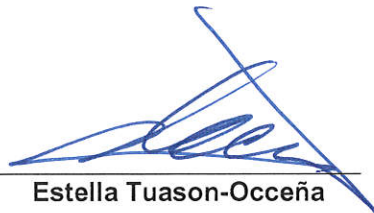
By:

  
\_\_\_\_\_  
**Enrique K. Razon, Jr.**  
Chairman & Chief Executive  
Officer

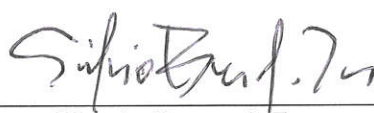
Date: March 4, 2022

  
\_\_\_\_\_  
**Thomas Arasi**  
President & Chief Operating  
Officer

Date: March 4, 2022

  
\_\_\_\_\_  
**Estella Tuason-Occea**  
Executive Vice President,  
Chief Financial Officer &  
Treasurer

Date: March 4, 2022

  
\_\_\_\_\_  
**Silverio Benny J. Tan**  
Corporate Secretary

Date: March 4, 2022

**SUBSCRIBED AND SWORN** to before me this 4<sup>th</sup> day of March 2022 affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon Jr.	P6820100A	19 April 2018	DFA Manila
Thomas Arasi	561534926	23 March 2017	U.S.A
Estella Tuason-Occea	P3249678B	17 September 2019	DFA Manila
Silverio Benny J. Tan	P4294418B	04 January 2020	DFA NCR East

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Book No. 27  
Page No. 11  
Series of 2022



  
**MARIA MARGARITA M. VILLANUEVA**  
Commission No. 201-2020  
Notary Public for Paranaque City  
Extended until June 30, 2022  
1 Asean Avenue, Entertainment City  
Tambo, Paranaque City 1701  
Roll No. 61398

PTR No. 2928025/ January 25, 2022/Paranaque City  
IBP No. 177423/ February 08, 2022/ Manila IV Chapter



March 4, 2022

The Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
Mandaluyong City

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

The management of **BLOOMBERRY RESORTS CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of December 31, 2021 and 2020 and for the three years in the period ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

 <u>Enrique K. Razon, Jr.</u> Chairman and Chief Executive Officer	 <u>Thomas Arasi</u> President and Chief Operating Officer	 <u>Estella Tuason-Occena</u> Executive Vice President, Chief Financial Officer and Treasurer
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SUBSCRIBED AND SWORN to before me this 4<sup>th</sup> day of March 2021, affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon Jr.	P6820100A	19 April 2018	Manila
Thomas Arasi	561534926	23 March 2017	U.S.A
Estella Tuason-Occena	P3249678B	17 September 2019	Manila

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Book No. 7  
Series of 2022



**MARIA MARGARITA M. VILLANUEVA**  
Commission No. 201-2020  
Notary Public for Parañaque City  
Extended until June 30, 2022  
1 Asean Avenue, Entertainment City  
Tambo, Parañaque City 1701  
Roll No. 61398  
PTR No. 2928025/ January 25, 2022/Parañaque City  
IBP No. 177423/ February 08, 2022/ Manila City

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

B	L	O	O	M	B	E	R	R	Y		R	E	S	O	R	T	S		C	O	R	P	O	R	A	T	I	O	N	
	A	N	D		S	U	B	S	I	D	I	A	R	I	E	S														

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

T	h	e		E	x	e	c	u	t	i	v	e		O	f	f	i	c	e	s	,		S	o	l	a	i	r	e
R	e	s	o	r	t		&		C	a	s	i	n	o	,		1		A	s	e	a	n		A	v	e	n	u
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Form Type  

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Department requiring the report  

C	R	M	D
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Secondary License Type, If Applicable  

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**COMPANY INFORMATION**

Company's Email Address <div style="border: 1px solid black; padding: 5px; text-align: center;">-</div>	Company's Telephone Number <div style="border: 1px solid black; padding: 5px; text-align: center;">8888-8888</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; text-align: center;">-</div>
No. of Stockholders <div style="border: 1px solid black; padding: 5px; text-align: center;">96</div>	Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center;">Every Third Thursday of April</div>	Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 5px; text-align: center;">December 31</div>

**CONTACT PERSON INFORMATION**

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

Name of Contact Person <div style="border: 1px solid black; padding: 5px;">Gerard Angelo Emilio J. Festin</div>	Email Address <div style="border: 1px solid black; padding: 5px;">gerardfestin@solairesort.com</div>	Telephone Number/s <div style="border: 1px solid black; padding: 5px;">8883-8921</div>	Mobile Number <div style="border: 1px solid black; padding: 5px; text-align: center;">-</div>
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**CONTACT PERSON'S ADDRESS**

**The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City**

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Bloomberg Resorts Corporation  
The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City, Tambo  
Parañaque City

### Opinion

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

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

### 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. 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 each 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.



### ***Adequacy of Allowance for Doubtful Accounts on Gaming Receivables***

The Group applies simplified approach in calculating expected credit loss (ECL). Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for doubtful accounts and the provision for doubtful accounts as of and for the year ended December 31, 2021 amounted to ₱1,339.9 million and ₱908.6 million, respectively. The Group's application of the ECL model in calculating the allowance for doubtful accounts of its gaming receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays), including the impact of coronavirus pandemic, in calculating ECL.

The disclosures in relation to allowance for doubtful accounts using the ECL model are included in Notes 3 and 5 to the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the methodologies and models used for the Group's different credit exposures.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) compared the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry, including the impact of coronavirus pandemic.

Further, we traced the data used in the ECL models, such as the historical collection analysis and default and recovery data, to the supporting documents for credits granted to patrons and their subsequent settlement and the analysis of gaming receivables' aging buckets. We traced the receivables to subsequent collections and performed inquiry with the Casino Credit and International Marketing representatives on the status of collections.

We recalculated impairment provisions on a sample basis.



### ***Recoverability of Casino License***

Under PFRSs, the Group is required to annually test any intangible asset with an indefinite useful life, specifically the casino license, for impairment. The Group's casino license, arising from the acquisition of Golden & Luxury Co., Ltd. in 2015, is allocated to a single cash generating unit (CGU), i.e., casino-hotel business in Korea. The Group's casino license was fully impaired as of December 31, 2021. Impairment loss recognized for the year ended December 31, 2021 amounted to ₱822.0 million which is considered significant to the consolidated financial statements. In addition, management's process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rates, long-term growth rate and discount rate.

The disclosures on casino license are included in Notes 3 and 9 to the consolidated financial statements.

#### ***Audit Response***

We involved our internal specialist to assist in evaluating the methodologies and key assumptions. These assumptions include revenue growth rates, long-term growth rate and discount rate. We compared the key assumptions used against the historical performance of the CGU and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures 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 goodwill and casino license.

### ***Impairment Testing of Property and Equipment***

As a consequence of the coronavirus pandemic, the Group's integrated casino resort business was adversely affected by lower number of gaming patrons and hotel guests' occupancy which significantly impacted the reported revenues. The carrying value of the Group's property and equipment amounted to ₱85,234.4 million as of December 31, 2021. The assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about revenue growth, long-term growth rate as well as external inputs such as discount rate. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Accordingly, such assessment is a key audit matter in our audit.

The disclosures in relation to property and equipment are included in Notes 3 and 8 to the consolidated financial statements.

#### ***Audit Response***

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, long-term growth rate as well as external inputs such as discount rate. We compared the key assumptions used such as revenue growth rate against industry



forecasts and with historical information, and long-term growth rate against relevant economic and external data, adjusted to take into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate by comparing against market data. We also reviewed the Group's disclosures 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.

### ***Provisions and Contingencies***

The Group is involved in certain legal proceedings related to the termination of Management Services Agreement ("MSA") with Global Gaming Philippines LLC ("GGAM"). This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these legal proceedings require significant judgment by management. The inherent uncertainty over the outcome of these legal matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The disclosures on provision and contingencies are discussed in Notes 3 and 18 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained opinions from the Group's external legal counsels. We evaluated the position of the Group by considering the relevant laws and jurisprudence.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A 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 and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **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 Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

SEC Partner Accreditation No. 1402-AR-2 (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. 08-001998-105-2019, November 7, 2019, valid until November 6, 2022

PTR No. 8854379, January 3, 2022, Makati City

March 4, 2022



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 20)	₱25,158,675,749	₱23,351,526,480
Receivables (Notes 5, 12, 15, 17, 18 and 20)	1,180,242,015	1,744,091,830
Inventories (Note 6)	288,811,342	394,978,758
Prepayments and other current assets (Notes 7, 17, 18 and 20)	1,140,200,428	1,109,570,772
Total Current Assets	27,767,929,534	26,600,167,840
<b>Noncurrent Assets</b>		
Property and equipment (Notes 2, 8, 11 and 17)	85,234,376,554	83,913,708,330
Intangible assets (Note 9)	–	837,884,870
Other noncurrent assets (Notes 9 and 20)	2,249,717,779	2,102,813,873
Total Noncurrent Assets	87,484,094,333	86,854,407,073
	<b>₱115,252,023,867</b>	<b>₱113,454,574,913</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Payables and other current liabilities (Notes 10, 15, and 20)	₱10,325,951,660	₱10,803,881,562
Current portion of long-term debt (Notes 11 and 20)	2,055,871,995	2,060,263,054
Current portion of lease liabilities (Notes 2 and 17)	3,280,979	18,630,431
Income tax payable	599,775	1,860,731
Total Current Liabilities	12,385,704,409	12,884,635,778
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 11 and 20)	73,734,524,427	66,499,030,678
Lease liabilities - net of current portion (Notes 2 and 17)	14,722,998	17,879,993
Retirement liability (Note 13)	677,504,317	655,363,267
Deferred tax liabilities - net (Note 19)	171,972,109	167,876,674
Other noncurrent liabilities (Notes 17 and 20)	343,784,484	335,779,576
Total Noncurrent Liabilities	74,942,508,335	67,675,930,188
Total Liabilities	87,328,212,744	80,560,565,966
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 14)	11,032,998,225	11,032,998,225
Additional paid-in capital (Note 14)	13,128,696,562	13,185,593,854
Equity reserve (Note 2)	(27,138,558)	(27,138,558)
Cost of shares held by a subsidiary (see Note 14)	(653,457)	(653,457)
Treasury shares (Note 14)	(1,040,930,917)	(556,249,344)
Share-based payment plan (Note 14)	183,444,673	271,719,375
Other comprehensive loss (Notes 9 and 13)	(585,335,210)	(464,489,082)
Retained earnings (Note 14)	5,315,744,480	9,505,031,304
Total Equity Attributable to Equity Holders of the Parent Company	28,006,825,798	32,946,812,317
<b>Equity Attributable to Non-controlling Interests</b>	<b>(83,014,675)</b>	<b>(52,803,370)</b>
Total Equity	27,923,811,123	32,894,008,947
	<b>₱115,252,023,867</b>	<b>₱113,454,574,913</b>

See accompanying Notes to Consolidated Financial Statements.



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2021	2020	2019
<b>REVENUES</b>			
Gaming (Notes 3, 15 and 18)	<b>₱18,727,107,649</b>	₱14,109,599,343	₱38,474,239,085
Hotel, food and beverage (Notes 3 and 15)	<b>1,430,701,766</b>	1,650,863,576	4,302,168,511
Retail and others (Notes 3, 15 and 17)	<b>1,813,364,349</b>	1,897,942,754	3,560,920,245
	<b>21,971,173,764</b>	17,658,405,673	46,337,327,841
<b>OPERATING COSTS AND EXPENSES (Note 16)</b>	<b>21,116,853,453</b>	20,654,175,612	30,487,633,077
<b>INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX</b>	<b>854,320,311</b>	(2,995,769,939)	15,849,694,764
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Notes 10, 11, 16 and 17)	<b>(5,342,379,712)</b>	(5,410,396,865)	(5,562,030,773)
Foreign exchange gains (losses) - net (Note 20)	<b>204,071,345</b>	(230,692,535)	(320,244,329)
Interest income (Notes 4, 5 and 16)	<b>43,679,682</b>	130,261,312	290,927,316
Others (Notes 8, 9, 11 and 16)	<b>(7,693,008)</b>	(28,268,098)	(149,629,982)
	<b>(5,102,321,693)</b>	(5,539,096,186)	(5,740,977,768)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(4,248,001,382)</b>	(8,534,866,125)	10,108,716,996
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 18 and 19)</b>	<b>1,364,905</b>	(207,060,349)	187,763,323
<b>NET INCOME (LOSS)</b>	<b>(4,249,366,287)</b>	(8,327,805,776)	9,920,953,673
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that will be reclassified to profit or loss in subsequent years -			
Exchange difference on translation of foreign operations	<b>(120,564,878)</b>	28,437,408	(510,641,798)
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on retirement liability (Note 13)	<b>35,592,931</b>	79,511,766	(158,964,728)
Unrealized gain (loss) on equity instrument designated at fair value through other comprehensive income (Note 9)	<b>(375,000)</b>	(1,500,000)	1,000,000
Income tax effect	<b>(5,631,022)</b>	(450,359)	7,223,866
	<b>29,586,909</b>	77,561,407	(150,740,862)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(90,977,969)</b>	105,998,815	(661,382,660)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱4,340,344,256)</b>	(₱8,221,806,961)	₱9,259,571,013
<b>Net Income (Loss) Attributable To</b>			
Equity holders of the Parent Company	<b>(₱4,219,643,897)</b>	(₱8,312,867,836)	₱9,955,058,446
Non-controlling interests	<b>(29,722,390)</b>	(14,937,940)	(34,104,773)
	<b>(₱4,249,366,287)</b>	(₱8,327,805,776)	₱9,920,953,673
<b>Total Comprehensive Income (Loss) Attributable To</b>			
Equity holders of the Parent Company	<b>(₱4,310,132,951)</b>	(₱8,207,327,532)	₱9,297,589,322
Non-controlling interests	<b>(30,211,305)</b>	(14,479,429)	(38,018,309)
	<b>(₱4,340,344,256)</b>	(₱8,221,806,961)	₱9,259,571,013
<b>Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 21)</b>			
Basic	<b>(₱0.387)</b>	(₱0.758)	₱0.903
Diluted	<b>(₱0.387)</b>	(₱0.758)	₱0.901

See accompanying Notes to Consolidated Financial Statements.



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**

	Equity Attributable to Equity Holders of the Parent Company										Equity Attributable to Non-controlling Interests	Total Equity
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Equity Reserve (Note 2)	Cost of Shares Held by a Subsidiary (Note 14)	Treasury Shares (Note 14)	Share-based Payment Plan (Note 14)	Comprehensive Income (Loss) (Notes 9 and 13)	Other	Retained Earnings (Note 14)	Total		
Balances at January 1, 2021	₱11,032,998,225	₱13,185,593,854	(₱27,138,558)	(₱653,457)	(₱556,249,344)	₱271,719,375	(₱464,489,082)	₱9,505,031,304	₱32,946,812,317	(₱52,803,370)	₱32,894,008,947	
Net loss	-	-	-	-	-	-	-	(4,219,643,897)	(4,219,643,897)	(29,722,390)	(4,249,366,287)	
Remeasurement gain on defined benefit plan (Note 13)	-	-	-	-	-	-	30,357,073	-	30,357,073	(488,915)	29,868,158	
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(120,564,878)	-	(120,564,878)	-	(120,564,878)	
Unrealized loss on equity instrument designated at fair value through other comprehensive income (Note 9)	-	-	-	-	-	-	(281,250)	-	(281,250)	-	(281,250)	
Total comprehensive loss	-	-	-	-	-	-	(90,489,055)	(4,219,643,897)	(4,310,132,952)	(30,211,305)	(4,340,344,257)	
Share-based payments (Note 14)	-	-	-	-	-	146,220,927	-	-	146,220,927	-	146,220,927	
Purchase of treasury shares (Note 14)	-	-	-	-	(776,074,494)	-	-	-	(776,074,494)	-	(776,074,494)	
Issuance of treasury shares for share-based payments (Note 14)	-	(56,897,292)	-	-	291,392,921	(234,495,629)	-	-	-	-	-	
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	(30,357,073)	30,357,073	-	-	-	
<b>Balances at December 31, 2021</b>	<b>₱11,032,998,225</b>	<b>₱13,128,696,562</b>	<b>(₱27,138,558)</b>	<b>(₱653,457)</b>	<b>(₱1,040,930,917)</b>	<b>₱183,444,673</b>	<b>(₱585,335,210)</b>	<b>₱5,315,744,480</b>	<b>₱28,006,825,798</b>	<b>(₱83,014,675)</b>	<b>₱27,923,811,123</b>	
Balances at January 1, 2020	₱11,032,998,225	₱13,153,521,809	(₱27,138,558)	(₱2,601,459)	(₱361,335,424)	₱283,010,224	(₱491,876,490)	₱20,482,470,468	₱44,069,048,795	(₱38,323,941)	₱44,030,724,854	
Net loss	-	-	-	-	-	-	-	(8,312,867,836)	(8,312,867,836)	(14,937,940)	(8,327,805,776)	
Remeasurement gain on defined benefit plan (Note 13)	-	-	-	-	-	-	78,152,896	-	78,152,896	458,511	78,611,407	
Exchange difference on translation of foreign operations	-	-	-	-	-	-	28,437,408	-	28,437,408	-	28,437,408	
Unrealized loss on equity instrument designated at fair value through other comprehensive income (Note 9)	-	-	-	-	-	-	(1,050,000)	-	(1,050,000)	-	(1,050,000)	
Total comprehensive loss	-	-	-	-	-	-	105,540,304	(8,312,867,836)	(8,207,327,532)	(14,479,429)	(8,221,806,961)	
Dividend declaration (Note 14)	-	-	-	-	-	-	-	(2,742,724,224)	(2,742,724,224)	-	(2,742,724,224)	
Share-based payments (Note 14)	-	-	-	-	-	268,890,204	-	-	268,890,204	-	268,890,204	
Purchase of treasury shares (Note 14)	-	-	-	-	(443,022,928)	-	-	-	(443,022,928)	-	(443,022,928)	
Issuance of treasury shares for share-based payments (Note 14)	-	32,072,045	-	-	248,109,008	(280,181,053)	-	-	-	-	-	
Issuance of Bloomberry shares held by a subsidiary (Note 14)	-	-	-	1,948,002	-	-	-	-	1,948,002	-	1,948,002	
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	(78,152,896)	78,152,896	-	-	-	
<b>Balances at December 31, 2020</b>	<b>₱11,032,998,225</b>	<b>₱13,185,593,854</b>	<b>(₱27,138,558)</b>	<b>(₱653,457)</b>	<b>(₱556,249,344)</b>	<b>₱271,719,375</b>	<b>(₱464,489,082)</b>	<b>₱9,505,031,304</b>	<b>₱32,946,812,317</b>	<b>(₱52,803,370)</b>	<b>₱32,894,008,947</b>	

See accompanying Notes to Consolidated Financial Statements.



	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Equity Reserve (Note 2)	Cost of Shares Held by a Subsidiary (Note 14)	Treasury Shares (Note 14)	Share-based Payment Plan (Note 14)	Other Comprehensive Income (Loss) (Note 9 and 13)	Retained Earnings (Note 14)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balances at January 1, 2019	₱11,032,998,225	₱13,166,895,086	(₱27,138,558)	(₱9,269,647)	(₱185,406,175)	₱226,349,792	₱18,065,308	₱12,328,912,348	₱36,551,406,379	₱8,979,206	₱36,560,385,585
Net income	-	-	-	-	-	-	-	9,955,058,446	9,955,058,446	(34,104,773)	9,920,953,673
Remeasurement loss on defined benefit plan (Note 13)	-	-	-	-	-	-	(147,527,326)	-	(147,527,326)	(3,913,536)	(151,440,862)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(510,641,798)	-	(510,641,798)	-	(510,641,798)
Unrealized gain on equity instrument designated at fair value through other comprehensive income (Note 9)	-	-	-	-	-	-	700,000	-	700,000	-	700,000
Total comprehensive income	-	-	-	-	-	-	(657,469,124)	9,955,058,446	9,297,589,322	(38,018,309)	9,259,571,013
Dividend declaration (Note 14)	-	-	-	-	-	-	-	(1,653,973,000)	(1,653,973,000)	-	(1,653,973,000)
Share-based payments (Note 14)	-	-	-	-	-	304,927,918	-	-	304,927,918	-	304,927,918
Purchase of treasury shares (Note 14)	-	-	-	-	(437,570,012)	-	-	-	(437,570,012)	-	(437,570,012)
Issuance of treasury shares for share-based payments (Note 14)	-	(13,373,277)	-	-	261,640,763	(248,267,486)	-	-	-	-	-
Issuance of Bloomberry shares held by a subsidiary (Note 14)	-	-	-	6,668,188	-	-	-	-	6,668,188	-	6,668,188
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	147,527,326	(147,527,326)	-	-	-
Purchase of subsidiary's shares from non-controlling interest holder (Note 1)	-	-	-	-	-	-	-	-	-	(9,284,838)	(9,284,838)
Balances at December 31, 2019	₱11,032,998,225	₱13,153,521,809	(₱27,138,558)	(₱2,601,459)	(₱361,335,424)	₱283,010,224	(₱491,876,490)	₱20,482,470,468	₱44,069,048,795	(₱38,323,941)	₱44,030,724,854

See accompanying Notes to Consolidated Financial Statements.



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(P4,248,001,382)	(P8,534,866,125)	P10,108,716,996
Adjustments for:			
Interest expense (Notes 10, 11, 16 and 17)	5,342,379,712	5,410,396,865	5,562,030,773
Depreciation and amortization (Notes 8, 9, 16 and 17)	3,493,669,110	3,348,455,212	3,689,805,227
Impairment loss (Notes 9 and 16)	821,986,928	947,055,242	–
Share-based payment expense (Note 14)	146,220,927	268,890,204	304,927,918
Unrealized foreign exchange losses (gains) - net	(73,191,047)	229,405,305	318,785,842
Interest income (Notes 4, 5 and 16)	(43,679,682)	(130,261,312)	(290,927,316)
Net change in retirement liability (Note 13)	22,141,050	93,793,482	109,220,378
Loss on sale of property and equipment - net (Notes 8 and 16)	13,468,658	2,681,838	2,701,962
Other expenses (Notes 8, 9, 11 and 16)	7,693,008	28,893,098	149,629,982
Decrease (increase) in:			
Receivables	138,179,344	1,236,751,020	(349,346,770)
Inventories	106,167,416	(89,887,161)	(13,518,266)
Prepayments and other current assets	(30,629,656)	37,222,870	(456,765,340)
Increase (decrease) in:			
Payables and other current liabilities	(717,533,939)	(6,884,315,656)	1,297,295,338
Lease liabilities	(37,548)	(18,744,767)	–
Other noncurrent liabilities	(6,989,595)	(9,479,987)	(24,507,527)
Net cash generated from (used for) operations	4,971,843,304	(4,064,009,872)	20,408,049,197
Interest received	36,731,990	137,306,922	307,358,641
Income taxes paid	(1,860,731)	(5,879,621)	(32,399,112)
Net cash provided by (used in) operating activities	5,006,714,563	(3,932,582,571)	20,683,008,726
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of:			
Property and equipment (Notes 8 and 22)	(4,784,327,193)	(4,676,683,072)	(4,112,548,954)
Subsidiary (Note 1)	–	–	(22,687,000)
Increase in other noncurrent assets	(176,643,430)	(582,702,689)	(1,024,930,567)
Proceeds from disposal of property and equipment	2,062,069	26,783,073	1,462,600
Purchase of subsidiary's shares from non-controlling interest holder	–	–	(9,284,838)
Net cash used in investing activities	(4,958,908,554)	(5,232,602,688)	(5,167,988,759)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from availment of loans (Note 11)	9,229,011,906	1,499,554,012	–
Payments of:			
Interest (Notes 17 and 22)	(5,183,577,168)	(5,253,055,428)	(5,439,251,345)
Long-term debt principal (Notes 11 and 22)	(2,205,000,000)	(2,205,000,000)	(2,205,000,000)
Short-term borrowing (Notes 10 and 22)	–	(45,468,920)	(74,720,879)
Lease liabilities principal (Note 17)	(18,207,505)	(17,416,267)	(18,996,100)
Dividend payment (Note 14)	–	(2,743,274,745)	(1,654,901,193)
Acquisitions of treasury shares (Note 14)	(776,074,494)	(443,022,928)	(437,570,012)
Issuance of Parent Company's shares by a subsidiary (see Note 22)	–	1,948,002	6,668,188
Net cash provided by (used in) financing activities	1,046,152,739	(9,205,736,274)	(9,823,771,341)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	713,190,521	(149,078,834)	(285,569,736)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,807,149,269</b>	<b>(18,520,000,367)</b>	<b>5,405,678,890</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)</b>			
	<b>23,351,526,480</b>	<b>41,871,526,847</b>	<b>36,465,847,957</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>			
	<b>P25,158,675,749</b>	<b>P23,351,526,480</b>	<b>P41,871,526,847</b>

See accompanying Notes to Consolidated Financial Statements.



# **BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Organization and Business**

#### **a. Corporate Information**

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on May 3, 1999. The Parent Company’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose shares of stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

The Parent Company’s registered office address is at The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (“PSE”) under the ticker BLOOM.

As of December 31, 2021 and 2020, Bloomberry is a subsidiary of Prime Strategic Holdings Inc. (“PSHI”), the intermediate parent company. The Group’s ultimate parent company is Razon & Co. Inc. as of December 31, 2021 and 2020.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (“BOD”) on March 4, 2022.

#### **b. Subsidiaries of Bloomberry**

Sureste Properties, Inc. (“Sureste”) and Bloomberry Resorts and Hotels Inc. (“BRHI”)  
On February 6, 2012, PSHI sold 100% of its ownership interest in Sureste to Bloomberry for ₱5.9 billion. Sureste owns 100% of BRHI.

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. BRHI holds 9.34% of the shares of Sureste. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

Solaire Korea Co., Ltd. (“Solaire Korea”), Golden & Luxury Co., Ltd. (“G&L”) and Muui Agricultural Corporation (“Muui”)

In December 2014, Solaire Korea was established by Bloomberry to hold the Parent Company’s investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solaire Korea acquired additional 18.97% of G&L, bringing its ownership in G&L to 96.23%. On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. On March 8, 2017, Muui was established with a total capitalization of Korean Won (₩)200.0 million (₱8.2 million). Solaire Korea owns 80% of the outstanding shares of Muui. In 2019, Solaire Korea acquired additional 10% ownership in Muui for a consideration amounting to ₱9.3 million bringing its ownership in Muui to 90%.



Bloom Capital B.V. and Solaire de Argentina S.A.

On November 21, 2013, Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law. On October 23, 2014, Bloomberry acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% ownership interest in Solaire de Argentina S.A. Bloom Capital B.V is currently not in operation. Solaire de Argentina S.A. has started the process of liquidation. Such process requires the filing of corporate documents and financial statements with different authorities in Argentina. The procedure also includes the publishing of notices and clearances from the authorities.

Bloomberry Cruise Terminals, Inc. (“BCTI”)

BCTI, a wholly-owned subsidiary of Bloomberry, was incorporated in the Philippines and registered with SEC on July 19, 2019. The primary purpose of BCTI is to establish, operate and manage cruise terminals.

Bloomberry Resorts Japan, Inc. (“BRJ”)

In November 2019, BRJ’s former shareholders transferred to Bloomberry 100% ownership interest in BRJ pursuant to a deed of assignment for a consideration amounting to ₱22.7 million. The acquisition of BRJ is accounted for as an asset acquisition as BRJ does not qualify as a business. The excess of acquisition cost over fair value of acquired net assets of BRJ at acquisition date amounting to ₱51.2 million is recognized as part of “Others” under other income (expenses) in the 2019 consolidated statement of comprehensive income (see Note 16).

c. Status of Operations

Sureste and BRHI

The Philippine Amusement and Gaming Corporation (“PAGCOR”) has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the “Project”). BRHI is one of four licensees for Entertainment City. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR’s congressional franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed when PAGCOR’s franchise is renewed by law. On May 5, 2015, BRHI’s Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as “Solaire”. The Gaming License has the same terms and conditions as the Provisional License.

Solaire is one of the Philippines’ first premium/luxury hotel and gaming resort. The 16-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and non-gaming business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire’s hotel, food and beverage outlets.



On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 230 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP patrons, state-of-the art meeting rooms (“The Forum”), and a lyrical theater (“The Theatre”). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,740-seat theatre designed to provide a superior audio-visual experience for a wide range of theatre plays and musicals, concerts, shows and performing arts. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solaire was established as a temporary versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. Sky Tower is accessible through a multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. The Shoppes in the Sky Tower features retail stores, including premium brands such as Louis Vuitton, Versace, Cartier, Dior, Yves Saint Laurent, Bvlgari, Givenchy, Prada, Porsche Design, Stefano Ricci, Lukfook Jewelry, and Chow Tai Fook.

On December 7, 2018, Solaire unveiled The Cigar Bar and Poker Room, a high-end poker area with eight gaming tables. In July 2019, the Cigar Bar and Poker Room was renamed to The Baccarat Room & Bar. On February 11, 2019, Solaire opened the Philippine’s first ETG (electronic table games) stadium called “Players Stadium” - an expansive and colorful entertainment space highlighted by a massive 360 square meter surround screen.

A part of the Solaire parking building in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

On June 5, 2018, Sureste acquired two parcels of land in Entertainment City from PAGCOR with a total area of 160,359 square meters where Solaire Resort and Casino is located.

#### *Coronavirus pandemic*

On January 31, 2020, the World Health Organization (“WHO”) declared the novel coronavirus acute respiratory disease (now COVID-19) health event as a public health emergency of international concern. On the same day, the Philippines issued a temporary travel ban covering all travelers coming from Hubei Province of China. On February 2, 2020, the Philippines banned all travel to and from China and its two administrative regions, Hong Kong and Macau, to stem the spread of the virus.

On March 14, 2020, Philippine President Rodrigo Duterte placed Metro Manila under “Enhanced Community Quarantine” (ECQ). On March 16, 2020, the ECQ was expanded to cover the entire Luzon island. The ECQ, which is effectively a lockdown, restricts the movement of the population to contain the pandemic. The ECQ mandated the temporary closure of non-essential shops and businesses.

In line with the declaration of ECQ in Metro Manila, PAGCOR announced on March 15, 2020 that casino operations would be suspended for the duration of the quarantine. The temporary closure applied to PAGCOR-operated casinos, all licensed and integrated resort casinos, electronic games (eGames), bingo (traditional and electronic), sports betting, poker, slot machine clubs and other activities regulated by PAGCOR. Accordingly, all gaming operations in Solaire and the other integrated resorts in Entertainment City were suspended to comply with PAGCOR’s directive.



The ECQ was originally set to last until April 12, 2020 but was extended three (3) times up to May 15, 2020, particularly for Metro Manila and other high-risk COVID-19 areas in Luzon. On May 16, 2020, the government transitioned Metro Manila from ECQ to “Modified Enhanced Community Quarantine” (MECQ). On June 1, 2020, MECQ in Metro Manila and other areas was relaxed to the “General Community Quarantine” (GCQ). On August 4, 2020, Metro Manila and other areas in Luzon were placed under MECQ and reverted to GCQ on August 19, 2020.

In June 2020, relevant authorities allowed Solaire and other integrated resorts in Entertainment City to commence limited dry run gaming operations under GCQ. Such dry run operations, which involve only in-house and selected invited guests, are means for operators to fine tune their services in accordance with new normal protocols. For the time Solaire was open in 2020, it maintained an invite-only policy and was not open to the public.

In 2020, management executed various parts of a comprehensive action plan to address financial risks associated with the pandemic. From a financial perspective, BRHI and Sureste requested to amend the ₱73.5 billion Syndicated Loan Facility to allow for an Additional Facility in the principal amount of ₱20.0 billion which will be used to supplement Solaire’s capital expenditure and working capital requirements and other general corporate purposes. BRHI and Sureste also requested the deferment of covenant testing for both the amended ₱73.5 billion and ₱40.0 billion Syndicated Loan Facilities until 2022.

Due to the resurgence in COVID-19 cases in March 2021, Metro Manila and nearby provinces reverted to ECQ starting March 29, 2021 and transitioned to the less restrictive MECQ on April 12, 2021. On May 15, 2021, the government placed Metro Manila and other areas to the more relaxed GCQ. Solaire suspended all of its operations from March 29, 2021 when Metro Manila reverted to ECQ and MECQ and reopened on May 15, 2021, as allowed by relevant authorities, when Metro Manila was relaxed to GCQ.

To prevent the surge in COVID-19 cases particularly due to the Delta variant, Metro Manila was again placed under ECQ and MECQ from August 6, 2021 to September 15, 2021. During this time, Solaire was closed to the public.

On September 16, 2021, the government amended its quarantine classification system for Metro Manila to allow for granular lockdowns. The new system employs an “Alert Level” approach, where major classifications include only ECQ (Alert Level 5) and GCQ (Alert Level 4 to 1). Under GCQ, each classification level from Alert Level 4 corresponds to less strict limitations on mobility with Alert Level 1 being the most relaxed.

On September 16, 2021, Metro Manila was placed under GCQ Alert Level 4 and Solaire reopened keeping to its invite-only policy and limited capacity operations. On October 16, 2021, government eased the quarantine restriction to GCQ Alert Level 3. From November 15 to December 31, 2021, Metro Manila as placed under GCQ Alert level 2. There was a surge in cases of the highly contagious but less severe Omicron variant in December 2021. The Group’s capital expenditures for health, safety, and sanitation measures totaled over ₱32 million and ₱400 million in 2021 and 2020, respectively.

#### Solaire North

In 2015, Sureste purchased from the National Housing Authority (“NHA”) 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of the Group’s proposed second integrated resort in the Philippines, “Solaire North”, under the same PAGCOR license. The Group started the excavation work for the said project in July 2019. In line with the ECQ,



construction work at the site was temporarily halted. In 2021, construction work was continued even during ECQ subject to strict compliance with the construction safety guidelines issued by the COVID-19 Inter-Agency Task Force for the Management of Emerging Infectious Diseases. The Solaire North Project was recognized by the Local Government of Quezon City as a Priority Project due to its generative employment impact. Target completion is in second half of 2023.

G&L

G&L operated a hotel and casino property in Jeju, Korea under the brand name “T.H.E Hotel” and “LVegas Casino”. Upon takeover of operation by Bloomberry in 2015, the property was rebranded as “Jeju Sun Hotel & Casino” (“Jeju Sun”). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino players. In the fourth quarter of 2018, Jeju Sun embarked on a renovation project covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovations were completed in December 2019.

In response to the COVID-19 situation in South Korea, Jeju Sun began a phased suspension of operations on March 6, 2020 with full suspension achieved by March 21, 2020. As of March 4, 2022, operations at Jeju Sun have not resumed. Since the property has a foreigner-only casino, its reopening will depend on when tourism is allowed into Jeju Island.

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2. **Summary of Significant Accounting Policies and Disclosures**

Basis of Preparation

The Group’s consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (“PFRSs”).

The consolidated financial statements have been prepared under the historical cost basis except for investment in club shares which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional currency of the Group, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Bloomberry and its subsidiaries (collectively referred to as the “Group”).

As of December 31, 2021 and 2020, direct and indirect subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	Direct	Indirect
Sureste	91	9
BRHI (through Sureste)	–	100
Bloom Capital B.V.*	100	–
Solaire de Argentina S.A. (through Bloom Capital B.V.)*	–	94
Bloomberry Cruise Terminal, Inc.	100	–
Bloomberry Resorts Japan, Inc.*	100	–
Solaire Korea	100	–
G&L (through Solaire Korea)	10	86
Muui (through Solaire Korea)*	–	90

\*has not started commercial operations



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 majority of voting rights results in control. To support this presumption and when the Group has less than majority of voting rights 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 reassesses 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 other comprehensive income ("OCI") are attributed to the equity holders 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 subsidiaries 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, noncontrolling 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.

*Non-Controlling Interests.* Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Group.

#### Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective as at January 1, 2021. 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.

The Group adopted the amendment beginning April 1, 2021. The amendment has no material impact to the Group.

▪ 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 Group adopted the amendments beginning January 1, 2021. The amendment has no material impact to the Group.



### Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *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*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

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

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *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*

### **Significant Accounting Policies**

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statement of comprehensive



income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in 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 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, respectively.



### Fair Value Measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in Note 20.

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 by 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 nonfinancial 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 input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



### Financial Instruments

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.

#### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI (“FVOCI”), and fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (“SPPI”)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at FVOCI with recycling of cumulative gains and losses
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The Group has no financial asset at FVOCI and at FVPL as of December 31, 2021 and 2020.

##### *Financial assets at amortized cost*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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 amortized cost are subsequently measured using the effective interest rate (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 cash and cash equivalents, receivables and security deposits are included in this category as of December 31, 2021 and 2020.

*Financial assets designated at FVOCI*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

The Group's investment in club shares is classified as equity instrument designated at FVOCI as of December 31, 2021 and 2020.

*Derecognition*

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- The Group has transferred substantially all the risks and rewards of the asset and either (a) has neither 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 asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



#### *Impairment of financial assets*

The Group recognizes an expected credit loss (“ECL”) for all debt instruments not held at FVPL. 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 EIR. 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 measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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).

For cash and cash equivalents, 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 and cash equivalents since initial recognition.

For trade receivables, 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.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, 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.



The Group's financial liabilities include payables and other current liabilities (excluding statutory payables and contract liabilities), long-term debt and tenants' security deposits as of December 31, 2021 and 2020.

The Group has no financial liability at FVPL as of December 31, 2021 and 2020.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost 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 consolidated statement of profit or loss.

This category includes payables and other current liabilities (excluding statutory payables and contract liabilities), long-term debt and tenants' security deposits as of December 31, 2021 and 2020.

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

#### Inventories

Inventories are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using the moving average method except for table card inventories (presented as part of operating supplies) where the first in, first out method is being utilized. NRV is based on estimated selling prices less estimated costs to be incurred on completion and disposal. NRV of operating and other supplies is the current replacement cost.



#### 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 or within the normal operating cycle.

#### Promo Merchandise

Promo merchandise pertains to items to be provided by the Group to its patrons as giveaways at different marketing events. These are carried at lower of cost and NRV and charged to “Cost of sales” once distributed to the patrons.

#### Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group’s aircraft operation and management. Advances to Suppliers is presented under the “Prepayments and other current assets” account in the consolidated statement of financial position.

#### 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 the “Other noncurrent assets” account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

#### Property and Equipment

The Group’s property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment, except for land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Expenditures incurred after the property and equipment have been put into operations, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss of such period.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.



The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Land improvements	10 years
Building and improvements	40 years
Machineries	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Leasehold improvements	3 years or lease term, whichever is shorter
Office and communication equipment	5 years

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land	10 to 20 years
Building	3 years
Gaming Equipment	3 years

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under "Construction in progress". These include costs of construction, equipment and other direct costs such as borrowing costs. Upon completion, these costs will be depreciated and amortized over the life of the asset. During the period of construction, construction in progress is carried at cost and is tested for impairment if any impairment indicators are present.

#### Intangible Assets

Intangible assets, such as the casino license and goodwill, acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.



### Investment in a Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the consolidated statement of comprehensive income outside operating revenues and represents income or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

When the Group's accumulated share in net losses of the joint venture equals or exceeds its interest in the joint venture (i.e., the carrying amount of the investment, including any long-term interests such as advances intended for equity conversion that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues the recognition of its share in additional losses and the investment is reported at nil value. If the joint venture subsequently reports net income, the Group will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in a joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss within 'Share in net income of a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.



### Operating Equipment

Operating equipment (shown as part of “Other noncurrent assets” account) includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost less accumulated amortization, as applicable. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years. Subsequent purchases of operating equipment upon start of business operations are recognized in profit or loss.

### Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is determined for an individual asset, unless the asset does not generate inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset of CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use (“VIU”), the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.



### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital ("APIC").

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition when Bloomberry acquired Sureste from the ultimate parent in 2012.

Treasury shares are the Group's own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in profit or loss on the purchase, sale, reissuance or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as APIC.

Retained earnings represents the Group's cumulative net earnings (losses), net of dividends declared.

### Share-based Payment Plan

Certain qualified officers and employees of the Group and subsidiaries receive remuneration for their services in the form of equity shares of the Group ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of "Salaries and benefits" under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

### Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

### *Transactions and Balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

#### *Group Companies*

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in OCI and taken directly to a separate component of equity as translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in equity relating to subsidiaries shall be recognized in profit or loss.

#### Revenue from Contracts with Customers

The Group's revenue from contracts with customers primarily consist of gaming, hotel accommodation services, food and beverage, and retail 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.

#### *Gaming revenue*

Gaming revenue is recognized when the control of the service is transferred to the patron upon execution of a gaming play. The Group accounts for its gaming revenue contracts collectively on a portfolio basis versus an individual basis as all patrons have similar characteristics. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Accordingly, for gaming transactions that include complimentary goods and services provided by the Group to incentivize future gaming, the Group allocates the stand-alone selling price of each goods or services to the appropriate revenue type. In determining the transaction price, gaming revenue is measured by the aggregate net difference between gaming wins and losses and the effect of consideration payable to a patron (if any) is considered. Amounts rebated to junket operators and premium patrons for rolling play, cash discounts and other cash incentives to patrons related to gaming play are recognized as a reduction from gross gaming revenue.

#### *Hotel, food and beverage, retail and other operating revenues*

Hotel, food and beverage, retail and other operating revenues are recognized when the control of the goods or service is transferred to the customer, generally when the services are performed or the retail goods are delivered.

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and patrons.

#### *Contract Balances*

*Trade receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).



*Contract assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the patron. If a patron pays consideration before the Group transfers goods or services to the patron, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities include payments received by the Group from the patrons for which revenue recognition has not yet commenced. Accordingly, funds deposited by patrons before gaming play occurs (customers' deposits) and chips in patrons' possession (outstanding chips liability) are recorded as contract liabilities until services are provided to the patrons.

#### *Customer Loyalty Program*

The Group has a loyalty points program which allows customers to accumulate points that can be redeemed for free hotel accommodation, food and beverage, retail goods and other 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. The amount of points redeemed through third parties are recognized as reduction in gaming revenue.

#### 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 cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the Project.

#### Costs and Expenses

Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.

#### Gaming Taxes and other license fees

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming and non-gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported as part of "Taxes and licenses" account under "Operating costs and expenses" in the consolidated statement of comprehensive income.

#### Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees.

The cost of employee benefits under the defined benefit plan is determined using the projected unit credit method.



Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognized the change in defined benefit obligation such as service cost and interest costs as part of “Salaries and benefits” account under “Operating costs and expenses” in profit or loss.

#### Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

#### Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

#### *Group as a Lessee*

##### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments



that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### *Group as a Lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in "Retail and others" account in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current and prior years 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 period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

##### *Deferred income tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or 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; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 carryforward benefits of unused tax credits from excess minimum corporate income tax (“MCIT”) over regular corporate income tax (“RCIT”) and unused net operating loss carry-over (“NOLCO”) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income 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; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 period 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit 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 period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

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

#### *Value-Added Tax (“VAT”)*

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the “Prepayments and other current assets” or “Payables and other current liabilities” accounts in the consolidated statement of financial position.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.



#### Events After the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

#### Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its shares.

Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) for the year attributable to equity holders of the Group by the weighted average number of shares outstanding during the year after giving retroactive effect to any stock dividend declarations.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Group's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

#### Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management views the hotel and casino business as one integrated business segment, i.e., an integrated resort facility. A single management team for each geographical area reports to the chief operating decision-maker. The Group operates in two geographical areas in 2021, 2020 and 2019 where it derives its revenue. Financial information on segment reporting is presented in Note 23.

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### **3. Management's Use of Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Contingencies.* The Group is involved in certain legal proceedings. The Group's judgment and estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter (see Note 18).



*Identification of Contract 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. Hence, the Group viewed a gaming day as one contract.

*Identifying Performance Obligations.* The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group provides promotional merchandise items to its patrons as giveaways at different marketing events and grants certain complimentaries in the form of free hotel accommodation; food and beverages; and retail merchandise from outlets to incentivize future gaming. The Group determined that the promotional merchandise items and complimentary incentives given to the patrons are capable of being distinct and therefore considered as separate performance obligations.

*Determination and Allocation of the Transaction Price.* The Group considers whether there are other promises in the contracts with customers that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effect of rebates paid through gaming promoters. As the information necessary for the Group to apply judgment and determine the consideration to which it is entitled are proprietary to the gaming promoters and are not communicated by the gaming promoters to the Group, the Group recognized the full amount paid to gaming promoters as reduction in revenue. In allocating the transaction price, the Group considers the amount at which the entity would sell or purchase the promotional merchandise or complimentary incentives separately as the stand-alone selling price of the performance obligations.

*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.

*Determination of Casino License's Useful Life.* The Group's casino license has been acquired through a business combination. The license has no expiration and renewal is not necessary. Further, it may only be cancelled under specific rare circumstances. Accordingly, management has assessed that the Group's casino license has an indefinite useful life (see Note 9).

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:

*Definition of Default and Credit-Impaired Financial Assets.* 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 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 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 Trade Receivables.* The Group uses a provision matrix to calculate ECLs for trade 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. The characteristics and any supplementary data used to determine groupings are outlined below.

*Trade receivables - Groupings for collective measurement*

- a. Currency
- b. Type of patron

*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 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group did not provide any extension or reduction of payment, except for a very few casino patrons, as a result of the COVID-19 pandemic. Management has considered the impact of the COVID-19 pandemic on its ECL calculation and assessed the impact to be not significant.

Provision for doubtful accounts recognized in 2021, 2020 and 2019 amounted to ₱908.6 million, ₱708.9 million and ₱259.6 million, respectively. The carrying amount of receivables amounted to ₱1,180.2 million and ₱1,744.1 million as of December 31, 2021 and 2020, respectively (see Note 5).



*Estimating Useful Lives of Property and Equipment.* Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than the previously estimated useful lives.

The aggregate net book value of the Group's property and equipment (excluding land and construction in progress) amounted to ₱32,591.5 million and ₱34,041.2 million as of December 31, 2021 and 2020, respectively (see Note 8).

*Impairment of Nonfinancial Assets.* PFRSs requires that an impairment review be performed when certain impairment indicators are present. In the case of goodwill and intangible assets with indefinite useful life, at a minimum, such assets are subject to an impairment test annually and whenever there is an indication that such assets may be impaired. This requires the determination of fair value less costs of disposal calculation and an estimation of the VIU of the CGU to which these assets are allocated. The VIU calculation requires to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 9 for the key assumptions used to determine the fair value less costs of disposal and VIU of the relevant CGU.

Determining the recoverable amount of property and equipment, advances to contractors, intangible assets, and operating equipment, requires the Group to make estimates and assumptions in the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that property and equipment, intangible assets and other noncurrent assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.

As a consequence of the coronavirus pandemic, the Group's integrated casino resort business was severely affected by the temporary suspension of casino operations, lower number of gaming patrons and hotel guests' occupancy which significantly impacted the reported revenues. The Group has considered the COVID-19 impact and assessed that an indicator for impairment of its property and equipment exists. Accordingly, property and equipment has been subjected to impairment testing.

#### Impairment Testing of Property and Equipment

The Group performs its impairment testing of property and equipment when there are indicators of impairment. As discussed in Note 1, the hotel and casino operations of the Group has been affected by the COVID-19 pandemic. The recoverable amount of the property and equipment determined based on VIU calculations is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount.



The recoverable amount of the property equipment, which exceeds its carrying amount by ₱194.2 billion and ₱161.4 billion as at December 31, 2021 and 2020, respectively, has been determined based on the VIU calculations using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rates applied to the cash flow projections and the expected growth rates used in the extrapolation of the cash flows beyond the five-year period are shown in the key assumptions disclosure below. The expected growth rate is comparable with the long-term average growth rate within the industry. As a result of this analysis, management has determined that there was no impairment loss for the years ended December 31, 2021 and 2020 since the VIU exceeds the carrying value of the property and equipment.

*Revenue growth* is based on the expected operating results of casino and hotel businesses. Management estimated that revenue will grow at a compounded annual growth rate of 28.8% for the next 5 years. *Long-term growth rate* of 4.0% is applied based on independent economic and industry analysis data. A post-tax *discount rate* of 11.0% has been applied to the cash flow projections, the pre-tax equivalent of which is 14.3%. The discount rate reflects specific risks relating to the Group and is derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. Management has also considered the COVID-19 impact in the financial forecast used in the VIU calculation.

#### Impairment Testing of Goodwill and Casino License with Indefinite Useful Life

As of December 31, 2021 and 2020, as there were no available recent sale transactions to determine recoverable amount based on fair value less cost of disposal, the recoverable amount of the CGU has been determined based on VIU calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

*Revenue growth* is based on the expected operating results of casino and hotel businesses. Management estimated that revenue will grow at a compounded annual growth rate of 42.8% for the next 5 years. *Long-term growth rate* of 1% is applied based on independent economic and industry analysis data. A post-tax *discount rate* of 11.7% has been applied to the cash flow projections, the pre-tax equivalent of which is 13.8%. The discount rate reflects specific risks relating to the Group and is derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. As casino license is regulated by the government with risk arising with changes in the tourism policy, discount rate is greater than the average business risk.

As discussed in Note 1, in response to the COVID-19 situation in South Korea, the operations of Jeju Sun has been suspended since March 2020. Since the property has a foreigner-only casino, its reopening will depend on when tourism is allowed into Jeju Island. Management has considered this COVID-19 impact in the financial forecast used in the VIU calculation.

The Group recognized an impairment loss on its goodwill and casino license amounting to ₱822.0 million and ₱947.1 million in 2021 and 2020, respectively and is presented under operating costs and expenses in the consolidated statement of comprehensive income (see Notes 9 and 16). No impairment was recognized in 2019.



As of December 31, 2021 and 2020, the carrying values of nonfinancial assets subject to impairment review are as follows:

	2021	2020
Property and equipment (see Note 8)	<b>₱85,234,376,554</b>	₱83,913,708,330
Advances to contractors (see Note 9)	<b>1,056,430,610</b>	1,074,293,175
Operating equipment (see Note 9)	<b>22,831,962</b>	17,528,241
Casino license and goodwill (see Note 9)	–	837,884,870
Investment in a joint venture (see Note 9)	–	7,693,008
	<b>₱86,313,639,126</b>	₱85,851,107,624

*Determining Retirement Benefits Liability.* 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 actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement liability amounted to ₱677.5 million and ₱655.4 million as of December 31, 2021 and 2020, respectively (see Note 13).

*Recognition of Deferred Tax Assets and Liabilities.* The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on NOLCO, MCIT and deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group recognized deferred tax assets amounting to ₱227.7 million and ₱376.8 million as of December 31, 2021 and 2020, respectively (see Note 19). The Group's unused tax losses and MCIT for which no deferred tax assets have been recognized amounted ₱11,300.4 million and ₱9,761.1 million as of December 31, 2021 and 2020, respectively, resulting from the Group's assessment that it will not have sufficient profits in the future in which it could utilize its deferred tax assets (see Note 19).

#### 4. Cash and Cash Equivalents

	2021	2020
Cash on hand	<b>₱3,406,380,527</b>	₱3,707,067,583
Cash in banks	<b>14,214,443,750</b>	11,740,550,333
Temporary cash investments	<b>3,421,203,657</b>	4,265,186,195
Debt collateral accounts (see Note 11)	<b>4,116,647,815</b>	3,638,722,369
	<b>₱25,158,675,749</b>	₱23,351,526,480

Cash in banks earn interest at their prevailing bank deposit rates.



Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at their prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt (see Note 11).

Interest income earned from cash and cash equivalents amounted to ₱43.1 million, ₱129.5 million and ₱289.7 million in 2021, 2020 and 2019, respectively (see Note 16).

## 5. Receivables

	2021	2020
Gaming (see Notes 15 and 18)	<b>₱1,875,473,949</b>	₱2,356,543,968
Hotel (see Note 15)	<b>60,975,679</b>	21,011,609
Receivables from related parties (see Note 12)	<b>300,714,887</b>	223,340,340
Receivables from officers and employees (see Note 12)	<b>86,606,866</b>	107,278,729
Interest receivable	<b>17,899,784</b>	10,952,092
Others (see Note 17)	<b>178,454,900</b>	79,656,475
	<b>2,520,126,065</b>	2,798,783,213
Less allowance for doubtful accounts	<b>1,339,884,050</b>	1,054,691,383
	<b>₱1,180,242,015</b>	₱1,744,091,830

Gaming receivables mainly include casino markers issued to gaming promoters and VIP premium casino patrons. Casino markers pertain to credits granted to registered casino patrons. These markers are noninterest-bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel guests which are collected upon check-out. This includes credit card transactions, which are normally collected within one month.

Receivables from related parties pertain to aircraft maintenance reimbursements. These receivables are non-interest bearing and are normally settled within one year.

Receivables from officers and employees primarily pertain to cash advances which are normally settled within one year through salary deduction (see Note 12). Interest income earned from receivables from officers and employees amounted to ₱0.6 million, ₱0.8 million and ₱1.2 million in 2021, 2020 and 2019, respectively (see Note 16).

Interest receivable pertains to interest from temporary cash investments which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group assessed as doubtful on an individual and collective basis.



The movements in the allowance for doubtful accounts on gaming receivables are summarized below:

	2021	2020
Balance at beginning of year	₱1,054,691,383	₱420,311,182
Provision (see Note 16)	908,609,114	708,892,699
Write-off	(629,102,912)	(62,558,289)
Revaluation	5,686,465	(11,954,209)
<b>Balance at end of year</b>	<b>₱1,339,884,050</b>	<b>₱1,054,691,383</b>

## 6. Inventories

	2021	2020
At cost:		
Operating supplies	₱172,060,207	₱261,719,505
Food and beverage	84,300,242	99,866,977
Retail merchandise	32,450,893	33,392,276
	<b>₱288,811,342</b>	<b>₱394,978,758</b>

As of December 31, 2021 and 2020, the Group's inventories are carried at cost which is lower than net realizable value. Inventories charged to cost of sales amounted to ₱1,391.4 million, ₱1,571.5 million and ₱3,316.7 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 16).

## 7. Prepayments and Other Current Assets

	2021	2020
Input VAT - net	₱342,117,599	₱238,207,612
Advances to suppliers (see Note 12)	318,679,206	224,692,129
Fund held in trust (see Note 18)	112,845,283	112,741,765
Prepaid insurance	95,983,627	106,504,718
Prepaid taxes	62,055,727	62,055,727
Prepaid maintenance	54,136,014	52,229,155
Promo merchandise	43,153,287	47,129,615
Security deposits classified as current (see Note 17)	37,769,640	44,908,811
Advances to Bloomberry Cultural Foundation (see Notes 12 and 18)	20,368,802	163,708,471
Prepaid rent	6,976,516	6,417,647
Others	46,114,727	50,975,122
	<b>₱1,140,200,428</b>	<b>₱1,109,570,772</b>

Net input VAT pertains to the amount of indirect taxes for purchase of goods or services in excess of the output VAT from sale of goods or services.

Advances to suppliers pertain to advance payments made by the Group for goods and services such as table playing cards, events production, guaranteed flight services and aircraft maintenance.



Fund held in trust pertains to the bank account under the freeze order reinstated by the Supreme Court on request of Anti-Money Laundering Council (“AMLC”) (see Note 18).

Promo merchandise pertains to items to be provided by the Group to its patrons as giveaways at different marketing events.

Security deposits mainly pertain to deposits made by the Group for guaranteed flight services. It also includes security deposit for the Group’s various lease agreements (see Note 17).

Prepaid taxes represent the advance payments made by the Group for withholding taxes, real property taxes and other taxes.

Others include advances for dues and subscription, consulting services and other prepayments.



## 8. Property and Equipment

2021											
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Right-of-Use Asset (see Note 17)	Construction in Progress	Total
<b>Cost</b>											
Balances at beginning of year	₱47,379,249,889	₱32,577,145,680	₱9,679,236,046	₱4,700,837,938	₱4,824,493,123	₱1,247,929,503	₱40,049,523	₱9,098,503,013	₱66,213,832	₱2,506,118,895	₱112,119,777,442
Additions	70,000	1,113,299,208	216,895,962	126,193,811	113,488,478	2,000,000	–	732,071,084	–	2,653,642,678	4,957,661,221
Disposal/retirement	–	–	(55,327,876)	(274,757,459)	(19,082,620)	(13,029,933)	(36,548,710)	(25,092,134)	(4,244,211)	–	(428,082,943)
Reclassification from (to) construction in progress	–	(226,943,802)	–	–	7,531,050	–	–	4,089,400	–	215,323,352	–
Adjustments due to lease modification	–	–	–	–	–	–	–	–	(298,942)	–	(298,942)
Translation adjustment	(98,660,943)	(68,366,778)	(5,579,031)	(6,928,014)	(15,567,318)	(590,266)	(2,959)	(91,099)	–	–	(195,786,408)
<b>Balances at end of year</b>	<b>47,280,658,946</b>	<b>33,395,134,308</b>	<b>9,835,225,101</b>	<b>4,545,346,276</b>	<b>4,910,862,713</b>	<b>1,236,309,304</b>	<b>3,497,854</b>	<b>9,809,480,264</b>	<b>61,670,679</b>	<b>5,375,084,925</b>	<b>116,453,270,370</b>
<b>Accumulated Depreciation</b>											
Balances at beginning of year	8,049,302	7,452,602,380	5,898,692,506	3,092,016,546	4,174,777,542	509,552,894	12,782,735	7,024,859,152	32,736,055	–	28,206,069,112
Depreciation (see Notes 16 and 17)	1,290,333	852,701,092	971,330,914	517,480,716	226,935,201	109,758,516	3,609	774,658,825	17,838,388	–	3,471,997,594
Disposal/retirement	–	–	(55,297,096)	(274,757,438)	(17,850,396)	(12,590,648)	(9,342,028)	(38,470,399)	(4,244,211)	–	(412,552,216)
Translation adjustment	–	(22,312,651)	(4,982,154)	(6,927,770)	(11,845,768)	(461,935)	(1,346)	(89,050)	–	–	(46,620,674)
<b>Balances at end of year</b>	<b>9,339,635</b>	<b>8,282,990,821</b>	<b>6,809,744,170</b>	<b>3,327,812,054</b>	<b>4,372,016,579</b>	<b>606,258,827</b>	<b>3,442,970</b>	<b>7,760,958,528</b>	<b>46,330,232</b>	<b>–</b>	<b>31,218,893,816</b>
	<b>₱47,271,319,311</b>	<b>₱25,112,143,487</b>	<b>₱3,025,480,931</b>	<b>₱1,217,534,222</b>	<b>₱538,846,134</b>	<b>₱630,050,477</b>	<b>₱54,884</b>	<b>₱2,048,521,736</b>	<b>₱15,340,447</b>	<b>₱5,375,084,925</b>	<b>₱85,234,376,554</b>
2020											
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Right-of-Use Asset (see Note 17)	Construction in Progress	Total
<b>Cost</b>											
Balances at beginning of year	₱47,362,806,398	₱31,847,602,357	₱9,396,351,792	₱3,947,947,551	₱4,608,791,123	₱1,235,178,703	₱235,654,125	₱7,945,146,781	₱92,733,833	₱1,195,419,888	₱107,867,632,551
Additions	–	808,943,051	402,344,037	770,979,198	223,539,195	76,978,172	1,533,677	1,167,637,112	4,081,744	1,240,039,253	4,696,075,439
Disposal/retirement	–	(2,881,644)	(2,236,099)	(19,246,152)	(22,694,385)	(64,313,537)	(197,138,772)	(18,907,844)	(28,640,724)	–	(356,059,157)
Reclassification from (to) construction in progress	–	(87,795,734)	–	–	12,523,932	–	–	4,612,048	–	70,659,754	–
Adjustments due to lease modification	–	–	–	–	–	–	–	–	(1,961,021)	–	(1,961,021)
Translation adjustment	16,443,491	11,277,650	(117,223,684)	1,157,341	2,333,258	86,165	493	14,916	–	–	(85,910,370)
<b>Balances at end of year</b>	<b>47,379,249,889</b>	<b>32,577,145,680</b>	<b>9,679,236,046</b>	<b>4,700,837,938</b>	<b>4,824,493,123</b>	<b>1,247,929,503</b>	<b>40,049,523</b>	<b>9,098,503,013</b>	<b>66,213,832</b>	<b>2,506,118,895</b>	<b>112,119,777,442</b>
<b>Accumulated Depreciation</b>											
Balances at beginning of year	6,758,969	6,413,097,392	5,053,388,253	2,568,492,767	3,969,209,269	461,867,642	200,956,742	6,342,672,130	22,346,712	–	25,038,789,876
Depreciation (see Notes 16 and 17)	1,290,333	824,551,918	962,790,884	486,255,094	221,040,003	107,834,878	8,756,119	703,971,484	21,743,863	–	3,338,234,576
Disposal/retirement	–	(270,577)	(1,546,635)	(15,932,526)	(17,476,442)	(64,313,537)	(197,138,772)	(18,561,237)	(11,354,520)	–	(326,594,246)
Translation adjustment	–	215,223,647	(115,939,996)	53,201,211	2,004,712	4,163,911	208,646	(3,223,225)	–	–	155,638,906
<b>Balances at end of year</b>	<b>8,049,302</b>	<b>7,452,602,380</b>	<b>5,898,692,506</b>	<b>3,092,016,546</b>	<b>4,174,777,542</b>	<b>509,552,894</b>	<b>12,782,735</b>	<b>7,024,859,152</b>	<b>32,736,055</b>	<b>–</b>	<b>28,206,069,112</b>
	<b>₱47,371,200,587</b>	<b>₱25,124,543,300</b>	<b>₱3,780,543,540</b>	<b>₱1,608,821,392</b>	<b>₱649,715,581</b>	<b>₱738,376,609</b>	<b>₱27,266,788</b>	<b>₱2,073,643,861</b>	<b>₱33,477,777</b>	<b>₱2,506,118,895</b>	<b>₱83,913,708,330</b>



Construction in progress represents costs incurred in the development of Solaire North as well as improvement of Solaire and Jeju Sun properties. Costs incurred mainly include construction materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services, interior design services, excavation costs and capitalized interest charges on long-term debt.

Capitalized as part of “Property and equipment” account includes amortization of debt issue costs amounting to ₱45.6 million and ₱4.9 million in 2021 and 2020, respectively; and interest charges amounting to ₱127.7 million and ₱10.4 million in 2021 and 2020, respectively (see Note 11). Average interest capitalization rate used ranges from 8.2% to 8.5% in 2021 and 2020 which is the EIR of the specific borrowings.

As of December 31, 2021 and 2020, the Group’s property and equipment under mortgage have carrying values of ₱78.1 billion and ₱76.4 billion, respectively (see Note 11).

## 9. Intangible and Other Noncurrent Assets

### a. Intangible Assets

	Casino License	Goodwill	Total
<b>Cost</b>			
At January 1, 2020	₱1,682,624,800	₱401,224,292	₱2,083,849,092
Translation adjustment	7,700,800	1,836,267	9,537,067
As at December 31, 2020	1,690,325,600	403,060,559	2,093,386,159
Translation adjustment	(46,204,800)	–	(46,204,800)
<b>As at December 31, 2021</b>	<b>1,644,120,800</b>	<b>403,060,559</b>	<b>2,047,181,359</b>
<b>Accumulated impairment loss</b>			
At January 1, 2020	–	266,220,400	266,220,400
Impairment loss (see Note 16)	817,062,151	129,993,091	947,055,242
Translation adjustment	35,378,579	6,847,068	42,225,647
As at December 31, 2020	852,440,730	403,060,559	1,255,501,289
Impairment loss (see Note 16)	821,986,928	–	821,986,928
Translation adjustment	(30,306,858)	–	(30,306,858)
<b>As at December 31, 2021</b>	<b>1,644,120,800</b>	<b>403,060,559</b>	<b>2,047,181,359</b>
<b>Net book value</b>			
As at December 31, 2020	₱837,884,870	₱–	₱837,884,870
<b>As at December 31, 2021</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>

The Group’s goodwill and casino license with indefinite useful life acquired through a business combination (Solaire Korea’s acquisition of G&L in 2015) are allocated to a single CGU, i.e., casino-hotel business in Jeju, Republic of Korea.



The Group recognized an impairment loss on its goodwill and casino license in 2021 and 2020 amounting to ₱822.0 million and ₱947.1 million, respectively, primarily due to the COVID-19 impact, and is presented under operating costs and expenses in the consolidated statements of comprehensive income (see Note 16). No impairment was recognized in 2019.

b. Other Noncurrent Assets

	2021	2020
Advances to contractors	<b>₱1,056,430,610</b>	₱1,074,293,175
Prepaid debt issue costs (see Note 11)	<b>691,601,296</b>	589,426,770
Creditable withholding tax	<b>375,291,069</b>	322,436,412
Security deposits classified as noncurrent	<b>59,438,148</b>	59,429,296
Investment in club shares	<b>24,000,000</b>	24,500,000
Operating equipment	<b>22,831,962</b>	17,528,241
Investment in and advances to a joint venture (see Note 16)	–	7,693,008
Others	<b>20,124,694</b>	7,506,971
	<b>₱2,249,717,779</b>	₱2,102,813,873

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire properties.

Prepaid debt issue costs primarily pertain to documentary stamp tax on the undrawn balance of the loan facility. Such amount will be presented in the consolidated statement of financial position as reduction from long-term debt upon drawdown and will be amortized over the term of the loan.

Creditable withholding tax (“CWT”) represents the amount withheld in relation to sales. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Security deposits classified as noncurrent primarily pertain to deposits to utility companies which are refundable upon service termination.

Investment in club shares represents the Group’s investment in quoted Manila Polo Club shares which is classified as equity instrument designated at FVOCI.

Operating equipment pertains to linen, china, glassware, kitchen wares and uniforms purchased by the Group to be amortized over a period of two to three years. Purchases in 2021, 2020 and 2019, amounted to ₱27.0 million, ₱16.5 million and ₱12.9 million, respectively. Amortization amounted to ₱21.7 million, ₱10.2 million and ₱16.7 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 16).

Investment in a joint venture represents the Group’s 49% ownership in Falconer Aircraft Management, Inc (“FAMI”). In 2021, 2020 and 2019, the share in the net loss of a joint venture amounting to ₱7.7 million, ₱115.6 million and ₱98.4 million, respectively, was recorded as part of “Others” under other income (expenses) account in the consolidated statements of comprehensive income (see Note 16).



Investment in and advances to FAMI consist of:

	2021	2020
Advances intended for equity subscription	P-	P7,693,008
Investment in shares of stock	-	-
	<b>P-</b>	<b>P7,693,008</b>

The movements in this account follow:

	2021	2020
Cost:		
Balance at beginning and end of year	<b>P9,800,000</b>	P9,800,000
Advances:		
Balance at beginning and end of year	<b>211,941,127</b>	210,941,127
Additional advances	-	1,000,000
	<b>211,941,127</b>	211,941,127
Accumulated equity share:		
Balance at beginning of year	<b>(214,048,119)</b>	(98,420,774)
Share in net loss (see Note 16)	<b>(7,693,008)</b>	(115,627,345)
Balance at end of year	<b>(221,741,127)</b>	(214,048,119)
	<b>P-</b>	<b>P7,693,008</b>

A summary of the financial information of the joint venture follows:

	2021	2020
Total current assets	<b>P119,023,100</b>	P98,787,723
Total noncurrent assets	<b>1,095,159,210</b>	775,518,900
Total current liabilities	<b>74,002,602</b>	55,053,234
Total noncurrent liabilities	<b>1,487,242,440</b>	1,341,084,880
Total equity	<b>(347,062,732)</b>	(521,831,491)
Net revenue	<b>177,330,089</b>	130,621,160
Total comprehensive loss	<b>(284,572,261)</b>	(235,974,174)

The following table presents the reconciliation between the share in FAMI's equity and the carrying value of investment in shares of stock of FAMI:

	2021	2020
FAMI's equity	<b>(P347,062,732)</b>	(P521,831,491)
Effective ownership	<b>49%</b>	49%
Equity share in net assets of FAMI	<b>(170,060,739)</b>	(255,697,431)
Share in net loss from previous year	<b>48,925,849</b>	48,925,849
Excess of share in net loss applied to advances	<b>121,134,890</b>	206,771,582
Carrying value of investment in a joint venture	<b>P-</b>	<b>P-</b>



## 10. Payables and Other Current Liabilities

	2021	2020
Customers' deposits (see Note 15)	<b>₱3,128,248,596</b>	₱3,634,383,944
Outstanding chips and other gaming liabilities (see Note 15)	<b>2,367,179,616</b>	2,959,006,047
Payable to contractors and suppliers (see Note 12)	<b>1,427,420,000</b>	915,983,960
Gaming taxes payable (see Notes 12 and 18)	<b>537,032,090</b>	455,456,092
Retention payable	<b>462,690,882</b>	257,538,721
Tenants' security deposits classified as current (see Note 17)	<b>56,672,939</b>	51,352,514
Output VAT and other taxes payable	<b>51,009,476</b>	48,042,760
Accrued expenses:		
Interest	<b>960,010,713</b>	977,684,506
Advertising and promotions	<b>538,718,908</b>	620,023,347
Outside services and charges	<b>348,346,895</b>	316,665,442
Salaries and benefits (see Note 12)	<b>67,063,650</b>	25,914,241
Utilities	<b>47,231,939</b>	42,848,615
Repairs and maintenance	<b>39,577,974</b>	35,964,087
Rent (see Note 17)	<b>32,554,613</b>	44,701,227
Communication and transportation	<b>8,116,440</b>	6,989,806
Others	<b>252,667,829</b>	411,326,253
Leasehold deposits received	<b>1,409,100</b>	-
	<b>₱10,325,951,660</b>	₱10,803,881,562

Customers' deposits pertain to casino patrons' funds deposited directly to the casino's bank accounts or over the cage cashier counter for future purchase of chips or redemption of credit markers and advance payments for retail space lease, hotel accommodations and events services. Customers' deposits pertaining to casino patrons' deposit as of December 31, 2021 and 2020 amounted to ₱2,988.5 million and ₱3,554.1 million, respectively (see Note 15). Customer's deposits are expected to be recognized as revenue or refunded to the patrons within one year from the date the deposit was received.

Outstanding chips and other gaming liabilities include outstanding chips, slot tickets as well as provision for progressive jackpot on slots and for points earned from customer loyalty programs. Outstanding chips liability represents the collective amounts owed to junket operators and patrons in exchange for gaming chips in their possession. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of purchase. Outstanding chips as of December 31, 2021 and 2020 amounting to ₱1,568.7 million and ₱2,203.1 million, respectively, pertain to chips purchased by the patrons which are not yet converted into cash (see Note 15). Other gaming liabilities mainly include liability for points earned from customer loyalty programs amounting to ₱231.0 million and ₱264.1 million as of December 31, 2021 and 2020, respectively; junket program rebates amounting to ₱134.4 million and ₱164.5 million as of December 31, 2021 and 2020, respectively; progressive jackpot liability amounting to ₱381.5 million and ₱277.5 million as of December 31, 2021 and 2020, respectively; and slot payout voucher amounting to ₱51.6 million and ₱49.8 million as of December 31, 2021 and 2020, respectively.

Payable to contractors and suppliers represents obligations of the entity to suppliers or creditors for goods or services received or services performed. These obligations are not secured by liens on assets, security interest, or other collateral unless otherwise indicated. These include payments to contractors, suppliers and purchase of inventory and equipment.



Gaming taxes payable mainly pertains to license fees payable to PAGCOR, which are normally settled within one month.

Retention payable represents the portion of the contract price that is withheld to ensure completion of service. It is expected to be paid within one year.

Other accrued expenses include accrual for insurance and other expenses.

Payables and other current liabilities are normally settled within one year.

## 11. Long-term Debt

	2021	2020
Principal:		
₱73.5 billion syndicated loan facility	₱72,282,500,000	₱67,987,500,000
₱40.0 billion syndicated loan facility	5,022,000,000	1,900,000,000
	77,304,500,000	69,887,500,000
Less unamortized debt discount	1,514,103,578	1,328,206,268
	75,790,396,422	68,559,293,732
Less current portion of long-term debt*	2,055,871,995	2,060,263,054
	<b>₱73,734,524,427</b>	<b>₱66,499,030,678</b>

\*Net of unamortized debt discount of ₱149.1 million and ₱144.7 million as of December 31, 2021 and 2020, respectively.

The movements in unamortized debt discount follow:

	2021	2020
Balance at beginning of year	₱1,328,206,268	₱1,073,729,568
Additions	392,988,094	400,445,988
Amortization	(207,090,784)	(145,969,288)
Balance at end of year	<b>₱1,514,103,578</b>	<b>₱1,328,206,268</b>

Future repayment of the principal follows:

	2021	2020
Within one year	₱2,205,000,000	₱2,205,000,000
After one year but not more than five years	37,291,265,000	18,045,500,000
Beyond five years	37,808,235,000	49,637,000,000
	<b>₱77,304,500,000</b>	<b>₱69,887,500,000</b>

### a. ₱73.5 Billion Syndicated Loan Facility

On April 10, 2018, BRHI (the “Borrower”) entered into an aggregate of ₱73.5 billion, ten-year term loan facilities (“Syndicated Loan Facility”) with Banco De Oro Unibank, Inc. (BDO), BDO Private Bank, Inc., China Banking Corporation, Philippine National Bank, PNB Savings Bank, Robinsons Bank Corporation and United Coconut Planters Bank (each a “Lender”, and collectively, the “Lenders”) to: (i) finance the Borrower’s advances to Sureste for the latter’s investments; (ii) finance the Borrower’s working capital requirements; (iii) refinance the principal amount of all the existing outstanding term loans of the Borrower; and (iv) finance the Borrower’s advances to Sureste for refinancing of the principal amount of all of Sureste’s existing outstanding term loans.



The ₱73.5 billion Syndicated Loan Facility is payable over 10 years in 40 consecutive quarterly installments on each repayment date commencing on the 3rd month from the initial drawdown date as follows:

	Amount
Year 1	₱2,205,000,000
Year 2	2,205,000,000
Year 3	2,205,000,000
Year 4	2,205,000,000
Year 5	2,205,000,000
Year 6	3,675,000,000
Year 7	7,350,000,000
Year 8	7,350,000,000
Year 9	22,050,000,000
Year 10	22,050,000,000
	₱73,500,000,000

The interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears a fixed interest per annum from initial drawdown date to the 60th month from the initial drawdown date of 7.5% divided by 0.99 and from the 61st month from the initial drawdown date up to the final repayment date of 7.5% divided by 0.95.

BRHI is obliged to pay, on each date of drawdown, for the first year of the facilities, a commitment fee equivalent to 0.5% per annum, based on the undrawn portion of the commitment.

On December 21, 2020, BRHI and Sureste signed with the lenders an amendment to the ₱73.5 billion Syndicated Loan Facility for an additional facility in the principal amount of ₱20.0 billion. The additional facility will be available for two years from the signing of the amendment agreement and can be drawn as needed to save on interest payments.

Any amount borrowed will be payable quarterly within five years from initial drawdown, as follows:

Repayment Date (Quarter from Initial Drawdown Date)	Principal Repayment on each Repayment Date (Percentage of the Principal Amount of the Drawdown)
8th to 12th	4.0%
13th to 16th	5.0%
17th to 20th	15.0%

The additional funding, if drawn, will be used to support the cash flow requirements of Solaire, partially finance capital expenditures for the improvement and refurbishment of existing facilities at Solaire, and partially finance BRHI's working capital requirements and other general corporate purposes. Interest payments on the loan will be based on a higher of the average of PHP BVAL three-month reference rates plus spread of 2.25% which will be reduced to 1.75% if the benchmark rate is 1.5% per annum or higher and minimum interest rate of 4.0% per annum divided by 0.95, calculated on a quarterly basis.

The ₱73.5 billion Syndicated Loan Facility provides that BRHI is permitted to make optional prepayments anytime until maturity. In case of prepayment, BRHI shall pay the principal,



accrued interest and 0.50% based on the amount prepaid as penalty in the first year. No prepayment penalty shall be imposed after the first year up to the last repayment date.

The embedded prepayment option on the ₱73.5 billion Syndicated Loan Facility was assessed as clearly and closely related to the loan, thus, not subject for bifurcation.

As of December 31, 2021 and 2020, the original facility had been fully drawn. Drawdowns on the ₱20.0 billion additional facility aggregated to ₱6.5 billion as of December 31, 2021. Outstanding long-term debt, net of unamortized debt discount, amounted to ₱71.3 billion and ₱67.1 billion as of December 31, 2021 and 2020, respectively. Related prepaid debt issue costs representing documentary stamp tax on the undrawn balance of the additional loan facility, amounting to ₱196.4 million as of December 31, 2021, is presented as part of “Prepaid debt issue costs” under “Other noncurrent assets” account in the statements of financial position.

b. 40.0 Billion Syndicated Loan Facility

On February 11, 2019, Sureste and BRHI (the “Borrower”) entered into an aggregate of ₱40.0 billion (₱27.0 billion for BRHI and ₱13.0 billion for Sureste) 10-year combined loan facility in the principal amount of ₱40.0 billion (₱27.0 billion for BRHI and ₱13.0 billion for Sureste) with Philippine National Bank, BDO Unibank, Inc., Metropolitan Bank & Trust Company, Union Bank of the Philippines, Bank of Commerce, China Banking Corporation, and Robinsons Bank Corporation (each a “Lender”, and collectively, the “Lenders”). BDO Unibank, Inc. - Trust and Investments Group is the security trustee, facility agent and paying agent for the loan facility, while BDO Capital & Investment Corporation acted as the lead arranger and sole bookrunner. The proceeds of the loan will be used by Sureste and BRHI to partially finance the engineering, design, procurement, construction fit-out costs, interest during construction, taxes and duties, financing fees and costs, legal and consulting costs related to development, financing, construction and fit-out of the gaming facilities and hotel, entertainment, convention, dining and retail facilities, together with related support facilities of Vertis Project (Solaire North).

The ₱40.0 Billion Syndicated Loan Facility is payable over ten years in 28 consecutive quarterly installments commencing on the 39<sup>th</sup> month from the initial drawdown date as follows:

Repayment Date (Month from Initial Drawdown Date)	Installment Date for Each Facility Payment Date (Percentage of the Total Principal Amount Drawn)
39th, 42nd, 45th and 48th	0.25%
51st, 54th, 57th and 60th	0.25%
63rd, 66th, 69th and 72nd	1.25%
75th, 78th, 81st and 84th	2.5%
87th, 90th, 93rd and 96th	3.25%
99th, 102nd, 105th and 108th	7.5%
111th, 114th, 117th and 120th	10%

BRHI and Sureste shall pay interest on the unpaid principal amount of each advance at the applicable interest rate on each interest payment date for the period then ending. The loan bears a floating interest rate based on higher of the average of closing PHP BVAL reference rate with a tenor of three months and the prevailing BSP 28-day term deposit facility rate, plus spread of 1.75%. BRHI and Sureste have a one-time option to convert the floating interest rate to the fixed interest rate exercisable at any time after the full drawdown.



BRHI and Sureste are obliged to pay on each date of drawdown a commitment fee equivalent to 0.5% per annum based on the undrawn portion of the commitment.

The ₱40.0 Billion Syndicated Loan Facility provides that BRHI and Sureste are permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI and Sureste shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 1% for years 1 to 3 from the initial borrowing date; (ii) 0.5% for year 4; and (iii) 0.25% for year 5.

The embedded prepayment option on the ₱40.0 billion Syndicated Loan Facility was assessed as clearly and closely related to the loan, thus, not subject for bifurcation.

The initial drawdown amounting to ₱1.9 billion (₱1.3 billion for BRHI and ₱617.5 million for Sureste) was made on November 6, 2020. Additional loans totaling ₱3.1 billion (₱2.1 billion for BRHI and ₱1.0 billion for Sureste) were drawn in 2021. Outstanding long-term debt, net of unamortized debt discount, amounted to ₱4,465.6 million and ₱1,504.5 million as of December 31, 2021 and 2020, respectively. Related prepaid debt issue costs representing documentary stamp tax on the undrawn balance of the loan facility, amounting to ₱495.2 million and ₱589.4 million as of December 31, 2021 and 2020, respectively, is presented as part of “Prepaid debt issue costs” under “Other noncurrent assets” account in the statements of financial position (see Note 9).

All legal and professional fees, including commitment fee, incurred in relation to the loan totaling ₱2,087.4 million and ₱1,694.4 million as of December 31, 2021 and 2020, respectively, were capitalized. Debt issue costs were amortized using EIR method. Capitalized as part of “Property and equipment” account includes amortization of debt issue costs amounting to ₱45.6 million and ₱4.9 million in 2021 and 2020, respectively; and interest charges amounting to ₱127.7 million and ₱10.4 million in 2021 and 2020, respectively (see Note 8).

In 2021, 2020 and 2019, borrowing costs related to Group’s loan facilities recognized as expense in the consolidated statements of comprehensive income amounted to ₱5,325.1 million, ₱5,380.6 million and ₱5,528.2 million, respectively. This comprises of interest expense amounting to ₱5,163.6 million, ₱5,239.5 million and ₱5,391.3 million and amortization of debt discount amounting to ₱161.5 million, ₱141.1 million and ₱136.9 million in 2021, 2020 and 2019, respectively (see Note 16).

Unamortized debt discount, representing capitalized debt issue costs, is presented as deduction from the Group’s long-term debt.

#### Debt Covenant

The Group’s ₱73.5 billion and ₱40.0 billion Syndicated Loan Facilities contain certain restrictive covenants that requires BRHI and Sureste to comply with specified financial ratios and other financial tests at quarterly measurement dates. The Group’s loan agreements include compliance with certain financial ratios such as debt-to-equity ratio (computed as total liabilities, net of liabilities backed by cash divided by total equity) and debt service coverage ratio (originally computed as net income, excluding non-cash other income, plus interest expense; depreciation and amortization divided by current portion of long-term debt and interest expense).

In 2020, BRHI’s and Sureste’s lenders granted the: (a) deferment of financial covenant testing on the audited annual financial statements for the years 2020, 2021 and 2022, and unaudited interim financial statements for September 30, 2020 and the years 2021 and 2022; (b) amendment of definition of debt service coverage ratio to net income (excluding non-cash other income) plus



interest expense; depreciation and amortization and cash and cash equivalents less liabilities backed by cash divided by current portion of long-term debt and interest expense; and (c) waiver of the negative covenant on incurrence of additional liens.

As of December 31, 2021 and 2020, BRHI and Sureste are in compliance with these debt covenants.

#### Collateral

Under the ₱73.5 billion Syndicated Loan Facilities, collateral includes the following:

i) Assignment of Debt Service Reserve Account

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall convey, assign, transfer, set over and confirmed unto the Security Trustee the rights, title and interest of Sureste/BRHI in its Debt Service Reserve Account (“DSRA”) required to be maintained by Sureste/BRHI.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least the amount of the principal due on the immediately succeeding repayment date and at least twice the amount of the interest due on the immediately succeeding interest payment date.

In case Sureste/BRHI fails to transfer funds to the Paying Agent, or transfers an amount not sufficient to cover the payment of debt service due, on a payment date, the Security Trustee shall debit from the DSRA such amounts as may be necessary to meet such Debt Service and transfer the same to BDO Unibank, Inc. - Trust and Investment Group (Paying Agent).

In the event the funds in the DSRA fall below the DSRA maintaining balance, the Borrower shall replenish the DSRA from its own funds in order that the DSRA maintaining balance shall be met not later than the five Banking days from the date the funds fell below the DSRA Maintaining Balance.

As of December 31, 2021 and 2020, the Group’s debt collateral account related to the ₱73.5 billion Syndicated Loan Facility amounted to ₱4,013.8 million and ₱3,600.3 million, respectively (see Note 4).

ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee, for the benefit of the Secured parties, all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) right to terminate any of the Project Agreements or agree to the suspension thereof; (c) right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lenders, a first ranking real estate mortgage on the present real assets, i.e. leasehold rights over the phase 1 PAGCOR land covered by the PAGCOR lease, and future real assets, i.e. the hotel and gaming



facilities and Land; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking chattel mortgage on the present and future chattels.

iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e. Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

v) Pledge

The Pledgor, i.e. Sureste/BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e. Sureste/BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

Under ₱40.0 billion Syndicated Loan Facilities, collateral includes the following:

i) Assignment of Debt Service Reserve Account

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall convey, assign, transfer, set over and confirmed unto the Security Trustee the rights, title and interest of Sureste/BRHI in its DSRA required to be maintained by Sureste/BRHI.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least the amount of the principal due on the immediately succeeding repayment date and at least twice the amount of the interest due on the immediately succeeding interest payment date.

In case Sureste/BRHI fails to transfer funds to the Paying Agent, or transfers an amount not sufficient to cover the payment of debt service due, on a payment date, the Security Trustee shall debit from the DSRA such amounts as may be necessary to meet such Debt Service and transfer the same to BDO Unibank, Inc. - Trust and Investment Group (Paying Agent).

In the event the funds in the DSRA fall below the DSRA maintaining balance, the Borrower shall replenish the DSRA from its own funds in order that the DSRA maintaining balance shall be met not later than the five Banking days from the date the funds fell below the DSRA Maintaining Balance.

As of December 31, 2021 and 2020, the Group's debt collateral account related to the ₱40.0 billion Syndicated Loan Facility amounted to ₱102.8 million and ₱38.4 million, respectively (see Note 4).

ii) Assignment of Vertis Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee, for the benefit of the Secured parties, all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Vertis Project Agreements and all warranties and indemnities contained therein; (b) right to terminate any of the Project Agreements or agree to the suspension thereof; (c) right to compel performance of any of the Vertis Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the



right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lenders, a first ranking real estate mortgage on the present real assets, i.e., Present Vertis Real Assets, and future real assets, i.e., the Vertis hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking chattel mortgage on the present and future chattels.

iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e., Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

v) Pledge

The Pledgor, i.e., Sureste shareholders, pledges, hypothecates, delivers and grants to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e., BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

## 12. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

Related party receivables and payables are generally settled in cash.

The Group's related party balances are as follows:

Related Party	Nature/Terms of Transaction	Transaction Amounts			Outstanding Receivable (Payable)	
		2021	2020	2019	2021	2020
Eaglesight Investments Limited*	Aircraft lease and maintenance reimbursements; payable within 1 month; noninterest-bearing (see Note 10)	₱210,472,140	₱211,847,460	₱228,574,680	₱-	₱-
Bloomerry Cultural Foundation**	1. 2% of non-junket gaming revenue; unsecured; payable within one year; noninterest-bearing (see Notes 10 and 18)	327,666,784	237,936,721	538,698,822	(20,604,111)	(21,265,816)
	2. Noninterest-bearing and unsecured advances (to be settled within 1 year); no impairment (see Notes 7 and 18)	(143,339,669)	163,670,559	(162,150)	20,368,802	163,708,471
Officers and employees	Interest-bearing and unsecured cash advances to be settled through salary deduction within 1 year; no impairment (see Note 5)	25,355	1,120,955	2,187,394	6,968,400	6,943,045

(Forward)



Related Party	Nature/Terms of Transaction	Transaction Amounts			Outstanding Receivable (Payable)	
		2021	2020	2019	2021	2020
Other affiliates*	1. Aircraft maintenance reimbursements; noninterest-bearing (see Notes 5 and 10)	<b>₱289,449,631</b>	₱311,440,750	₱356,721,369	<b>₱296,441,635</b>	₱106,526,467
	2. Aircraft maintenance reimbursements; noninterest-bearing (see Note 10)	<b>103,194,104</b>	70,320,168	181,894,185	-	(188,797,559)
Key management personnel	1. Short-term employee benefits	<b>170,462,097</b>	130,162,788	236,062,166	-	-
	2. Retirement benefits	<b>7,448,821</b>	1,951,107	1,265,123	<b>(19,300,334)</b>	(11,851,513)

\*Under common control

\*\*Corporate social responsibility arm of BRHI

### 13. Retirement Cost

The Group has an unfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The cost of providing benefits is valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and the retirement liability recognized in the consolidated statements of financial position as of and for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Retirement expense:			
Current service cost	<b>₱104,260,670</b>	₱121,110,828	₱84,722,692
Interest cost	<b>24,439,945</b>	25,039,683	19,383,356
Past service cost	-	(32,791,154)	16,022,689
	<b>₱128,700,615</b>	₱113,359,357	₱120,128,737
Retirement liability:			
Balance at beginning of year	<b>₱655,363,267</b>	₱639,587,287	₱384,884,739
Retirement expense	<b>128,700,615</b>	113,359,357	120,128,737
Benefits paid	<b>(29,799,066)</b>	(19,565,875)	(10,908,359)
Remeasurement loss (gain)	<b>(70,575,466)</b>	(79,511,766)	158,964,728
Translation adjustment	<b>(6,185,033)</b>	1,494,264	(13,482,558)
Balance at end of year	<b>₱677,504,317</b>	₱655,363,267	₱639,587,287
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	<b>₱655,363,267</b>	₱639,587,287	₱384,884,739
Current service cost	<b>104,260,670</b>	121,110,828	84,722,692
Interest cost	<b>24,439,945</b>	25,039,683	19,383,356
Past service cost (credit)	-	(32,791,154)	16,022,689
Benefits paid	<b>(29,799,066)</b>	(19,565,875)	(10,908,359)
Remeasurement loss (gain) in OCI:			
Experience adjustments	<b>(47,732,667)</b>	(25,291,624)	30,154,233
Changes in financial assumptions	<b>(22,842,799)</b>	(54,220,142)	128,028,230
Changes in demographic assumptions	-	-	782,265
Translation adjustment	<b>(6,185,033)</b>	1,494,264	(13,482,558)
Balance at end of year	<b>₱677,504,317</b>	₱655,363,267	₱639,587,287



The principal assumptions used in determining the Group's retirement liability as of December 31, 2021 and 2020 are shown below:

	2021				2020			
	Sureste	BRHI	G&L	Solaire Korea	Sureste	BRHI	G&L	Solaire Korea
Discount rate	5.18%	5.16%	2.64%	2.99%	4.03%	5.06%	2.08%	2.24%
Future salary rate increase	5.00%	5.00%	5.00%	2.00%	5.00%	5.00%	5.00%	2.00%
Mortality rate	2017 PICM		KIDI		2017 PICM		KIDI	
Disability rate	1952 disability study, period 2, benefit 5		1952 disability study, period 2, benefit 5		1952 disability study, period 2, benefit 5		1952 disability study, period 2, benefit 5	
Turnover rate	A scale ranging from 12% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement		A scale ranging from 12% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement	

Shown below is the maturity profile of the Group's undiscounted benefit payments:

Plan Year	Expected Benefit Payments	
	2021	2020
Less than one year	<b>₱19,667,348</b>	₱16,002,042
More than one year to five years	<b>66,603,922</b>	40,348,418
More than five years to 10 years	<b>261,297,049</b>	207,238,635
More than 10 years to 15 years	<b>438,104,289</b>	462,120,955
More than 15 years to 20 years	<b>616,139,181</b>	575,599,971
More than 20 years	<b>2,653,021,408</b>	3,116,739,526

The average duration of the defined benefit obligation at the end of the reporting period is 21.69 to 22.02 years.

The retirement liability is subject to several key assumptions. To help illustrate the impact of each key assumption, a sensitivity analysis is provided below, which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

a. Sureste

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱12,467,926)
Actual - 1.00%	15,175,156
Salary increase rate	
Actual + 1.00%	15,471,643
Actual - 1.00%	(12,912,687)

b. BRHI

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱47,296,819)
Actual - 1.00%	57,538,348
Salary increase rate	
Actual + 1.00%	58,781,049
Actual - 1.00%	(49,086,110)



c. G&L

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱17,340,244)
Actual - 1.00%	20,424,334
Salary increase rate	
Actual + 1.00%	20,152,614
Actual - 1.00%	(17,448,901)

d. Solaire Korea

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱135,949)
Actual - 1.00%	156,840
Salary increase rate	
Actual + 1.00%	156,965
Actual - 1.00%	(138,508)

The latest actuarial valuation report is as of December 31, 2021.

## 14. Equity

### Capital Stock

	2021		2020	
	Shares	Amount	Shares	Amount
Capital stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued	11,032,998,225	11,032,998,225	11,032,998,225	11,032,998,225
Issued and outstanding	10,861,125,857	9,992,067,308	10,959,746,900	10,476,748,881

The rollforward of the outstanding number of common shares follows:

	Shares	Amount	Shares	Amount
Balance at beginning of year	10,959,746,900	₱10,476,748,881	10,999,346,901	₱10,671,662,801
Net movement in treasury shares	(98,621,043)	(484,681,573)	(39,600,001)	(194,913,920)
Balance at end of year	10,861,125,857	₱9,992,067,308	10,959,746,900	₱10,476,748,881

### Stock Incentive Plan

The Stockholders of the Group approved on June 25, 2012 a Stock Incentive Plan (“SIP”) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.



The SIP shall be administered by the Stock Incentive Committee (“SIC”) composed of three directors or officers to be appointed by the BOD. The SIC shall determine the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, together with shares already granted under the SIP, which are equivalent to seven percent (7%) of the resulting total outstanding shares of the Group, shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. Originally, the shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Shares awarded in May 15, 2020 shall now vest in three years: 25% on the first anniversary date of the award; 25% on the second anniversary date of the award; and the remaining 50% on the third anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Unless the SIC determines otherwise, when dividends are declared by Bloomberry, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (“DRIP”).

Stock awards, including DRIP shares, granted by the SIC to officers and employees of the Group are shown below:

	Number of Shares Granted	Fair Value per Share at Grant Date
May 16, 2018*	22,716,446	12.66
June 8, 2018*	91,068	11.40
August 1, 2018*	105,987	9.00
March 18, 2019*	25,465,791	11.62
May 15, 2020*	66,985,802	5.40
January 15, 2022	152,992	8.2

\*includes DRIP shares

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) follow:

	2021	2020	2019
Balance at beginning of year	79,910,939	35,955,554	35,578,643
Stock awards granted	152,992	67,965,031	25,361,561
Stock awards vested	(28,810,457)	(23,165,389)	(24,166,621)
Stock awards of resigned/terminated employees	(2,886,693)	(844,257)	(818,029)
Balance at end of year	48,366,781	79,910,939	35,955,554

Total compensation expense on the stock awards recognized in 2021, 2020 and 2019 as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statements of comprehensive income amounted to ₱146.2 million, ₱268.9 million and ₱304.9 million, respectively (see Note 16). Reduction in share-based payment plan and treasury shares arising from the issuance of treasury shares for vested stock awards amounted to ₱234.5 million and ₱291.4 million,



respectively, in 2021; ₱280.2 million and ₱248.1 million, respectively, in 2020; and ₱248.3 million and ₱261.6 million, respectively, in 2019. Such issuance of treasury shares resulted to decrease in APIC amounting to ₱56.9 million and ₱13.4 million in 2021 and 2019, respectively, and increase in APIC amounting to ₱32.1 million in 2020, respectively.

The stock incentive obligation recognized as “Share-based payment plan” in the consolidated statements of financial position amounted to ₱183.4 million and ₱271.7 million as of December 31, 2021 and 2020, respectively.

#### Treasury Shares

The movement in treasury shares follows:

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at beginning of year	73,251,325	₱556,249,344	33,651,324	₱361,335,424	19,287,070	₱185,406,175
Acquisition	127,431,500	776,074,494	62,765,390	443,022,928	38,530,875	437,570,012
Issuance for share-based payments	(28,810,457)	(291,392,921)	(23,165,389)	(248,109,008)	(24,166,621)	(261,640,763)
Balance at end of year	171,872,368	₱1,040,930,917	73,251,325	₱556,249,344	33,651,324	₱361,335,424

In 2021, 2020 and 2019, a total of 28,810,457, 23,165,389 and 24,166,621 treasury shares, respectively, were reissued for vested stock awards.

Set out below is Bloomberg’s track record of issuance of its securities:

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	9,211,840,556	1.00
May 2, 2012**	15,000,000,000	1,179,963,700	7.50
May 31, 2012***	15,000,000,000	117,996,300	7.50
November 10, 2014****	15,000,000,000	435,000,000	13.00
December 18, 2014****	15,000,000,000	8,197,669	12.60

\*Date when the registration statement covering such securities was rendered effective by the SEC

\*\*SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012

\*\*\*Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

\*\*\*\*Transaction date per SEC Form 17-C

As of December 31, 2021 and 2020, Bloomberg has total shareholders of 96 and 95, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

#### Cost of Shares Held by a Subsidiary

This account includes 60,900 Bloomberg shares owned by BRHI amounting to ₱0.7 million as of December 31, 2021 and 2020.

#### Dividend Declaration

On March 6, 2020, the Parent Company’s BOD approved the declaration of cash dividend of ₱0.25 per share or an aggregate amount of ₱2,742.7 million to stockholders on record as of March 23, 2020 and was paid on March 31, 2020. The Parent Company has no outstanding dividends payable as of December 31, 2020.



## 15. Revenues

### Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by major sources for the years ended December 31:

	2021	2020	2019
Types of goods or services:			
Gaming	<b>₱18,727,107,649</b>	₱14,109,599,343	₱38,474,239,085
Hotel, food and beverage	<b>1,430,701,766</b>	1,650,863,576	4,302,168,511
Retail and others*	<b>1,213,464,326</b>	1,386,311,309	2,963,240,044
Total revenue from contracts with customers	<b>₱21,371,273,741</b>	₱17,146,774,228	₱45,739,647,640

\*Excluding rent income amounting to ₱599.9 million, ₱511.6 million and ₱597.7 million in 2021, 2020 and 2019, respectively.

	2021	2020	2019
Geographical segments:			
Philippines	<b>₱21,369,494,495</b>	₱17,067,274,130	₱45,299,531,531
Korea	<b>1,779,246</b>	79,500,098	440,116,109
Total revenue from contracts with customers	<b>₱21,371,273,741</b>	₱17,146,774,228	₱45,739,647,640

### Performance Obligations

Information about the Group's performance obligations are summarized below:

#### *Gaming revenue*

The performance obligation to provide gaming services is satisfied at a point in time which is upon the conclusion of the play and usually occur within a single gaming day.

#### *Hotel, food and beverage, retail and other operating revenues*

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or retail goods are sold.

### Contract Balances

	2021	2020
Trade receivables:		
Gaming (see Note 5)*	<b>₱535,589,899</b>	₱1,301,852,585
Hotel (see Note 5)	<b>60,975,679</b>	21,011,609
Contract liabilities:		
Outstanding chips liabilities (see Note 10)	<b>1,568,719,558</b>	2,203,067,304
Customers' deposits (see Note 10)	<b>2,988,470,113</b>	3,554,095,949

\*Net of allowance for doubtful accounts amounting to ₱1,339.9 million and ₱1,054.7 million as of December 31, 2021 and 2020, respectively.

Gaming receivables are noninterest-bearing and are normally collected within 90 days.

Hotel receivables are noninterest-bearing and are normally collected within one month.

The Group has no contract assets as of December 31, 2021 and 2020.



The Group identified its outstanding chips liabilities and customers' deposits as contract liabilities as of December 31, 2021 and 2020. These represent the Group's obligation to provide gaming services to the patrons for which the Group has received consideration from the patrons. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of purchase. Customers' deposits are expected to be recognized as revenue or refunded to the patrons within one year from the date the deposit was received.

The following table summarizes the liability activity related to contracts with customers:

	Outstanding chips liabilities	Customers' deposits	Total
December 31, 2021	₱1,568,719,558	₱2,988,470,113	₱4,557,189,671
December 31, 2020	2,203,067,304	3,554,095,949	5,757,163,253
	(₱634,347,746)	(₱565,625,836)	(₱1,199,973,582)

	Outstanding chips liabilities	Customers' deposits	Total
December 31, 2020	₱2,203,067,304	₱3,554,095,949	₱5,757,163,253
December 31, 2019	6,395,416,210	4,712,565,777	11,107,981,987
	(₱4,192,348,906)	(₱1,158,469,828)	(₱5,350,818,734)

## 16. Income and Expenses

### a. Operating Costs and Expenses

	2021	2020	2019
Taxes and licenses (see Notes 12 and 18)	₱6,408,822,346	₱5,262,299,758	₱12,895,490,434
Salaries and benefits (see Notes 13 and 14)	3,495,605,725	3,929,721,293	4,564,812,712
Depreciation and amortization (see Notes 8, 9 and 17)	3,493,669,110	3,348,455,212	3,689,805,227
Outside services and charges	1,685,913,700	2,148,218,087	1,832,009,360
Cost of sales (see Note 6)	1,391,378,777	1,571,503,733	3,316,669,538
Office expenses	971,132,676	811,321,635	1,148,916,267
Provision for allowance for doubtful accounts (see Note 5)	908,609,114	708,892,699	259,568,360
Impairment loss (see Note 9)	821,986,928	947,055,242	-
Utilities	725,187,076	678,580,917	819,599,187
Software and hardware maintenance	335,496,093	302,703,684	244,687,001
Advertising and promotions (see Notes 17 and 18)	294,337,569	348,633,157	573,015,484
Repairs and maintenance	177,658,312	134,358,323	244,706,207
Communication and transportation (see Note 12)	115,121,313	136,396,113	202,859,007
Rent (see Note 17)	42,357,922	86,333,580	146,703,921
Others	249,576,792	239,702,179	548,790,372
	₱21,116,853,453	₱20,654,175,612	₱30,487,633,077



Office expenses mainly consist of supplies amounting to ₱560.7 million, ₱446.5 million and ₱693.9 million; team member expenses amounting to ₱254.5 million, ₱225.6 million and ₱356.0 million; and insurance expense amounting to ₱155.9 million, ₱139.2 million and ₱99.0 million in 2021, 2020 and 2019, respectively.

b. Interest Expense

Sources of the Group's interest expense are as follows:

	2021	2020	2019
Long-term debt (see Note 11)	<b>₱5,325,072,447</b>	₱5,380,589,573	₱5,528,177,637
Amortization of tenants' security deposit (see Note 17)	<b>14,994,504</b>	14,725,781	16,584,815
Accretion of interest on lease liabilities (see Note 17)	<b>2,312,761</b>	4,136,325	5,086,955
Short-term borrowing	-	10,945,186	12,181,366
	<b>₱5,342,379,712</b>	₱5,410,396,865	₱5,562,030,773

c. Interest Income

Sources of the Group's interest income are as follows:

	2021	2020	2019
Cash and cash equivalents (see Note 4)	<b>₱43,092,091</b>	₱129,481,527	₱289,734,354
Receivables from officers and employees (see Note 5)	<b>587,591</b>	779,785	1,192,962
	<b>₱43,679,682</b>	₱130,261,312	₱290,927,316

d. Other Income (Expenses) - Others

	2021	2020	2019
Share in net loss of a joint venture (see Note 9)	<b>(₱7,693,008)</b>	(₱115,627,345)	(₱98,420,774)
Excess of acquisition cost over fair value of net assets acquired (see Note 1)	-	-	(51,209,208)
Gain from liabilities forgiven	-	86,734,247	-
Others	-	625,000	-
	<b>(₱7,693,008)</b>	(₱28,268,098)	(₱149,629,982)

Gain from liabilities forgiven resulted from the derecognition of G&L's liability pursuant to a compromise agreement with G&L's previous owner.



## Lease Agreements

### As a Lessee

The Group has lease contracts related to its land, building and gaming equipment. The following are the lease terms of the leases:

Land	10 to 20 years
Building	3 years
Gaming equipment	3 years

The Group's obligations under these leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Extension and termination options are normally mutually agreed by lessor and lessee.

The Group also has certain leases of equipment and other assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized in the consolidated statements of financial position and the movements during the year:

	2021			
	Land	Building	Gaming Equipment	Total
<b>Cost</b>				
Balances at January 1, 2021	P17,376,393	P48,837,439	P-	P66,213,832
Adjustments due to lease modification	-	(298,942)	-	(298,942)
Termination	-	(4,244,211)	-	(4,244,211)
Balances at December 31, 2021	17,376,393	44,294,286	-	61,670,679
<b>Accumulated Depreciation</b>				
Balances at January 1, 2021	3,459,190	29,276,865	-	32,736,055
Depreciation	1,930,710	15,907,678	-	17,838,388
Termination	-	(4,244,211)	-	(4,244,211)
Balances at December 31, 2021	5,389,900	40,940,332	-	46,330,232
	<b>P11,986,493</b>	<b>P3,353,954</b>	<b>P-</b>	<b>P15,340,447</b>
	2020			
	Land	Building	Gaming Equipment	Total
<b>Cost</b>				
Balances at January 1, 2020	P36,763,186	P47,919,752	P8,050,895	P92,733,833
Additions	-	4,081,744	-	4,081,744
Adjustments due to lease modification	-	-	(1,961,021)	(1,961,021)
Termination	(19,386,793)	(3,164,057)	(6,089,874)	(28,640,724)
Balances at December 31, 2020	17,376,393	48,837,439	-	66,213,832
<b>Accumulated Depreciation</b>				
Balances at January 1, 2020	2,820,932	14,685,658	4,840,122	22,346,712
Depreciation	2,738,846	17,755,265	1,249,752	21,743,863
Termination	(2,100,588)	(3,164,058)	(6,089,874)	(11,354,520)
Balances at December 31, 2020	3,459,190	29,276,865	-	32,736,055
	<b>P13,917,203</b>	<b>P19,560,574</b>	<b>P-</b>	<b>P33,477,777</b>



The rollforward analysis of lease liabilities follows:

	2021	2020
At beginning of year	<b>₱36,510,424</b>	₱70,399,387
Additions	-	4,081,744
Interest expense (see Note 16)	<b>2,312,761</b>	4,136,325
Adjustment due to lease modification	<b>(298,942)</b>	(1,961,021)
Termination	-	(18,593,419)
Payments	<b>(20,520,266)</b>	(21,552,592)
As at end of year	<b>18,003,977</b>	36,510,424
Less current portion	<b>3,280,979</b>	18,630,431
	<b>₱14,722,998</b>	₱17,879,993

The Group has no lease contracts that contain variable payments.

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets included in property and equipment (see Notes 8 and 16)	<b>₱17,838,388</b>	₱21,743,863
Interest expense on lease liabilities (see Note 16)	<b>2,312,761</b>	4,136,325
Expenses relating to short-term leases and low-value assets (see Note 16)	<b>42,357,922</b>	89,500,247
	<b>₱62,509,071</b>	₱115,380,435

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	<b>₱4,519,881</b>	₱20,926,675
more than 1 years to 2 years	<b>3,218,297</b>	4,438,635
more than 2 years to 3 years	<b>3,379,220</b>	3,218,297
more than 3 years to 4 years	<b>3,548,181</b>	3,379,220
more than 5 years	<b>7,637,451</b>	11,185,633

*Lease with PAGCOR*

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period was for 23 years which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. BRHI remained solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste amended the above deed of assignment. Under the amended deed of assignment, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional



3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering an additional 73,542 square meters of PAGCOR land was also executed.

In 2018, Sureste purchased from PAGCOR the 16 hectare land in Entertainment City where Solaire and its expansion area is located for a purchase price of ₱37,333.1 million. Sureste fully paid the purchase price and PAGCOR signed the Deed of Absolute Sale on June 4, 2018 for the two parcels of land with an area of 3,733 square meters and 156,626 square meters. Title to the two parcels of land were issued to Sureste on August 15, 2018.

#### *Lease of SM Arena*

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI renews the contract annually but was no longer renewed in 2021. Rent expense related to this lease, which was primarily used to provide additional incentive to casino patrons, amounting to nil, ₱3.2 million and ₱19.0 million in 2021, 2020 and 2019, respectively, was recognized as part of “Advertising and promotions” account under operating costs and expenses in the consolidated statements of comprehensive income, respectively (see Note 16).

Future minimum lease payment under this operating lease which is due within one year amounted to nil and ₱19.0 million as of December 31, 2021 and 2020, respectively.

#### *Other Leases*

The Group also entered into other various lease contracts for a period of one year renewable annually upon mutual agreement of both parties.

Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the consolidated statements of comprehensive income amounted to ₱42.4 million, ₱86.3 million and ₱146.7 million in 2021, 2020 and 2019, respectively (see Note 16).

Security deposits related to the leases discussed above amounted to ₱8.7 million and ₱16.6 million as of December 31, 2021 and 2020, respectively (see Note 7).

#### As a Lessor

The Group entered into operating leases with various premium brand boutiques in The Shoppes (see Note 1). These leases have terms between 1 to 6 years. Rent income amounting to ₱599.9 million, ₱511.6 million and ₱597.7 million in 2021, 2020 and 2019, respectively, was recognized as part of “Retail and others” account in the consolidated statements of comprehensive income.

Rent receivable on these operating leases arising from straight-line amortization amounted to ₱18.3 million and ₱6.3 million as of December 31, 2021 and 2020, respectively (see Note 5).

Tenants’ security deposit classified as current amounting to ₱56.7 million and ₱51.4 million as of December 31, 2021 and 2020, respectively, is presented under “Payables and other current liabilities” in the consolidated statements of financial position (see Note 10). Tenants’ security deposits classified as noncurrent, presented under “Other noncurrent liabilities”, amounted to ₱334.2 million and ₱315.5 million as of December 31, 2021 and 2020, respectively. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the “Interest expense” account in the consolidated statements of comprehensive income, amounted to ₱15.0 million, ₱14.7 million and ₱16.6 million in 2021, 2020 and 2019, respectively (see Note 16).



Unearned rent amounting to ₱9.3 million and ₱17.9 million as of December 31, 2021 and 2020, respectively, presented under “Other noncurrent liabilities”, represents the excess of the principal amount of the deposit over its fair value and will be amortized on a straight-line basis over the lease term. Amortization of unearned rent amounting to ₱12.4 million, ₱12.7 million and ₱19.3 million in 2021, 2020 and 2019, respectively, was recognized as part of “Retail and others” account in the consolidated statements of comprehensive income.

Future minimum lease receivables under these operating leases as of December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	<b>₱559,021,364</b>	₱519,815,661
Beyond one year but not later than five years	<b>257,825,690</b>	693,563,737
	<b>₱816,847,054</b>	₱1,213,379,398

## 17. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
- Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
  - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation.
  - In addition to the above license fees, BRHI is required to remit 2% of gaming revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. (“BCF”) for this purpose. Amount due to BCF, recognized as part of “Taxes and licenses” account amounted to ₱327.7 million, ₱237.9 million, ₱538.7 million in 2021, 2020, and 2019, respectively (see Note 16). Outstanding amount payable to BCF as of December 31, 2021 and 2020, presented as part of “Gaming taxes payable”, amounted to ₱20.6 million and ₱21.3 million, respectively (see Note 10). Furthermore, the Group has advances to BCF amounting to ₱20.4 million and ₱163.7 million as of December 31, 2020 and 2019, presented as part of “Prepayments and other current assets” account, respectively, in the consolidated statements of financial position (see Note 7).
  - PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
  - Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) bankruptcy or insolvency; (d) delay in construction of more



than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2021 and 2020, BRHI and Sureste have complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized (including the amount due to BCF), shown as part of “Taxes and licenses” account, amounted to ₱6,164.7 million, ₱4,920.0 million and ₱12,698.8 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 16). Outstanding amount payable to PAGCOR and BCF, presented as “Gaming taxes payable”, amounted to ₱534.7 million and ₱455.5 million as of December 31, 2021 and 2020, respectively. (see Note 10).

- b. The Group has entered into the following significant contracts related to the Solaire North Project:

*HABITUS DESIGN PTE, LTD.*

In June 2018, Sureste has engaged Habitus Design Pte, Ltd. (“Habitus”) to lead the Master Concept Design as well as design management consultancy services for the Solaire North Project with an agreed original contract amounting to US\$3.65 million (₱175.3 million). Based on the original contract period, their services expire in December 2020 but was extended until December 2021. As of December 31, 2021 and 2020, Sureste has effectively paid US\$3.85 million (₱197.8 million) and US\$3.58 million (₱171.9 million), respectively, to Habitus Design Pte, Ltd.

*PBD JOINT VENTURE*

On December 12, 2019, Sureste has entered into a contract agreement with PRIME BMD - DMCI Joint Venture for the General Construction delivery of Solaire North Project. The contract price of ₱5.5 billion, VAT-inclusive, includes a re-measurable component of the general contract works and a lumpsum component of the enabling works. Target completion is in second half of 2023. As of December 31, 2021 and 2020, Sureste has effectively paid ₱3.2 billion and ₱1.6 billion, respectively, to PBD Joint Venture.

- c. BRHI and G&L entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters’ expense presented as contra-revenue for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2,916.1 million, ₱3,323.0 million and ₱10,028.9 million, respectively. Receivable from junket operators as of December 31, 2021 and 2020 amounted to ₱580.6 million and ₱2,109.0 million, respectively (see Note 5).
- d. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (“MSA”) with Global Gaming Philippines LLC (“GGAM”) for technical assistance on all aspects of planning, design, layout, and construction of an integrated casino, hotel and entertainment complex (the “Project”) within Entertainment City and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project’s commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the preopening operations. Upon commencement of the commercial operations and five years thereafter, the Group will pay GGAM annual fees equivalent to certain percentages of Sureste’s and BRHI’s earnings before interest, taxes, depreciation and amortization.



Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (“UNCITRAL”) using Philippine law as the governing law.

Under the MSA, GGAM was granted an option, over the shares of BRHI and Sureste. After the backdoor listing of Bloomberry, the option was granted to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberry’s outstanding shares (prior to Bloomberry’s top-up equity offering) from PSHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. On December 21, 2012, GGAM exercised its option to purchase 921.2 million shares of Bloomberry from PSHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. On February 25, 2014, the Makati Regional Trial Court (“MRTC”) granted the application of BRHI, Sureste and PSHI for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares in order to maintain the status quo. GGAM filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On December 9, 2014, the tribunal issued its Order in Respect of Claimants’ Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

GGAM filed a Manifestation with the MRTC concerning the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PSHI filed a Counter-Manifestation on impropriety of GGAM Manifestation given its non-compliance with requirements of the Special Rules of Court on Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgment/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PSHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that 1) GGAM has not misled BRHI/Sureste (Respondents) into signing the MSA, and the Respondents were not justified to terminate the MSA because the services rendered by the Respondent’s Management Team should be considered as services rendered by GGAM under the MSA, 2) rejected GGAM’s claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste, 3) that there is no basis for Respondents to challenge GGAM’s title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them, 4) reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties, 5) reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM.



On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. Department of Justice (“DOJ”) and SEC findings of violations of the Foreign Corrupt Practices Act (“FCPA”) by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based on the fraud allegations previously raised in the request for reconsideration.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM filed a petition for review with the Court of Appeals to question this MRTC order. The Court of Appeals denied this petition, and GGAM has filed a petition in the Supreme Court to question the decision of the Court of Appeals.

On September 27, 2019, BRHI and Sureste received the Final Remedies Award of the arbitration tribunal in the case filed. The Final Award awarded less than half of the damages sought by GGAM. It provides that:

- a) Respondents pay US\$85.2 million as damages for lost management fees to Claimants;
- b) Respondents pay US\$391,224 as pre-termination fees and expense to Claimants;
- c) Respondents pay Php10,169,871,978.24 for the (921,184,056) GGAM shares in Bloomberry Resorts Corporation (BRC) in exchange for Claimants turning over the Shares after the payment. If Respondents do not pay for the Shares, GGAM may sell the Shares in the market and Respondents are directed to take all steps necessary to facilitate this sale. Respondents will be liable for the difference in the selling price if it is less than the awarded price;
- d) Respondents to take all steps necessary to release to GGAM the cash dividends on the Shares (currently subject of the injunction of the RTC Makati);
- e) Respondents to pay Claimants Cost of US\$14,998,052.
- f) Post-award interest at the annual rate of 6%, compounded annually, or 50 basis per month for the pre-termination expenses in (b), beginning 30 days after the Award.

On November 5, 2019, BRHI and Sureste filed in the Singapore High Court an application to set aside the Final Award on the grounds of fraud and fraudulent concealment among others.

BRHI and Sureste received a decision of the Singapore High Court dated January 3, 2020 in OS 1432 dismissing their petition to vacate and oppose the enforcement of the Partial Award of the Arbitration Tribunal dated September 20, 2016. The Court said that the FCPA Findings (referring to the U.S. DOJ non-prosecution agreement with Las Vegas Sands and the U.S. SEC order on FCPA involving Weidner and Chiu while they were with Las Vegas Sands) “do not constitute strong and cogent evidence of any species of fraud” raised by SPI and BRHI against GGAM. On February 3, 2020, BRHI and Sureste appealed this decision to the Court of Appeals in Singapore. In a decision dated February 16, 2021, the Singapore Court of Appeals denied the appeal of BRHI and Sureste.

On May 29, 2020, the Singapore High Court issued a decision dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019.



The Singapore High Court ruled that the “Constructive Remedy,” which requires Sureste and BRHI to either (1) pay for the BRC shares held by GGAM in exchange for the BRC shares, or (2) take steps to facilitate GGAM’s sale of the BRC shares, was not outside the scope of the parties’ arbitration agreement. The Singapore High Court also rejected the challenges based on the FCPA Findings (referring to the findings of the U.S. DOJ and the U.S. SEC regarding the conduct by two of GGAM’s four executives during their tenure at Las Vegas Sands that violated the U.S. FCPA) and GGAM’s fraudulent concealment of evidence during the Arbitration. The Singapore High Court likewise denied the argument that GGAM Netherlands, to which the MSA was assigned, was a sham entity established solely to evade U.S. and Philippine taxes, because the Arbitration Tribunal rejected the same argument, and thus, the High Court found that the grant of damages to GGAM Netherlands is not contrary to Singapore public policy. Costs were charged against Sureste and BRHI.

On June 29, 2020, Sureste and BRHI filed a Notice of Appeal to the Singapore Court of Appeals to appeal the Singapore High Court’s decision dated May 29, 2020 in case number OS 1385 dismissing Sureste and BRHI’s petition to set aside/resist enforcement of the Final Award of the Arbitration Tribunal dated September 27, 2019 docketed as CA98. The parties filed the required submissions, and the hearings on this appeal was held in April 2021. On October 4, 2021, the Singapore Court of Appeals issued a decision which denied the appeal of BRHI and Sureste against the decision dated May 29, 2020.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

On March 29, 2021, GGAM (without GGAM Netherlands joining) sued Enrique K. Razon Jr., BRHI, Sureste and other companies in the U.S. associated with Mr. Razon in the U.S. District Court in Southern District of New York. By this suit GGAM wants to enforce in the U.S. against Mr. Razon personally and companies in the U.S. associated with him the arbitral award that was issued only against BRHI and Sureste. The defendants have a pending motion to dismiss the case for lack of jurisdiction and *for forum non-conveniens*.

No further details were provided as required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, because these may prejudice the Group’s position in relation to this matter.

Management, in consultation with its legal counsel, believes that no provision should be recognized as of December 31, 2021 and 2020 as the Partial Award and Final Award cannot be enforced in the Philippines (where assets of BRHI and Sureste are located) because: no action for their enforcement has been filed before Regional Trial Court that is required under the Special Rules of Court on Alternative Dispute Resolution that governs enforcement of arbitral awards in the Philippines; and if GGAM files such action to enforce the Partial Award and Final Award, BRHI and SPI have the right to oppose the enforcement because it will violate Philippine public policy and because the arbitration proceedings were tainted by fraud, concealment and deception foisted by GGAM and its lawyers on the Arbitral Tribunal and BRHI and SPI which prevented BRHI and SPI from presenting their case.



- e. On March 15, 2016, the Court of Appeals (“CA”) issued a 30-day freeze order on one of BRHI’s bank accounts upon the petition filed by AMLC in relation to their ongoing investigation. The freeze order of the CA on the bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. As of December 31, 2021 and 2020, the balance of this bank account amounting to ₱112.8 million and ₱112.7 million, respectively, is presented as “Fund held in trust” under the “Prepayments and other current assets” account in the statements of financial position (see Note 7).

In February 2019, BRHI received the summons and complaint as one of 17 Philippine companies and individuals that the Bangladesh Bank impleaded in the civil suit that it filed in the US District Court in New York against RCBC for recovery of the US\$81 million allegedly stolen from Bangladesh Bank account with the Federal Reserve Bank in New York that were allegedly laundered through Philippine casinos. BRHI through counsel has filed a motion to dismiss the case for lack of subject matter jurisdiction and *for forum non-conveniens*. On March 20, 2020, the Federal Court of New York granted the motion to dismiss the case. Bangladesh Bank has filed an appeal of the dismissal with the U.S. Court of Appeals which it withdrew later.

On September 23, 2020, BRHI received the summons in the civil complaint filed by Bangladesh Bank against RCBC and 16 other Philippine companies and individuals (including BRHI) in the New York State Court. The complaint in the State Court is for: conversion/ theft/ misappropriation; aiding and abetting the same; conspiracy to commit the same; fraud (against RCBC); aiding and abetting and conspiracy to commit fraud; conspiracy to commit trespass against chattels; unjust enrichment; and return of money received.

On December 9, 2020, BRHI filed its motion to dismiss the case because the Court has no jurisdiction over BRHI, the Philippines is the proper forum for the dispute and plaintiff’s allegation is insufficient to plead any claim against BRHI under New York law.

Except for the matters discussed in the preceding paragraphs, neither BRHI nor any of its subsidiaries are involved in or the subject any legal proceedings which, if determined adversely to BRHI or the relevant subsidiary’s interests, would have a material effect on the business or financial position of BRHI or any of its subsidiaries.

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## 18. Income Taxes

- a. Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current	₱599,775	₱1,861,058	₱34,681,096
Deferred	765,130	(208,921,407)	153,082,227
	<b>₱1,364,905</b>	<b>(₱207,060,349)</b>	<b>₱187,763,323</b>

In 2021, 2020 and 2019, provision for current income tax represents Bloomberry’s MCIT and Sureste’s 5% Gross Income Tax (“GIT”).



The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2021	2020	2019
Provision for (benefit from) tax at statutory tax rate of 25% in 2021, 30% in 2020 and 2019	<b>(₱1,062,000,348)</b>	(₱2,560,459,840)	₱3,032,615,099
Tax effects of:			
Income subject to final tax, non-taxable income and non-deductible expenses	<b>530,099,844</b>	368,595,693	2,503,745,246
Net movement in unrecognized deferred income tax assets and other adjustments	<b>533,265,409</b>	1,984,803,798	(5,348,597,022)
	<b>₱1,364,905</b>	(₱207,060,349)	₱187,763,323

- b. The components of the Group's recognized net deferred tax liabilities are as follows:

	2021	2020
Deferred tax assets:		
Retirement liability	<b>₱23,440,376</b>	₱28,944,328
MCIT	<b>5,208,955</b>	5,208,955
Points accrual	<b>1,861,782</b>	1,762,496
Capitalized interest on option	<b>1,564,761</b>	1,795,625
Unrealized foreign exchange loss	<b>51,553,296</b>	27,679,342
NOLCO	<b>144,095,484</b>	311,379,320
	<b>227,724,654</b>	376,770,066
Deferred tax liabilities:		
Excess of fair value over carrying value of net assets acquired in business combination	<b>(84,609,802)</b>	(289,755,733)
Capitalized rent	<b>(78,419,367)</b>	(85,261,983)
Capitalized interest	<b>(38,375,023)</b>	(41,761,055)
Unrealized gain on investment in club shares	<b>(2,625,000)</b>	(3,300,000)
Unrealized foreign exchange gain	<b>(195,667,571)</b>	(124,567,969)
	<b>(399,696,763)</b>	(544,646,740)
	<b>(₱171,972,109)</b>	(₱167,876,674)

- c. Temporary differences arising from NOLCO and carryforward benefits of excess MCIT for which no deferred tax assets have been recognized since management believes that it is not probable that sufficient future taxable income will be available against which these can be utilized are summarized as follows:

	2021	2020
NOLCO	<b>₱11,295,921,854</b>	₱9,755,248,554
MCIT	<b>4,473,361</b>	5,814,490
	<b>₱11,300,395,215</b>	₱9,761,063,044



- d. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) 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 (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, Bloomberry and Sureste incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied	Expired	Balance
2019	2020-2022	₱1,155,582,252	₱-	₱-	₱1,155,582,252
2018	2019-2021	1,685,038,040	-	1,685,038,040	-
<b>Totals</b>		<b>₱2,840,620,292</b>	<b>₱-</b>	<b>₱1,685,038,040</b>	<b>₱1,155,582,252</b>

As of December 31, 2021, Bloomberry and Sureste incurred NOLCO in taxable year 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied	Expired	Balance
2021	2022-2026	₱3,103,385,206	₱-	₱-	₱3,103,385,206
2020	2021-2025	2,799,754,164	-	-	2,799,754,164
<b>Totals</b>		<b>₱5,903,139,370</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,903,139,370</b>

As of December 31, 2021, the NOLCO of Solaire Korea and G&L that can be carried forward and claimed as deduction from regular taxable income are as follows:

Year Incurred	Availment Period	Amount	Applied	Expired	Balance
2021	2022-2036	₱798,337,619	₱-	₱-	₱798,337,619
2020	2021-2035	344,080,568	-	-	344,080,568
2019	2020-2029	764,753,823	-	-	764,753,823
2018	2019-2028	630,584,314	-	-	630,584,314
2017	2018-2027	286,994,842	-	-	286,994,842
2016	2017-2026	1,022,321,872	-	-	1,022,321,872
2015	2016-2025	962,310,158	-	-	962,310,158
2013	2014-2023	4,198,973	-	-	4,198,973
2011	2012-2021	634,132,304	-	634,132,304	-
<b>Totals</b>		<b>₱5,447,714,473</b>	<b>₱-</b>	<b>₱634,132,304</b>	<b>₱4,813,582,169</b>

As of December 31, 2021, the Bloomberry and Sureste’s unused MCIT that can be carried forward and used as deduction from income tax due are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2021	2024	₱599,775	₱-	₱-	₱599,775
2020	2023	1,777,409	-	-	1,777,409
2019	2022	7,305,132	-	-	7,305,132
2018	2021	1,940,904	-	1,940,904	-
<b>Totals</b>		<b>₱11,623,220</b>	<b>₱-</b>	<b>₱1,940,904</b>	<b>₱9,682,316</b>



- e. Sureste is registered with the Philippine Economic Zone Authority (“PEZA”) as an Ecozone Tourism Enterprise. The scope of registered activity is limited to the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino - Entertainment City Manila, to take over and undertake the project originally approved by the PEZA Board for BRHI and the importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations.

Under the PEZA Registration Agreement, Sureste is entitled to:

- Four-year income tax holiday (“ITH”) on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/ establishments. Upon expiry of the ITH period, Sureste shall pay 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of Sureste outside of the PEZA-registered activities is subject to RCIT.

On December 6, 2013, Sureste decided to waive the ITH incentive and be subjected instead to GIT (with exemption from real property tax). Sureste has obtained confirmation of the said waiver with PEZA and therefore now subject to GIT.

## 19. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

### Fair Value

The carrying values of cash and cash equivalents, receivables, security deposits classified as current and payables and other current liabilities (except statutory payables) approximate their fair values at reporting date due to the relatively short-term nature of the transactions.

The table below set forth the carrying values and the estimated fair values of the Group’s financial assets and liabilities for which fair values are determined for measurement and/or disclosure as of December 31, 2021 and 2020:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Financial assets at amortized cost -				
Security deposits classified as noncurrent <sup>(1)</sup>	<b>₱59,438,148</b>	<b>₱57,061,802</b>	₱59,429,296	₱59,383,576
Equity instrument designated at fair value through OCI -				
Investment in club shares	<b>24,000,000</b>	<b>24,000,000</b>	24,500,000	24,500,000
	<b>83,438,148</b>	<b>81,061,802</b>	83,929,296	83,883,576
<b>Financial Liabilities</b>				
Other financial liabilities:				
Long-term debt	<b>75,790,396,422</b>	<b>85,678,469,461</b>	68,559,293,732	86,012,051,077
Tenants’ security deposits <sup>(2)</sup>	<b>334,171,681</b>	<b>358,777,892</b>	315,498,532	349,509,300
	<b>76,124,568,103</b>	<b>86,037,247,353</b>	68,874,792,264	86,361,560,377
	<b>(₱76,041,129,955)</b>	<b>(₱85,956,185,551)</b>	(₱68,790,862,968)	(₱86,277,676,801)

<sup>(1)</sup> Presented under “Intangible asset and other noncurrent assets” account.

<sup>(2)</sup> Included under “Other noncurrent liabilities” account.



*Security Deposits classified as Noncurrent.* The fair value of security deposit is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

*Fixed Rate Long-term Debt (73.5B Syndicated Loan).* The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rate of 4.5% and 2.8% as of December 31, 2021 and 2020, respectively.

*Fixed Rate Long-term Debt (20 B Syndicated Loan).* The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rate of 4% as of December 31, 2021.

*Fixed Rate Long-term Debt (40 B Syndicated Loan).* The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rate of 4.8% and 3.0% as of December 31, 2021 and 2020.

*Tenants' Security Deposits.* The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rates ranging from 1.8% to 4.8% and 1.7% to 3.0% as of December 31, 2021 and 2020, respectively.

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by source of inputs:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

The table below summarizes the classification of the Group's financial assets and liabilities as of December 31, 2021 and 2020 based on fair value measurement hierarchy.

		Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value -</b>					
Investment in club shares	<b>2021</b>	<b>₱24,000,000</b>	<b>₱-</b>	<b>₱-</b>	<b>₱24,000,000</b>
	2020	24,500,000	-	-	24,500,000
<b>Assets and liabilities for which fair value is disclosed:</b>					
Security deposits classified as noncurrent	<b>2021</b>	-	<b>57,061,802</b>	-	<b>57,061,802</b>
	2020	-	59,383,576	-	59,383,576
Long-term debt	<b>2021</b>	-	-	<b>85,678,469,461</b>	<b>85,678,469,461</b>
	2020	-	-	86,012,051,077	86,012,051,077
Tenants' security deposits	<b>2021</b>	-	-	<b>358,777,892</b>	<b>358,777,892</b>
	2020	-	-	349,509,300	349,509,300

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of the Level 3 fair value measurement.



Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from local financial institutions, proceeds of which were used for financing the Group's capital expenditures and operations. The Group has other financial assets and financial liabilities such as cash and cash equivalents, receivables, restricted cash, payables and other accrued liabilities which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates.

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

The following table demonstrates the sensitivity of the Group's income (loss) before income tax (through the impact on floating rate borrowings) in 2021, 2020 and 2019 to a reasonably possible change in interest rates, with all other variables held constant.

There is no impact on the Group's equity other than those already affecting the net income (loss).

	2021	2020	2019
Increase by 2%	<b>₱106,847,594</b>	₱108,207,987	₱111,240,615
Decrease by 2%	<b>(106,847,594)</b>	(108,207,987)	(111,240,615)

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gains (loss) of ₱204.1 million, (₱230.7 million) and (₱320.2 million) in 2021, 2020 and 2019, respectively, on the revaluation of its foreign currency-denominated cash and cash equivalents, receivables, restricted cash, payables and accrued expenses.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following exchange rates as of December 31, 2021, 2020 and 2019:

Currency	2021	2020	2019
USD	<b>50.999</b>	48.023	50.635
HKD	<b>6.510</b>	6.194	6.516
EUR	<b>57.512</b>	58.690	56.351
SGD	<b>37.555</b>	36.120	37.491
AUD	<b>36.806</b>	36.397	35.257
JPY	<b>0.441</b>	0.463	0.463
TWD	<b>1.84</b>	-	-



The Group's foreign currency-denominated monetary assets and liabilities as of December 31, 2021, 2020 and 2019, and their Philippine peso equivalent follow:

	Original Currency							Peso Equivalent
	USD	HKD	EUR	SGD	AUD	JPY	TWD	
<b>December 31, 2021</b>								
Financial assets:								
Cash and cash equivalents	7,826,929	581,467,274	513,554	13,543,074	2,029,385	1,934,496,646	-	₱5,650,469,710
Receivables	168,956,720	6,687,758	-	-	-	-	-	8,660,161,065
Financial liabilities -								
Payables and other current liabilities	(409,640)	(7,965,953)	-	-	-	-	(670,761)	(73,983,772)
Net foreign currency - denominated financial assets	176,374,009	580,189,079	513,554	13,543,074	2,029,385	1,934,496,646	(670,761)	₱14,236,647,003
<b>December 31, 2020</b>								
Financial assets:								
Cash and cash equivalents	8,060,513	651,141,622	472,934	13,503,140	2,027,230	1,934,346,646	-	₱5,905,243,510
Receivables	-	7,374,775	-	-	-	-	-	45,679,356
Financial liabilities -								
Payables and other current liabilities	(1,214,984)	(23,025,431)	-	-	(37,562)	-	-	(202,349,635)
Net foreign currency - denominated financial assets	6,845,529	635,490,966	472,934	13,503,140	1,989,668	1,934,346,646	-	₱5,748,573,231
<b>December 31, 2019</b>								
Financial assets:								
Cash and cash equivalents	56,680,639	855,197,514	575,738	15,222,579	24,055	1,735,207,646	-	₱9,849,893,534
Receivables	-	61,818,832	-	-	-	-	-	402,811,507
Financial liabilities -								
Payables and other current liabilities	(2,743,298)	(78,001,332)	(27,569)	(11,673)	-	-	-	(649,154,719)
Net foreign currency - denominated financial assets	53,937,341	839,015,014	548,169	15,210,906	24,055	1,735,207,646	-	₱9,603,550,322

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's income or loss before income tax at December 31, 2021, 2020 and 2019. There is no other impact on the Group's equity other than those affecting other income or loss before income tax.

	USD	HKD	EUR	SGD	AUD	JPY	TWD
<b>December 31, 2021</b>							
Increase by 3%	₱269,846,943	₱113,310,927	₱886,065	₱15,258,304	₱2,240,806	₱25,593,391	(₱37,026)
Decrease by 3%	(269,846,943)	(113,310,927)	(886,065)	(15,258,304)	(2,240,806)	(25,593,391)	37,026
<b>December 31, 2020</b>							
Increase by 3%	₱9,864,955	₱118,086,931	₱832,695	₱14,632,003	₱2,172,538	₱26,868,075	₱-
Decrease by 3%	(9,864,955)	(118,086,931)	(832,695)	(14,632,003)	(2,172,538)	(26,868,075)	-
<b>December 31, 2019</b>							
Increase by 3%	₱81,933,519	₱164,010,655	₱926,696	₱17,108,162	₱25,443	₱24,102,034	₱-
Decrease by 3%	(81,933,519)	(164,010,655)	(926,696)	(17,108,162)	(25,443)	(24,102,034)	-

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences. Positive change in currency reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

#### Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents amounting to ₱25,158.7 million and ₱23,351.5 million as of December 31, 2021 and 2020, respectively, that are allocated to meet the Group's liquidity needs. The Group also has gross receivables amounting to ₱2,520.1 million and ₱2,798.8 million; security deposits amounting to ₱97.2 million and ₱104.3 million as of December 31, 2021 and 2020, respectively.



The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted payments:

	2021					Total
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	
Financial liabilities:						
Other gaming liabilities:						
Junket program rebates	₱1,568,719,558	₱-	₱-	₱-	₱-	₱1,568,719,558
Liability for customer loyalty	230,995,777	-	-	-	-	230,995,777
Progressive jackpot liability	381,514,849	-	-	-	-	381,514,849
Slot payout voucher and tickets liability	185,578,796	-	-	-	-	185,578,796
Customers' deposits	139,778,483	-	-	-	-	139,778,483
Payable to contractors and suppliers	1,427,420,000	-	-	-	-	1,427,420,000
Retention payable	462,690,882	-	-	-	-	462,690,882
Accrued expenses	2,294,288,961	-	-	-	-	2,294,288,961
Tenants' security deposits	56,672,940	334,171,681	-	-	-	390,844,621
Long-term debt						
Principal	2,205,000,000	3,720,000,000	6,732,720,000	10,000,220,000	54,646,560,000	77,304,500,000
Interest	5,330,486,132	5,227,354,079	4,940,733,027	4,354,804,682	5,909,708,597	25,763,086,517
Lease Liabilities	4,519,881	3,218,297	3,379,220	3,548,181	7,637,451	22,303,030
	<b>₱14,287,666,259</b>	<b>₱9,284,744,057</b>	<b>₱11,676,832,247</b>	<b>₱14,358,572,863</b>	<b>₱60,563,906,048</b>	<b>₱110,171,721,474</b>
	2020					Total
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	
Financial liabilities:						
Other gaming liabilities:						
Junket program rebates	₱164,543,191	₱-	₱-	₱-	₱-	₱164,543,191
Liability for customer loyalty	264,099,684	-	-	-	-	264,099,684
Progressive jackpot liability	277,499,075	-	-	-	-	277,499,075
Slot payout voucher and tickets liability	49,796,793	-	-	-	-	49,796,793
Customers' deposits	80,287,995	-	-	-	-	80,287,995
Payable to contractors and suppliers	915,983,960	-	-	-	-	915,983,960
Retention payable	257,538,721	-	-	-	-	257,538,721
Accrued expenses:	2,482,117,524	-	-	-	-	2,482,117,524
Tenants' security deposits	51,352,514	315,498,532	-	-	-	366,851,046
Long-term debt						
Principal	2,205,000,000	2,205,000,000	2,940,000,000	5,531,500,000	57,006,000,000	69,887,500,000
Interest	5,077,990,714	4,921,348,690	4,748,528,352	4,461,271,765	9,106,356,543	28,315,496,064
Lease Liabilities	20,926,675	4,438,635	3,218,297	3,379,220	11,185,633	43,148,460
	<b>₱11,847,136,846</b>	<b>₱7,446,285,857</b>	<b>₱7,691,746,649</b>	<b>₱9,996,150,985</b>	<b>₱66,123,542,176</b>	<b>₱103,104,862,513</b>

### Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2021 and 2020 for which the net maximum exposure is not equal to the gross maximum exposure.

	Gross Maximum Exposure		Net Maximum Exposure*	
	2021	2020	2021	2020
Cash and cash equivalents:				
Cash in banks	₱14,214,443,750	₱11,740,550,333	₱14,208,239,685	₱11,708,249,253
Temporary cash investments	3,421,203,657	4,265,186,195	3,419,703,657	4,263,686,195
Debt collateral accounts	4,116,647,815	3,638,722,369	4,116,647,815	3,628,722,369
	<b>₱21,752,295,222</b>	<b>₱19,644,458,897</b>	<b>₱21,744,591,157</b>	<b>₱19,600,657,817</b>

\* Net financial assets after taking into account insurance on bank deposits.



Set out below is the information about the credit risk exposure on the Group's gaming receivables using a provision matrix:

	2021						Total
	Premium HKD	Casual Junket HKD	Premium PHP	Casual Junket PHP	Fixed Junket PHP		
ECL rate	4.17%	0.00%	0.01%	0.00%	0.01%		
Estimated total gross carrying amount at default	₱43,537,973	₱-	₱27,263,699	₱-	₱450,000,000	₱520,801,672	

	2020						Total
	Premium HKD	Casual Junket HKD	Premium PHP	Casual Junket PHP	Fixed Junket PHP		
ECL rate	5.20%	0.00%	0.03%	0.00%	0.05%		
Estimated total gross carrying amount at default	₱45,675,669	₱-	₱33,786,754	₱475,052,589	₱715,000,000	₱1,269,515,012	

	2019						Total
	Premium HKD	Casual Junket HKD	Premium PHP	Casual Junket PHP	Fixed Junket PHP		
ECL rate	0.89%	0.07%	1.85%	0.00%	0.12%		
Estimated total gross carrying amount at default	₱179,007,755	₱467,057,797	₱664,352,991	₱468,548,604	₱1,071,193,411	₱2,850,160,558	

The table below shows gross maximum exposure to the Group's credit risk without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31, 2021 and 2020.

	2021	2020
Cash and cash equivalents:		
Cash in banks	₱14,214,443,750	₱11,740,550,330
Temporary cash investments	3,421,203,657	4,265,186,195
Debt collateral accounts	4,116,647,815	3,638,722,369
Receivables:		
Gaming	1,875,473,949	2,356,543,968
Hotel	60,975,679	21,011,609
Receivables from related party	145,540,340	145,540,340
Receivables from officers and employees	86,606,866	107,278,729
Others	351,529,231	168,408,567
Security deposits	97,207,788	104,338,107
	<b>₱24,369,629,075</b>	<b>₱22,547,580,214</b>

The tables below show the credit quality of the Group's financial assets based on their historical experience with the corresponding third parties:

	2021				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired		
High	₱22,494,155,126	₱-	₱-	₱22,494,155,126	
Moderate	-	535,589,899	-	535,589,899	
Low	-	-	1,339,884,050	1,339,884,050	
Gross carrying amount	22,494,155,126	535,589,899	1,339,884,050	24,369,629,075	
ECL	-	-	1,339,884,050	1,339,884,050	
Carrying amount	₱22,494,155,126	₱535,589,899	₱-	₱23,029,745,025	



	2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
High	₱20,191,036,246	₱-	₱-	₱20,191,036,246
Moderate	-	1,301,852,585	-	1,301,852,585
Low	-	-	1,054,691,383	1,054,691,383
Gross carrying amount	20,191,036,246	1,301,852,585	1,054,691,383	22,547,580,214
ECL	-	-	1,054,691,383	1,054,691,383
Carrying amount	₱20,191,036,246	₱1,301,852,585	₱-	₱21,492,888,831

As of December 31, 2021 and 2020, all financial assets are viewed by management as 'high grade', except for impaired financial assets, considering the collectability of the receivables and the credit history of the counterparties.

### Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from stockholders, return capital to shareholders or issue new shares.

The Group considers equity attributable to equity holders of the Parent Company as its capital, which amounted to ₱28,006.8 million and ₱32,946.8 million as of December 31, 2021 and 2020, respectively.

The Group monitors capital on the basis of debt-to-equity ratio in order to comply with PAGCOR requirement and loan debt covenant (see Notes 11 and 18).

The Group's strategy is to maintain a sustainable debt-to-equity ratio.

## 20. Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Group

The following table presents information necessary to calculate earnings per share:

	2021	2020	2019
(a) Net income (loss) attributable to equity holders of the Parent Company	<b>(₱4,219,643,897)</b>	(₱8,312,867,836)	₱9,955,058,446
(b) Weighted average number of issued shares	<b>11,032,998,225</b>	11,032,998,225	11,032,998,225
Treasury shares at beginning of year	<b>(73,251,325)</b>	(33,651,324)	(19,287,070)
Weighted average number of:			
Treasury shares acquired in 2021	<b>(70,552,815)</b>	(47,487,553)	-
Treasury shares issued for vested stock awards in 2021	<b>20,210,060</b>	16,469,516	-
Treasury shares acquired in 2020	-	-	(11,006,223)
Treasury shares issued for vested stock awards in 2020	-	-	16,132,000
Treasury shares acquired in 2019	-	-	-
Treasury shares issued for vested stock awards in 2019	-	-	-
(c) Weighted average number of treasury shares	<b>(123,594,080)</b>	(64,669,361)	(14,161,293)
(d) Weighted average number of issued shares, net of treasury shares [(b)+(c)]	<b>10,909,404,145</b>	10,968,328,864	11,018,836,932
Unvested stock awards at beginning of year	<b>48,366,781</b>	11,945,908	10,593,992
Weighted average number of:			
Stock awards granted in 2021	-	42,710,265	-
Stock awards granted in 2020	-	-	20,011,314
Stock awards granted in 2019	-	-	-
(e) Weighted average number of stock awards granted	<b>48,366,781</b>	54,656,173	30,605,306
Basic earnings per share (a)/(d)	<b>(₱0.387)</b>	(₱0.758)	₱0.903
Diluted earnings per share (a)/[(d)+(e)]	<b>(₱0.387)</b>	(₱0.758)	₱0.901



For the year ended December 31, 2021 and 2020, 48,366,781 and 54,656,173 stock awards granted, respectively, were excluded from the computation of diluted loss per share as its effect would have been anti-dilutive.

## 21. Note to Consolidated Statements of Cash Flows

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2021, 2020 and 2019, except for the following:

- The Group recognized share-based payment accruals amounting to ₱146.2 million, ₱268.9 million and ₱304.9 million in 2021, 2020 and 2019, respectively (see Note 14).
- Treasury shares were reissued for vested stock awards amounting to ₱291.4 million, ₱248.1 million and ₱261.6 million in 2021, 2020 and 2019, respectively (see Note 14).
- In 2020, 182,000 Bloomberry shares held by a subsidiary with a carrying value of ₱1.9 million were reissued to non-controlling interest holders (see Note 14).
- In 2020, the Group recognized additional right-of-use assets amounting to ₱4.1 million. In 2019, the Group recognized right-of-use assets at initial recognition of the lease at adoption amounting to ₱208.6 million and addition during the year amounting to ₱4.2 million (see Note 8).

The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2021	Cash Flows	Reclassification from Current to Non-current	Additions/ Issuances/ Modifications	Interest Expense	Translation Adjustment	December 31, 2021
Current portion of long-term debt	₱2,060,263,054	(₱2,205,000,000)	₱2,205,000,000	₱-	(₱4,391,059)	₱-	₱2,055,871,995
Long-term debt - net of current portion	66,499,030,678	9,229,011,906	(2,205,000,000)	-	211,481,843	-	73,734,524,427
Lease liabilities	36,510,424	(20,557,814)	-	(298,942)	2,312,761	37,548	18,003,977
Interest payable	977,684,506	(5,181,264,407)	-	-	5,163,590,614	-	960,010,713
Treasury shares	(556,249,344)	(776,074,494)	-	291,392,921	-	-	(1,040,930,917)
Parent Company's shares by a subsidiary	(653,457)	-	-	-	-	-	(653,457)
<b>Total liabilities from financing activities</b>	<b>₱69,016,585,861</b>	<b>₱1,046,115,191</b>	<b>₱-</b>	<b>₱291,093,979</b>	<b>₱5,372,994,159</b>	<b>₱37,548</b>	<b>₱75,726,826,738</b>

	January 1, 2020	Cash Flows	Reclassification from Current to Non-current	Additions/ Issuances/ Modifications	Interest Expense	Translation Adjustment	December 31, 2020
Current portion of long-term debt	₱2,063,995,674	(₱2,209,750,000)	₱2,209,750,000	₱-	(₱3,732,620)	₱-	₱2,060,263,054
Long-term debt - net of current portion	67,054,774,758	1,504,304,012	(2,209,750,000)	-	149,701,908	-	66,499,030,678
Lease liabilities	70,399,387	(40,297,359)	-	2,120,723	4,136,325	151,348	36,510,424
Interest payable	976,122,544	(5,248,919,103)	-	-	5,250,481,065	-	977,684,506
Short-term borrowing	47,633,000	(45,468,920)	-	-	-	(2,164,080)	-
Dividend payable	550,519	(2,743,274,745)	-	2,742,724,226	-	-	-
Treasury shares	(361,335,424)	(443,022,928)	-	248,109,008	-	-	(556,249,344)
Parent Company's shares by a subsidiary	(2,601,459)	1,948,002	-	-	-	-	(653,457)
<b>Total liabilities from financing activities</b>	<b>₱69,849,538,999</b>	<b>(₱9,224,481,041)</b>	<b>₱-</b>	<b>₱2,992,953,957</b>	<b>₱5,400,586,678</b>	<b>(₱2,012,732)</b>	<b>₱69,016,585,861</b>

	January 1, 2019	Cash Flows	Reclassification from Current to Non-current	Additions/ Issuances/ Modifications	Interest Expense	Translation Adjustment	December 31, 2019
Current portion of long-term debt	₱2,068,149,254	(₱2,205,000,000)	₱2,205,000,000	₱-	(₱4,153,580)	₱-	₱2,063,995,674
Long-term debt - net of current portion	69,118,770,432	-	(2,205,000,000)	-	141,004,326	-	67,054,774,758
Lease liabilities	31,897,591	(24,083,055)	-	57,497,896	5,086,955	-	70,399,387
Interest payable	1,006,778,677	(5,434,164,390)	-	-	5,403,508,257	-	976,122,544
Short-term borrowing	130,467,000	(74,720,879)	-	-	-	(8,113,121)	47,633,000
Dividend payable	1,478,712	(1,654,901,193)	-	1,653,973,000	-	-	550,519
Treasury shares	(185,406,175)	(437,570,012)	-	261,640,763	-	-	(361,335,424)
Parent Company's shares by a subsidiary	(9,269,647)	6,668,188	-	-	-	-	(2,601,459)
<b>Total liabilities from financing activities</b>	<b>₱72,162,865,844</b>	<b>(₱9,823,771,341)</b>	<b>₱-</b>	<b>₱1,973,111,659</b>	<b>₱5,545,445,958</b>	<b>(₱8,113,121)</b>	<b>₱69,849,538,999</b>



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## 22. Segment Information

For management purposes, the Group is organized into two geographical segments (i.e., Philippines and Korea). Both segments derive its revenues from operating a casino-hotel business.

Management monitors the operating results of its geographical segment separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to EBITDA, which is not a measure of operating performance or liquidity defined by PFRS and may not be comparable to similarly titled measures presented by other entities. The Group's EBITA is computed as the Group's consolidated net income/loss before interest expense, provision for/benefit from income tax, net foreign exchange gains/losses, share in net loss of a joint venture, mark-to-market gain/loss, depreciation and amortization and non-recurring expenses.



The results of the Group's reportable geographical segments for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Philippines			Korea			Eliminations			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Consolidated EBITDA	<b>₱5,571,225,707</b>	₱1,824,920,916	₱20,294,354,532	<b>(₱357,569,676)</b>	(₱394,919,089)	(₱463,927,225)	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,213,656,031</b>	₱1,430,001,827	₱19,830,427,307
Depreciation and amortization (see Note 16)	<b>(3,359,475,830)</b>	(3,131,563,809)	(3,490,475,939)	<b>(134,193,280)</b>	(216,891,403)	(199,329,288)	-	-	-	<b>(3,493,669,110)</b>	(3,348,455,212)	(3,689,805,227)
Interest expense (see Note 16)	<b>(5,342,379,712)</b>	(5,399,451,679)	(5,564,899,605)	<b>(59,551,090)</b>	(93,768,528)	(115,986,413)	<b>59,551,090</b>	82,823,342	118,855,245	<b>(5,342,379,712)</b>	(5,410,396,865)	(5,562,030,773)
Foreign exchange gains (losses) - net (see Note 20)	<b>777,665,276</b>	(715,899,701)	(330,400,835)	<b>(823,789,135)</b>	566,603,731	10,156,506	<b>250,195,204</b>	(81,396,565)	-	<b>204,071,345</b>	(230,692,535)	(320,244,329)
Impairment loss (see Note 9)	-	-	-	<b>(821,986,928)</b>	(947,055,242)	-	-	-	-	<b>(821,986,928)</b>	(947,055,242)	-
Other income (expenses) (see Note 16)	<b>(7,693,008)</b>	(115,002,345)	(149,629,982)	-	86,734,247	-	-	-	-	<b>(7,693,008)</b>	(28,268,098)	(149,629,982)
Benefit from (provision for) income tax (see Note 19)	<b>9,094,357</b>	207,060,349	(23,572,344)	<b>(10,459,262)</b>	-	(164,190,979)	-	-	-	<b>(1,364,905)</b>	207,060,349	(187,763,323)
Consolidated net income (loss)	<b>(₱2,351,563,210)</b>	(₱7,329,936,269)	₱10,735,375,827	<b>(₱2,207,549,371)</b>	(₱999,296,284)	(₱933,277,399)	<b>₱309,746,294</b>	₱1,426,777	₱118,855,245	<b>(₱4,249,366,287)</b>	(₱8,327,805,776)	₱9,920,953,673

	Philippines			Korea			Eliminations			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Revenue	<b>₱21,910,039,210</b>	₱17,491,442,063	₱45,793,595,880	<b>₱1,779,246</b>	₱79,500,097	₱440,116,109	<b>₱59,355,308</b>	₱87,463,513	₱103,615,852	<b>₱21,971,173,764</b>	₱17,658,405,673	₱46,337,327,841
Operating costs and expenses	<b>(19,801,288,527)</b>	(19,015,753,801)	(29,384,128,292)	<b>(493,577,998)</b>	(691,366,569)	(1,103,504,785)	-	-	-	<b>(20,294,866,525)</b>	(19,707,120,370)	(30,487,633,077)
Other income (expenses):												
Interest expense	<b>(5,342,379,712)</b>	(5,399,451,679)	(5,564,899,605)	<b>(59,551,090)</b>	(93,768,528)	(115,986,413)	<b>59,551,090</b>	82,823,342	118,855,245	<b>(5,342,379,712)</b>	(5,410,396,865)	(5,562,030,773)
Foreign exchange gains (losses) - net	<b>777,665,276</b>	(715,899,701)	(330,400,835)	<b>(823,789,135)</b>	566,603,731	10,156,506	<b>250,195,204</b>	(81,396,565)	-	<b>204,071,345</b>	(230,692,535)	(320,244,329)
Interest income	<b>102,999,194</b>	217,668,845	394,411,005	<b>35,796</b>	55,980	132,163	<b>(59,355,308)</b>	(87,463,513)	(103,615,852)	<b>43,679,682</b>	130,261,312	290,927,316
Impairment loss (see Note 9)	-	-	-	<b>(821,986,928)</b>	(947,055,242)	-	-	-	-	<b>(821,986,928)</b>	(947,055,242)	-
Other income (expenses)	<b>(7,693,008)</b>	(115,002,345)	(149,629,982)	-	86,734,247	-	-	-	-	<b>(7,693,008)</b>	(28,268,098)	(149,629,982)
Benefit from (provision for) income tax	<b>9,094,357</b>	207,060,349	(23,572,344)	<b>(10,459,262)</b>	-	(164,190,979)	-	-	-	<b>(1,364,905)</b>	207,060,349	(187,763,323)
Consolidated net income (loss)	<b>(₱2,351,563,210)</b>	(₱7,329,936,269)	₱10,735,375,827	<b>(₱2,207,549,371)</b>	(₱999,296,284)	(₱933,277,399)	<b>₱309,746,294</b>	₱1,426,777	₱118,855,245	<b>(₱4,249,366,287)</b>	(₱8,327,805,776)	₱9,920,953,673

The assets and liabilities of the Group's reportable geographical segments as of December 31, 2021 and 2020 are as follows:

	Philippines		Korea		Total		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Assets:										
Segment assets	<b>₱298,678,523,358</b>	₱287,686,931,544	<b>₱5,266,530,837</b>	₱6,383,983,115	<b>₱303,945,054,195</b>	₱294,070,914,659	<b>(₱188,693,030,328)</b>	(₱180,616,339,746)	<b>₱115,252,023,867</b>	₱113,454,574,913
Deferred tax assets - net	-	-	-	126,441,881	-	126,441,881	-	(126,441,881)	-	-
Total assets	<b>₱298,678,523,358</b>	₱287,686,931,544	<b>₱5,266,530,837</b>	₱6,510,424,996	<b>₱303,945,054,195</b>	₱294,197,356,540	<b>(₱188,693,030,328)</b>	(₱180,742,781,627)	<b>₱115,252,023,867</b>	₱113,454,574,913
Liabilities:										
Segment liabilities	<b>₱103,595,251,300</b>	₱90,027,760,120	<b>₱8,881,750,272</b>	₱9,443,103,404	<b>₱112,477,001,572</b>	₱99,470,863,524	<b>(₱25,320,760,937)</b>	(₱19,078,174,232)	<b>₱87,156,240,635</b>	₱80,392,689,292
Deferred tax liabilities - net	<b>48,987,284</b>	49,789,362	<b>84,609,802</b>	-	<b>133,597,086</b>	49,789,362	<b>38,375,023</b>	118,087,312	<b>171,972,109</b>	167,876,674
Total liabilities	<b>₱103,644,238,584</b>	₱90,077,549,482	<b>₱8,966,360,074</b>	₱9,443,103,404	<b>₱112,610,598,658</b>	₱99,520,652,886	<b>(₱25,282,385,914)</b>	(₱18,960,086,920)	<b>₱87,328,212,744</b>	₱80,560,565,966



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Bloomberry Resorts Corporation  
The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City, Tambo  
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries 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 March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

SEC Partner Accreditation No. 1402-AR-2 (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. 08-001998-105-2019, November 7, 2019, valid until November 6, 2022

PTR No. 8854379, January 3, 2022, Makati City

March 4, 2022



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
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**BLOOMBERRY RESORTS CORPORATION**Schedule A. Financial Assets  
December 31, 2021

Name of Issuing Entity and Description of Each Issue	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Unrealized mark-to-market gain
		<div data-bbox="981 555 1245 627" style="border: 1px solid black; padding: 5px;">Not Applicable</div>			

**BLOOMBERRY RESORTS CORPORATION**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
For the Year Ended December 31, 2021

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Bloomberry Resorts Corporation	30,624,514	-	2,418,830	₱-	₱	28,205,684	₱-	28,205,684
Sureste Properties, Inc.	31,010,436	44,543,122	(52,041,736)	-		23,505,669	-	23,511,822
Bloomberry Resorts and Hotels Inc.	45,576,885	60,470,349	(71,157,874)	-		34,889,360	-	34,889,360
	₱107,211,835	₱105,007,318	(₱120,780,780)	₱-	₱	₱86,600,713	-	₱86,606,866

**BLOOMBERRY RESORTS CORPORATION**

Schedule C. Amounts of Receivable from Related Parties, which are Eliminated During the Consolidation of Financial Statements  
For the Year Ended December 31, 2021

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Solaire Korea Co., Ltd.	P6,133,196,043	P240,156,431	P1,519,950,000	P-	P414,172,850	P172,025,222	P5,095,550,103	P5,267,575,325
G&L Co., Ltd.	2,960,553,550	153,339,660	-	-	213,574,616	1,392,787,526	1,934,680,300	3,327,467,827
Bloomberry Capital B.V	9,988,300	-	-	-	502,561	10,490,861	-	10,490,861
	P9,103,737,893	P393,496,091	P1,519,950,000	P-	P628,250,028	P1,575,303,609	P7,030,230,404	P8,605,534,013

**BLOOMBERRY RESORTS CORPORATION**Schedule D. Long-term Debt  
December 31, 2021

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
BRHI - Philippine peso-denominated term loans	₱65,782,500,000	₱2,205,000,000	₱63,577,500,000	See Note 11 to the Audited Consolidated Financial Statements
BRHI - Philippine peso-denominated term loans	3,389,850,000	-	3,389,850,000	
BRHI - Philippine peso-denominated term loans	6,500,000,000	-	6,500,000,000	
Sureste - Philippine peso-denominated term loans	1,632,150,000	-	1,632,150,000	
Less: Unamortized Debt Issue Cost	77,304,500,000 (1,514,103,578)	2,205,000,000 (149,128,005)	75,099,500,000 (1,364,975,573)	
	<b>₱75,790,396,422</b>	<b>₱2,055,871,995</b>	<b>₱73,734,524,427</b>	

**BLOOMBERRY RESORTS CORPORATION**

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)  
December 31, 2021

Name of Related Party	Beginning Balance	Ending Balance
<div data-bbox="862 475 1008 547" style="border: 1px solid black; padding: 2px; display: inline-block;">NONE</div>		

**BLOOMBERRY RESORTS CORPORATION**Schedule F. Guarantees of Securities of Other Issuers  
December 31, 2021

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
		NONE		

**BLOOMBERRY RESORTS CORPORATION**

Schedule G. Capital Stock  
December 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Share Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Parent and Affiliates	Directors, Officers and Employees	Others
Shares	15,000,000,000	10,861,125,857*	-	7,082,156,500	77,304,156	3,701,665,201

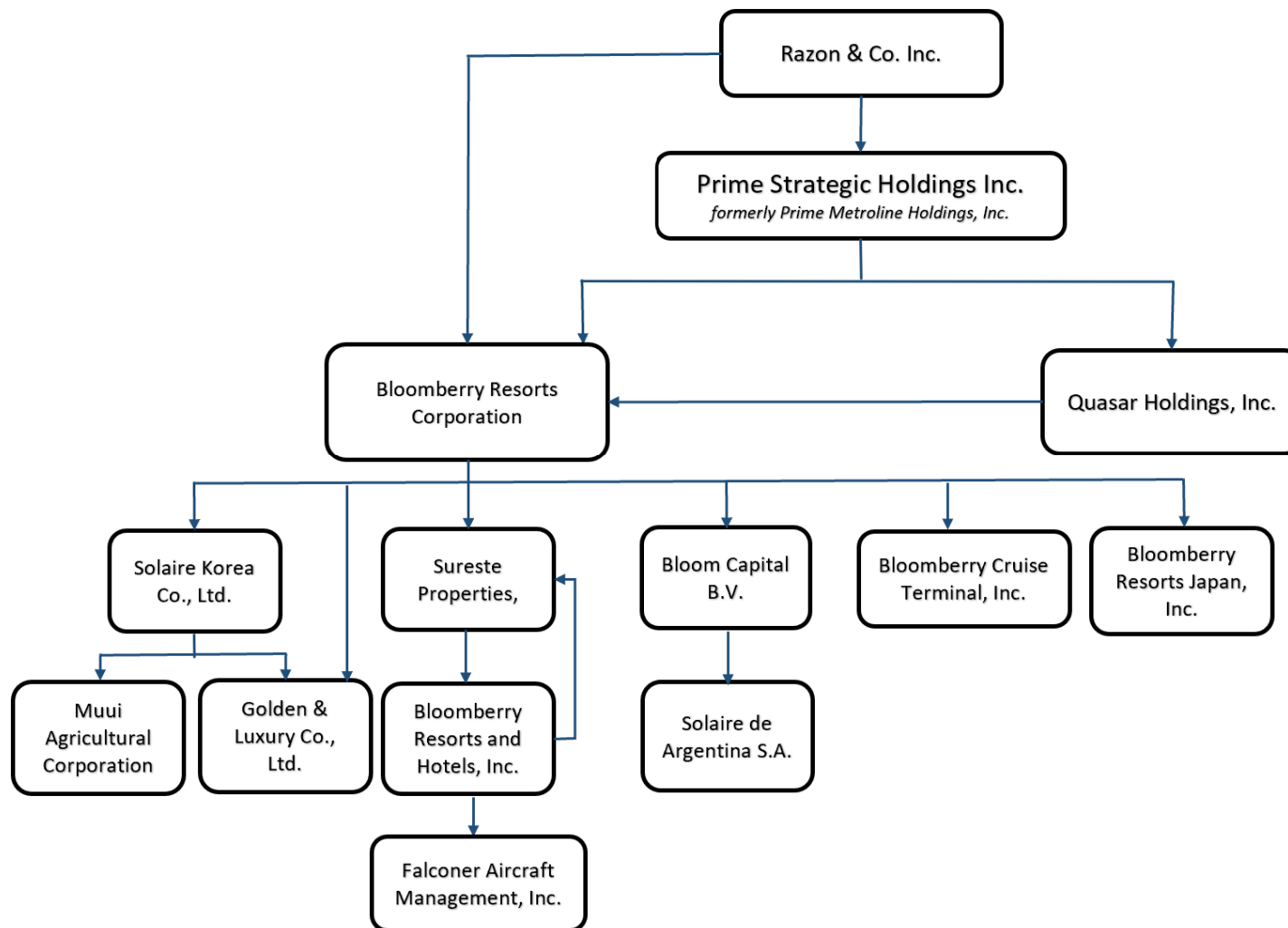
\*Net of treasury shares.

**BLOOMBERRY RESORTS CORPORATION**Schedule H. Reconciliation of Retained Earnings Available for Dividend Declaration  
December 31, 2021

		Amount
Unappropriated retained earnings, beginning		₱2,808,376,741
Adjustments: (see adjustments in previous years' reconciliation)		(1,493,629,059)
Recognized deferred tax assets in prior year		(124,567,969)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		1,190,179,713
Add: Net income (loss) actually earned/realized during the period		
Net income during the year closed to retained earnings	106,089,965	
Less:		
Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalents)	(497,611,168)	
Recognized deferred tax assets during the year	(71,080,811)	
Net income (loss) actually earned/realized during the period		(462,602,014)
Treasury Shares (acquisition net of issuances during the year)		(484,681,573)
Unappropriated retained earnings available for dividend, as adjusted, ending		₱242,896,126

**BLOOMBERRY RESORTS CORPORATION**

Schedule I. Map of Relationships  
December 31, 2021



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Bloomberry Resorts Corporation  
The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City, Tambo  
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries 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 March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company'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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company'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.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

Tax Identification No. 206-384-906

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

SEC Partner Accreditation No. 1402-AR-2 (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. 08-001998-105-2019, November 7, 2019, valid until November 6, 2022

PTR No. 8854379, January 3, 2022, Makati City

March 4, 2022



**BLOOMBERRY RESORTS CORPORATION**

Schedule J. Financial Soundness Indicators

December 31, 2021

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current Assets/Current Liabilities	2.24	2.06
Quick ratio	Liquid Assets*/Current Liabilities	2.13	1.95
Solvency ratios	Total Assets/Total Liabilities	1.32	1.41
Debt ratio	Total Debt/Total Assets	0.76	0.71
Debt-to-equity ratio	Total Liabilities/Total Equity	3.13	2.45
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	0.20	(0.58)
Asset-to-equity ratio	Total Assets/Total Equity	4.13	3.45
Net Profit Margin	Net Profit / Sales	(19.3%)	(46.8%)
Return on assets	Net Income/Total Assets	(3.7%)	(7.3%)
Return on Equity	Net Income / Total Stockholders' Equity	(15.2%)	(25.3%)
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	(16.3)	(10.7)

*\* Cash and cash equivalents plus receivables*

# Annex: Sustainability Reporting

Bloomberry Resorts Corporation (PSE Ticker: BLOOM, hereinafter “Bloomberry” or the “Company”) first published its Sustainability Report (SR) in 2021 in compliance the issuance of the Securities and Exchange Commission (SEC) Memorandum Circular No. 04-2019 (the “MC”). The Company issued its SR in 2019 as an Annex to its SEC Form 17-A using the reporting template of the MC and subsequently issued a full report using the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards. A copy of the Company’s SR can be accessed on its official website:

<https://bloomberry.ph/sustainability>

The Company indicated below the portions of its SR which address the major portions of the Reporting Template for the SEC’s and its stockholders’ easy reference.

SEC Reporting Template Section	Solaire Sustainability Report 2021
Materiality Process	<i>Sustainability for Solaire</i>
Economic	<i>Creating Value to the Society</i> and <i>Good Governance</i>
Environment	<i>Protecting the Environment</i>
Social	<i>Valuing our Customers</i> and <i>The Solaire Team</i>
United Nations Sustainable Development Goals	<i>Beyond Business as Usual: Solaire and the U.N. SDGs</i>