

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

### 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  
Dec 31, 2015
2. SEC Identification Number  
AS093-009289
3. BIR Tax Identification No.  
003-457-827
4. Exact name of issuer as specified in its charter  
Premium Leisure Corp.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
5/F Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City  
Postal Code  
1300
8. Issuer's telephone number, including area code  
02-6628888
9. Former name or former address, and former fiscal year, if changed since last report  
n/a
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P0.25 par value	31,627,310,000

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes          No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Philippine Stock Exchange / Common 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              No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes              No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php30.4 B

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes              No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

n/a

(b) Any information statement filed pursuant to SRC Rule 20

n/a

(c) Any prospectus filed pursuant to SRC Rule 8.1

n/a

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Premium Leisure Corp. PLC

### PSE Disclosure Form 17-1 - Annual Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the fiscal year ended	Dec 31, 2015
Currency (indicate units, if applicable)	Php

#### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Current Assets	3,147,208,827	3,035,432,542
Total Assets	16,441,997,803	15,872,860,772
Current Liabilities	440,574,337	83,953,587
Total Liabilities	552,739,878	85,001,087
Retained Earnings/(Deficit)	440,361,436	980,929,502
Stockholders' Equity	15,889,257,925	15,787,859,685
Stockholders' Equity - Parent	15,734,132,000	15,804,934,252
Book Value per Share	0.5	0.49

#### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2015	Dec 31, 2014
Operating Revenue	1,475,564,865	38,809,095
Other Revenue	149,330,796	189,156,732
Gross Revenue	1,624,895,661	227,965,827
Operating Expense	1,209,625,402	468,991,793
Other Expense	7,352,413	-1,585,088,316
Gross Expense	1,216,977,815	-1,116,096,523

Net Income/(Loss) Before Tax	407,917,846	1,344,062,350
Income Tax Expense	184,763,497	5,117,366
Net Income/(Loss) After Tax	223,154,349	1,338,944,984
Net Income/(Loss) Attributable to Parent Equity Holder	155,232,754	1,338,944,984
Earnings/(Loss) Per Share (Basic)	0	0.08
Earnings/(Loss) Per Share (Diluted)	0	0.08

#### Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2015	Dec 31, 2014
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	7.14	36.16
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	6.2	32.75
Solvency Ratio	Total Assets / Total Liabilities	29.75	186.74
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0	0
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0	0
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	0	0
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.03	1.01
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.75	0.68
Net Profit Margin	Net Profit / Sales	0.27	34.63
Return on Assets	Net Income / Total Assets	0.01	0.14
Return on Equity	Net Income / Total Stockholders' Equity	0.01	0.15
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	90.7	50.31

<b>Other Relevant Information</b>
n/a

#### Filed on behalf by:

<b>Name</b>	Elizabeth Tan
<b>Designation</b>	Manager-Governance & Corp. Affairs/Investor Relations



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**SECURITIES AND EXCHANGE COMMISSION**

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Company Type Stock Corporation

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**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 year ended **December 31, 2015**
2. SEC Identification Number **AS093-009289**
3. BIR Tax Identification No. **003-457-827**
4. Exact name of registrant as specified in its charter: **PREMIUM LEISURE CORP.**
5. Province, Country or other jurisdiction of incorporation or organization:  
**Metro Manila Philippines**
6.  (SEC Use Only)  
Industry Classification Code
7. Address of Principal Office:  
**5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia  
Complex, CBP-1A, Pasay City Postal Code: 1300**
8. Issuer's telephone number, including area code: **(632) 662-8888**
9. Former name, former address, and former fiscal year, if changed since last report  
Former name: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock, ₱0.25 <sup>1</sup> par value	31,627,310,000

On September 5, 2014, the Securities and Exchange Commission (SEC) approved the amendments to the Company's Articles of Incorporation which includes, among others, the increase in the authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both at ₱0.25 par value per share to ₱10,907,500,000, divided into 37,630,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱0.25.

Subscriptions receivable on the 31,627,310,000 outstanding shares amounting to ₱185,480,975 has been collected in full in 2015.
11. Are any or all of these securities listed on the Philippine Stock Exchange (PSE).  
Yes [x] No [ ]  
  
Out of a total of 31,627,310,000 outstanding shares, 31,627,309,995 shares are listed on the PSE.

<sup>1</sup> New par value of ₱0.25 was implemented in the Philippine Stock Exchange on May 29, 2014.

12. Check whether the issuer:
- a) has filed all reports required to be filed by Section 17 of Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the issuer was required to file such report(s), been filed:  
  
Yes [ x ]    No [   ]
  - b) has been subject to such filing requirements for the past 90 days.  
  
Yes [ x ]    No [   ]
13. Aggregate market value of the voting stock held by non-affiliates: **₱6,520,733,506**  
Aggregate market value was computed by multiplying voting stock held by non-affiliates with the stock's closing price of ₱0.97 per share on March 11, 2016.

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Premium Leisure Corp. formerly Sinophil Corporation ("PLC" or the "Company") was incorporated as Sinophil Exploration Co., Inc. on November 26, 1993. PLC was organized with oil and gas exploration and development as its primary purpose. The Company and other companies (Contractors), were participants in several Geophysical Survey and Exploration Contracts and Non-Exclusive Geophysical Permits entered into with the Philippine Government, through the Department of Energy, covering certain petroleum contract areas in various locations. It also had passive equity investments in Dragon Oil Plc (Dragon Oil) and Sinoil Asia Limited (Sinoil). In 1996, with investor interest in oil exploration and mining companies remaining generally soft, the Company's management recommended conversion of PLC from an oil exploration company to an investment holding company. In line with the Company's decision to change its primary purpose, the Company assigned its interests in Dragon Oil and Sinoil to Belle Corporation ("Belle") and/or its subsidiaries. To finance the Company's projects, acquisitions and investments in 1997, private placements of PLC's shares were made to several investors, both in the country and overseas.

On June 3, 1997, the Securities and Exchange Commission (SEC) approved the Company's application for a change in primary purposes from oil and gas exploration and development to being an investment holding company. As an investment holding firm, it shall engage in the acquisition (by purchase, exchange, assignment or otherwise), ownership and use for investment any and all properties and other assets of every kind and description.

On June 2, 2014, the Board of Directors of the Company approved a plan to take on the gaming business and interests of Belle Corporation (the "Investment Plan"). In line with this, the Company was authorized:

- a. To sell to Belle its non-gaming related assets consisting of the following:
  - Membership shares in Tagaytay Midlands Golf Club, Inc.
  - A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area.
  - Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Midlands Complex.
  - Undeveloped land located in the City of Tanauan, Province of Batangas.
- b. To acquire from Belle the following:
  - 100% ownership interest in PremiumLeisure and Amusement, Inc. ("PLAI") for a consideration of ₱10,847.8 million; and
  - 34.5% ownership interest in Pacific Online Systems Corporation ("POSC") for a consideration of ₱1,525.0 million.
- c. To execute a Memorandum of Agreement (Second Amendment Agreement to the Settlement Agreement dated August 28, 2009) for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

In July 2014, the transfer of the above assets were completed

On June 20, 2014, Belle and PLC entered into a Subscription Agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114,300,000 thereby increasing Belle's ownership interest in PLC to 90%. Subscription payments were received in July 2014.

On July 18, 2014, PLC's Board of Directors and stockholders unanimously approved the amendment to the Articles of Incorporation for the increase in authorized capital stock from ₱4,032,500,000 divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000 divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

## Material acquisitions of investments

The Company has invested in various companies as follows:

1. 100% Equity Investment in Premium Leisure and Amusement, Inc. ("PLAI")

PLAI is a co-grantee together with Belle Corporation and other SM consortium members (under CA/License Reg. No. 08-003) by the Philippine Amusement and Gaming Corporation ("PAGCOR") of a Certificate of Affiliation and Provisional License (the "Provisional License") to operate an integrated casino resort, complex in the approved site located in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City ("PAGCOR Entertainment City"), which site was originally referred to as "Belle Grande". On April 29, 2015, PAGCOR granted the Regular Gaming License ("License") to the consortium. This regular casino license has the same terms and conditions of the Provisional License, as applicable, and runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, and renewable for another 25 years, by the Philippine Congress. PLAI was the special purpose entity authorized by PAGCOR to perform the casino operations for the consortium.

On October 25, 2012, Belle Corp., together with PLAI, and SM Investments Corporation (Philippine Parties), formally entered into a Cooperation Agreement with Melco Crown Entertainment Limited ("MCE Parties"), which took effect on March 13, 2013, the date on which the conditions to closing under the Closing Agreement were fulfilled, or waived. Under the Cooperation Agreement, the Philippine Parties agreed to include the MCE Parties as co-licensees for which PAGCOR issued an Amended Certificate of Affiliation and Provisional License dated January 2013. The Cooperation Agreement further specified the respective roles of the Philippine Parties and the MCE Parties in the casino resort project.

Under the Cooperation Agreement, the Philippine Parties, through Belle Corporation, would provide the land and building structures for the casino complex. The land and building structures are leased to the MCE Parties who will in turn provide the fit outs and operate the entire casino complex.

Likewise under the Cooperation Agreement, the new special purpose entity to perform the casino operations was agreed to be MCE Leisure (Philippines) Corporation. In consideration for ceding that role from PLAI to MCE Leisure (Philippines) Corporation, the MCE Parties agreed to pay the Philippine Parties, through PLAI, certain amounts based on gaming revenues as follows:

### **Fees payable to PLAI**

PLAI will be entitled to receive from MCE Leisure agreed upon monthly payments consisting of the following:

a) the higher of (i) one-half of the Project's Mass Market gaming EBITDA (after deductions comprising 2% management allowance, Mass Market operating expenses and an agreed deductible of 7% of Mass Market Gaming EBITDA) (**PLAI MASS EBITDA**) or (ii) 15% of the Project's net Mass Market gross gaming revenues (after deduction of amounts for PAGCOR non-VIP license fees) (**PLAI MASS Net Win**), whichever is higher; and

b) the higher of (i) one-half of the Project's VIP gaming EBITDA (after deductions comprising 2% management allowance, VIP operating expenses and an agreed deductible of 7% of VIP gaming EBITDA) (**PLAI VIP EBITDA**) or (ii) 2% of the Project's net VIP gross gaming revenues (after deduction of amounts for PAGCOR VIP license fees, VIP commissions and incentives, as well as VIP bad debt expenses) (**PLAI VIP Net Win**), whichever is higher (the **PLAI VIP Monthly Payment**).

In addition, at the end of each fiscal period of 24 months, a calculation is made to determine the difference between (i) the higher of PLAI VIP EBITDA and 5.0% of the Project's PLAI VIP NET WIN, and (ii) the cumulative PLAI VIP Monthly Payments made for the fiscal period. If (i) is higher, the difference is paid to PLAI as an additional payment for the following period. If (ii) is higher, the difference is deducted from the first VIP payment for the following fiscal period. Meanwhile, MCE Leisure will retain all revenues from the non-gaming operations of the Project.

In October 2013, MCE announced the rebranding of the integrated resort as “City of Dreams Manila”, after its successful flagship City of Dreams resort in Macau’s Cotai Strip. The City of Dreams Manila will have ~950 hotel rooms from 6 towers. It will have 22,507 square meters of gaming gross floor area from a total gross floor area of 300,097 square meters. It will also include ~20,000 square meters of retail and restaurant facilities and various entertainment options.

City of Dreams Manila opened to the public in December 2014, and had its grand opening on February 2, 2015. The resort complex is located on a land area of around 6.2 hectares in Entertainment City. It is composed of hotel, retail and dining areas with an allotment of around 380 mass and VIP gaming tables, 1,700 slot machines and 1,700 electronic game machines. As of September 30, 2015, City of Dreams Manila boasts of around 265 gaming tables, 1,552 slot machines and 50 electronic table games in operation.

In addition to casino gaming, City of Dreams Manila features three entertainment areas, including DreamPlay by DreamWorks, Centerplay and its night clubs, Chaos and Pangaea Ultra-Lounge. DreamPlay is the first branded Family Entertainment Center in Manila, while Centerplay features a live performance central lounge in the casino.

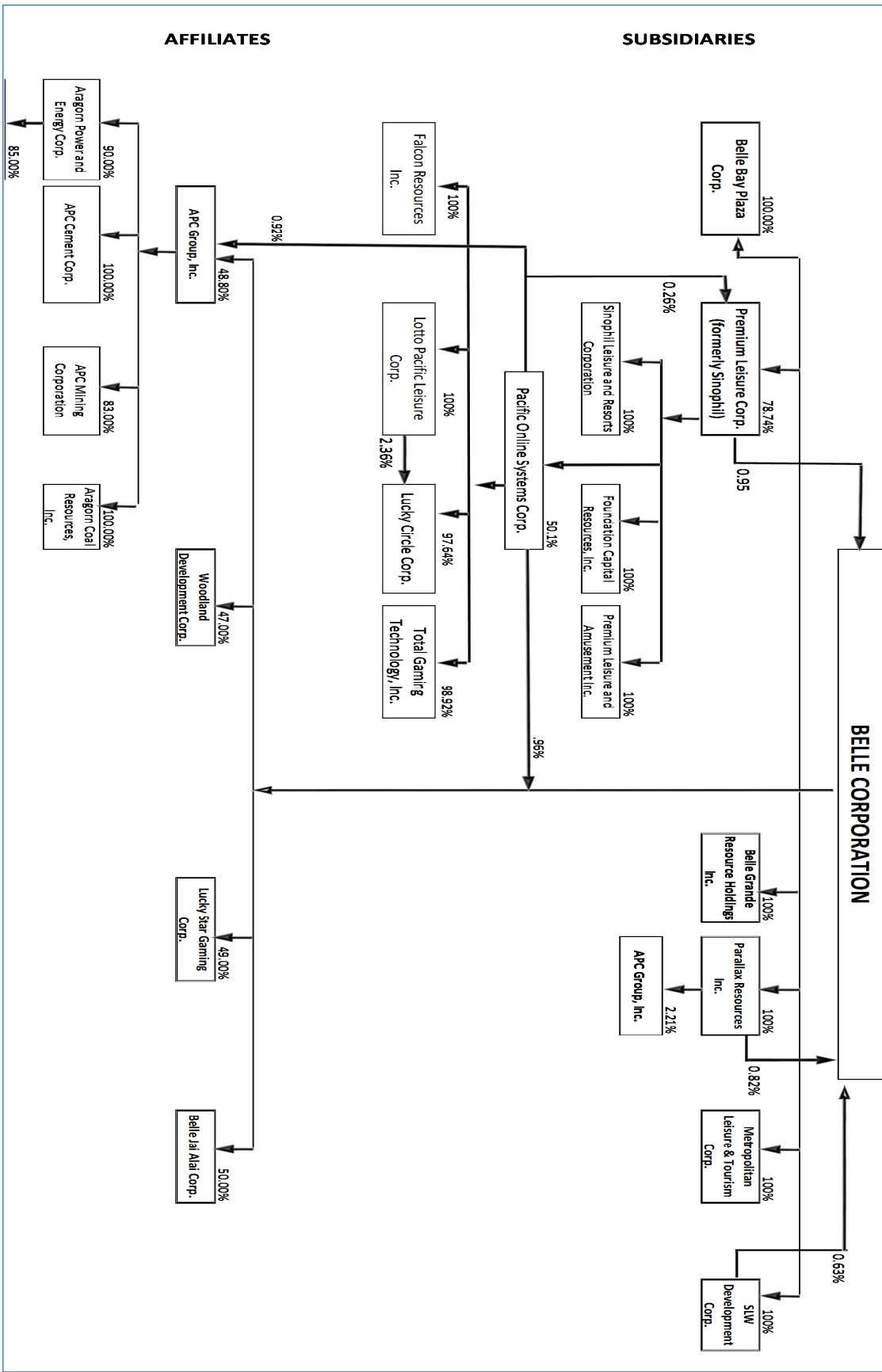
City of Dreams Manila hosts three hotels within its vicinity. Crown Towers has approximately 260 luxurious rooms, while Hyatt, managed by Hyatt International Corporation, holds 365 rooms. Asia’s first Nobu Hotel, meanwhile, owns 321 rooms.

*MCE, a company listed in the Hong Kong Stock Exchange, whose major shareholders are Melco International Development Limited and Crown Limited, is a developer and owner of integrated resort facilities focused on the Macau market. Its operating complex in Macau’s Cotai Strip, known as the “City of Dreams”, is a highly successful project that houses a gaming facility, a Crown Hotel, a Grand Hyatt Hotel, a Hard Rock Hotel and an upscale retail operation, along with a mix of bars and restaurants that are drawing crowds mainly from Hong Kong and China. The “City of Dreams” is also known for its spectacular show called “The House of Dancing Water”, which has become one of Macau’s major tourist attractions. MCE is building its second integrated resort in Macau called “Studio City”. The Cooperation Agreement governs the parties’ development and operation of the City of Dreams Manila integrated resort complex.*

2. 50.1% Controlling Interest in Pacific Online Systems Corporation (“LOTO”)

Pacific Online Systems Corporation, with PSE ticker symbol LOTO, was incorporated in 1993. A systems integrator of gaming solutions, it is primarily engaged in the development, design and management of online computer systems, terminals and software for the gaming industry, with the Philippine Charity Sweepstakes Office (PCSO) as its main customer. It has been consistently profitable since its fiscal year 2002.

On July 22, 2014, PLC executed several Deeds of Sales of Shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 POSC common shares at a subscription price of ₱15 per share equivalent to 34.5% ownership interest in POSC for a total consideration of ₱1,525,034,310. On August 5, 2015, PLC acquired additional 47,851,315 shares of Pacific Online Systems Corp. (“POSC”), thereby obtaining an overall ownership of 50.1% of POSC. The purchase resulted in combining PLC’s and POSC’s financial statements on a line-by-line basis. Based on management’s judgment, PLC’s investment gives PLC controlling interest over POSC as evidenced by more than 50% voting interest.



## **Products**

PLC's investments in companies engaged in gaming and gaming-related activities are indicated below. In the Philippines, the gaming industry is relatively untapped by the private sector, creating opportunities for experienced leisure operators. PLC's gaming businesses are undertaken mainly by the following:

1. PremiumLeisure & Amusement Inc. ("PLAI") is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.
2. Pacific Online Systems Corporation ("POSC"), leases on-line betting equipment to the PCSO for their lottery operations in the Visayas and Mindanao regions. PLC owns a controlling interest of 50.1% of outstanding shares of Pacific Online, which is a publicly listed company, beginning August 5, 2015.

## **Competition**

In gaming, City of Dreams Manila will be competing against casinos operated by PAGCOR and the other two licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers") and Solaire Resort and Casino of Bloomberry Resorts Corporation. Travelers has also broken ground on its planned Resorts World Bayshore project in PAGCOR City, with the opening thereof reportedly estimated by Travelers in 2018. The fourth licensee, Universal Entertainment Inc., is not yet in operation and the opening date for its resort is still uncertain as of this date.

POSC, PLC's subsidiary does not expect to face any competition until 2018, upon the expiration of its Equipment Lease Agreement (ELA) with PCSO. However, management is aware of the prevalence of illegal gambling similar to lotto particularly in interior towns and remote areas. In spite of this, improved sales of lotto under PCSO has exhibited growth due to better payouts under a more transparent system.

## **Sources and availability of raw materials and the names of principal suppliers.**

Not Applicable.

## **Customers**

POSC, a subsidiary in which PLC has a 50.1% stake, has Philippine Charity Sweepstakes Office (PCSO) as its major customer, with which it has Equipment Lease Agreements (ELA). It brokers technology from leading global suppliers of integrated gaming systems and leases to PCSO the needed equipment for online lottery operations in the Vis-Min regions.

Other than what is mentioned above, the Company's business is not dependent upon a single customer or a few customers, and the loss of any or more of which would not have a material adverse effect on the registrant and its subsidiaries taken as a whole.

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

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions")

**Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held.**

PLC, through its subsidiary, PLAI, holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within PAGCOR Entertainment City. The license is concurrent with the PAGCOR congressional franchise and is set to expire in 2033.

PLC's involvement in the lottery run by the PCSO is via its ownership in POSC, which holds an equipment lease agreement (ELA) with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions. POSC's ELA with PCSO has been extended until July 31, 2018.

**Effect of existing or probable governmental regulations on the business.**

The Company is in compliance with all government requirements necessary for its operations.

PLC's gaming business are subject to certain laws and regulations. As discussed above, PLAI holds a License granted to it by PAGCOR for the operation of integrated resorts while POSC holds an ELA with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions.

Future government regulations are perceived to have no material impact to the normal operations of the Company.

**No. of Employees**

The Company is a holding company whose business is not manpower intensive; hence, its transactions are extremely manageable through temporary secondment of personnel from its affiliates on an as needed basis. This arrangement is also resorted to in keeping with austerity measures adopted due to present economic conditions. These personnel seconded to the Company are not subject to Collective Bargaining Agreements.

**Risks**

*Economic and Political Conditions*

The Company's business is mainly the acquisition of investments in gaming, which are generally influenced by Philippine political and economic conditions. Events and conditions that may have a negative impact on the Philippine economy as a whole may also adversely affect the Company's ability to acquire various investments.

*Changes to the Philippine Laws and Regulations*

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of Belle, including its subsidiaries and affiliates.

In order to mitigate the risks mentioned above, the Company will continue to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

## Revenues

The following are the major revenue items in 2015 and 2014:

Year Ended December 31 (Php)	2015		2014	
	Amount	% to Total Revenue	Amount	% to Total Revenue
Gaming revenue share	756,237,939	47%	38,809,095	17%
Equipment lease rentals	630,926,248	39%	-	0%
Commission, distribution and instant scratch tickets	88,400,678	5%	-	0%
Equity in net earnings of an associate	75,525,743	5%	31,521,474	14%
Interest income	42,034,540	3%	6,465,350	3%
Dividend income	31,770,513	2%	1,999,754	1%
Gain on sale of land	-	0%	149,170,154	65%
<b>Total</b>	<b>1,624,895,661</b>	<b>100%</b>	<b>227,965,827</b>	<b>100%</b>

## Item 2. Properties

The Company has real estate property recorded as noncurrent asset held for sale. This pertains to an undeveloped land in the City of Tanauan, Province of Batangas, amounting to P285.5 million. These properties are not subject to mortgage, lien and encumbrances.

## Item 3. Legal Proceedings

To the best of the Company's knowledge, neither the Company nor any of its subsidiaries or affiliates is a party to, nor are they involved in, any litigation that will materially affect its interests.

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

There were no matters submitted to a vote of security holders during the calendar year covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

### Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE"). The high and low sales prices for each quarter within the last two years of the registrant's common shares, as quoted on the PSE, are as follows:

### Stock Prices

2015	High	Low
First Quarter	2.130	1.400
Second Quarter	1.770	1.160
Third Quarter	1.600	0.950
Fourth Quarter	1.260	0.560
2014	High	Low
First Quarter	0.340	0.270
Second Quarter	1.650	1.010
Third Quarter	2.010	1.360
Fourth Quarter	2.260	1.580

As of December 31, 2015, PLC's market capitalization on 31,627,310,000 shares listed in the PSE amounted to P20,241,478,400 based on the closing price of P0.64 per share.

## Security Holders

The number of shareholders of record as of December 31, 2015 was 382. Common shares outstanding as of December 31, 2015 were 31,627,310,000.

### Top 20 shareholders as of December 31, 2015:

RANK	NAME	CITIZENSHIP	TOTAL SHARES	PERCENTAGE OF OWNERSHIP
1	BELLE CORPORATION	FILIPINO	24,904,904,324	78.745
2	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	4,411,453,170	13.948
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	2,016,162,315	6.375
4	SYSMART CORPORATION	FILIPINO	128,270,000	0.406
5	SYNTRIX HOLDINGS, INC.	FILIPINO	74,040,000	0.234
6	WILLY NG OCIER	FILIPINO	16,888,000	0.053
7	PARKORAM DEVELOPMENT LIMITED	OTHERS	14,264,119	0.045
8	OSCAR S. CU ITF ANTHONY CU	FILIPINO	10,430,000	0.033
9	OSCAR S. CU	FILIPINO	9,070,000	0.029
10	PARALLAX RESOURCES, INC.	FILIPINO	4,570,300	0.014
11	GILBERT DEE	FILIPINO	2,600,000	0.008
12	WASHINGTON Z. SYCIP	AMERICAN	1,597,000	0.005
13	M. J. SORIANO TRADING, INC.	FILIPINO	1,590,000	0.005
14	ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	FILIPINO	1,520,000	0.005
15	AUGUSTO LITONJUA &/OR LUIS SALVADOR	FILIPINO	1,520,000	0.005
16	CAI CHANG CHU	CHINESE	1,400,000	0.004
17	PCCI SECURITIES BROKERS CORPORATION	FILIPINO	1,325,000	0.004
18	LEONCIO TAN TIU	FILIPINO	1,300,000	0.004
19	ELIZABETH CHENG	FILIPINO	1,100,000	0.003
20	WILLIAM T. GABALDON	FILIPINO	1,000,000	0.003

## Dividends

The Board of Directors adopted, as a matter of policy, that the Corporation shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration the availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of cash, operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.

The Company's Board of Directors approved on February 23, 2016 the declaration of cash dividends of ₱0.0215 per share for a total cash dividend payment to its common shareholders of approximately ₱680 million payable on March 23, 2016 to shareholders of record as of March 10, 2016.

In 2015, the Company declared and paid cash dividends of ₱0.022 per share for a total cash dividend payment to its common shareholders of approximately ₱700 million. This was paid on April 17, 2015 to shareholders of record as of March 20, 2015.

There is no legal restriction that limits or would likely limit the Company's ability to pay dividends, aside from its retained earnings available for such.

## Recent Sales of Unregistered Securities

The Company did not sell or issue securities within the past three (3) years that were not registered under the Securities Regulation Code.



## Item 6. Management's Discussion and Analysis of Operating Performance and Financial Condition

### Analysis of Results of Operation and Financial Condition – 2015 compared to 2014

(Amounts in Peso, except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease)		2015	2014
			Amount	%		
<b>REVENUE</b>						
Gaming revenue share	756,237,939	38,809,095	717,428,844	1849%	51%	100%
Equipment lease rentals	630,926,248	-	630,926,248	100%	43%	0%
Commission and instant scratch tickets	88,400,678	-	88,400,678	100%	6%	0%
	<b>1,475,564,865</b>	<b>38,809,095</b>	<b>1,436,755,770</b>	<b>3702%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	356,598,224	12,075,317	344,522,907	2853%	24%	31%
General and administrative expenses	289,749,544	408,292,190	(118,542,646)	-29%	20%	1052%
Amortization of intangible asset	563,277,634	48,624,286	514,653,348	1058%	38%	125%
	<b>1,209,625,402</b>	<b>468,991,793</b>	<b>740,633,609</b>	<b>158%</b>	<b>82%</b>	<b>1208%</b>
<b>OTHER INCOME (EXPENSE)</b>						
Equity in net earnings of an associate	75,525,743	31,521,474	44,004,269	140%	5%	81%
Interest income	42,034,540	6,465,350	35,569,190	550%	3%	17%
Dividend income	31,770,513	1,999,754	29,770,759	1489%	2%	5%
Finance charges	(4,996,708)	-	(4,996,708)	-100%	0%	0%
Gain on sale of land	-	149,170,154	(149,170,154)	-100%	0%	384%
Fair value change due to cancellation of swap agreement and sale of golf club shares	-	1,643,407,304	(1,643,407,304)	-100%	0%	4235%
Share in cumulative translation adjustments of available-for-sale financial assets	(2,355,705)	(58,318,988)	55,963,283	-96%	0%	-150%
	<b>141,978,383</b>	<b>1,774,245,048</b>	<b>(1,632,266,665)</b>	<b>-92%</b>	<b>10%</b>	<b>4572%</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>407,917,846</b>	<b>1,344,062,350</b>	<b>(936,144,504)</b>	<b>-70%</b>	<b>28%</b>	<b>3463%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 27)						
Current	186,833,985	5,117,366	181,716,619	3551%	13%	13%
Deferred	(2,070,488)	-	(2,070,488)	-100%	0%	0%
	<b>184,763,497</b>	<b>5,117,366</b>	<b>179,646,131</b>	<b>3511%</b>	<b>13%</b>	<b>13%</b>
<b>NET INCOME (LOSS)</b>	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>
<b>Attributable to:</b>						
Equity holders of the parent	155,232,754	1,338,944,984	(1,183,712,230)	-88%	11%	3450%
Non-controlling interests	67,921,595	-	67,921,595	100%	5%	0%
	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>

PLC recognized full-year audited consolidated Earnings before interest, income taxes, depreciation and amortization (EBITDA) of P1.0 billion for 2015. Full year consolidated net income is at P223.2 million for 2015.

2015 revenues increased substantially due to the full-year operations of City of Dreams - Manila from which the Company receives gaming revenue share. Since its opening in December 2014, City of Dreams is now a significant player in the gaming industry. Gaming revenue share for 2015 amounted to P756.2 million, versus the reported share in 2014 of P38.8 million. The consolidation of POSC in PLC also contributed to the significant increase in revenue by about P719.3 million. On August 5, 2015, PLC acquired additional shares of POSC, resulting in an overall ownership of 50.1%. This resulted in the consolidation of the financials of POSC, contributing higher revenues in terms of equipment lease rentals, commission, distribution and instant scratch tickets revenues.

Costs and expenses increased by P740.6 million compared with 2014 figures due to: (a) higher cost of services in 2015 amounting to P356.6 million (these are costs directly associated with the Company's gaming revenue share and equipment lease rentals) (b) full-year effect of amortization of intangible asset amounting to P563.3 million in 2015 from P48.6 million in 2014, and (c) the general increase is partially offset by lower general and administrative expenses which decreased by P118.5 million in 2015 due mainly to higher recognized expenses in 2014, specifically related to provision for doubtful accounts.

Full year net income of P223.2 million for 2015 decreased from 2014 reported net income of P1,338.9 million. 2014 performance includes one-off transactions resulting to other income amounting to P1,792.6 million due to corporate re-organization that the Company had undertaken which resulted to the acquisition of gaming businesses and sale of non-gaming related assets.

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2015	2014	Increase (Decrease) Amount	%	2015	2014
<b>NET INCOME (LOSS)</b>	<b>223,154,349</b>	<b>1,338,944,984</b>	<b>(1,115,790,635)</b>	<b>-83%</b>	<b>15%</b>	<b>3450%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	(252,460,264)	23,420,369	(275,880,633)	-1178%	-17%	60%
Share in mark-to-market loss on available-for-sale financial assets of an associate	(38,258,713)	-	(38,258,713)	-100%	-3%	0%
Fair value change due to recovery of previous impairment of available-for-sale financial assets	-	1,643,407,304	(1,643,407,304)	-100%	0%	4235%
Recycling of fair value change due to cancellation of swap agreement and sale of golf club shares	-	(1,643,407,304)	1,643,407,304	-100%	0%	-4235%
Recycling of share in cumulative translation adjustments of investment in an associate	-	58,318,988	(58,318,988)	100%	0%	150%
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gain on net retirement benefits - net of tax	4,582,575	-	4,582,575	100%	0%	0%
Share in remeasurement loss on net retirement benefits of an associate - net of tax	-	(3,989,546)	3,989,546	-100%	0%	-10%
	(286,136,402)	77,749,811	(363,886,213)	-468%	-19%	200%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(62,982,053)</b>	<b>1,416,694,795</b>	<b>(1,479,676,848)</b>	<b>-104%</b>	<b>-4%</b>	<b>3650%</b>
<b>Total comprehensive income (loss) attributable to:</b>	<b>(105,673,078)</b>	<b>1,416,694,795</b>	<b>(1,522,367,873)</b>	<b>-107%</b>	<b>-7%</b>	<b>3650%</b>
Equity holders of the parent						
Non-controlling interests	42,691,025	-	42,691,025	100%	3%	0%
	(62,982,053)	1,416,694,795	(1,479,676,848)	-104%	-4%	3650%

Comprehensive loss in 2015 is at P63.0 million, compared with comprehensive income in 2014 of P1,416.7 million mainly due to the lower net income for 2015 as well as the higher mark-to-market loss on AFS investments that were recorded as part of other comprehensive loss.

	Horizontal Analysis				Vertical Analysis	
	December 31		Increase (Decrease)		December 31	
	2015	2014	Amount	%	2015	2014
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,187,556,503	2,692,121,573	(1,504,565,070)	-56%	7%	17%
Investments held for trading	226,746,690	-	226,746,690	100%	1%	0%
Receivables	509,585,194	57,771,668	451,813,526	782%	3%	0%
Notes receivable	805,925,000	-	805,925,000	100%	5%	0%
Other current assets	131,884,988	28,849	131,856,139	457056%	1%	0%
Noncurrent asset held for sale	285,510,452	285,510,452	-	0%	2%	2%
<b>Total Current Assets</b>	<b>3,147,208,827</b>	<b>3,035,432,542</b>	<b>111,776,285</b>	<b>4%</b>	<b>19%</b>	<b>19%</b>
<b>Noncurrent Assets</b>						
Intangible asset	10,231,313,891	10,794,591,525	(563,277,634)	-5%	62%	68%
Available-for-sale financial assets	586,543,893	489,801,169	96,742,724	20%	4%	3%
Investment in an associate	-	1,552,566,238	(1,552,566,238)	-100%	0%	10%
Property and equipment	544,628,438	383,800	544,244,638	141804%	3%	0%
Goodwill	1,828,577,952	-	1,828,577,952	100%	11%	0%
Deferred tax asset	42,261,133	-	42,261,133	100%	0%	0%
Other noncurrent assets	61,463,669	85,498	61,378,171	71789%	0%	0%
<b>Total Noncurrent Assets</b>	<b>13,294,788,976</b>	<b>12,837,428,230</b>	<b>457,360,746</b>	<b>4%</b>	<b>81%</b>	<b>81%</b>
<b>TOTAL ASSETS</b>	<b>16,441,997,803</b>	<b>15,872,860,772</b>	<b>569,137,031</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	365,772,706	79,141,507	286,631,199	362%	2%	0%
Current portion of obligations under finance lease	25,201,309	-	25,201,309	100%	0%	0%
Income tax payable	49,600,322	4,812,080	44,788,242	931%	0%	0%
<b>Total Current Liabilities</b>	<b>440,574,337</b>	<b>83,953,587</b>	<b>356,620,750</b>	<b>425%</b>	<b>3%</b>	<b>1%</b>
<b>Noncurrent Liabilities</b>						
Obligation under finance lease	93,527,275	-	-	-	-	-
Retirement liability	18,638,266	1,047,500	17,590,766	1679%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>112,165,541</b>	<b>1,047,500</b>	<b>111,118,041</b>	<b>10608%</b>	<b>1%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>552,739,878</b>	<b>85,001,087</b>	<b>467,738,791</b>	<b>550%</b>	<b>3%</b>	<b>1%</b>
<b>Equity Attributable to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	48%	50%
Additional paid-in capital	7,238,721,924	6,946,201,779	292,520,145	4%	44%	44%
Subscription receivable	-	(185,480,975)	185,480,975	-100%	0%	-1%
Cost of parent company shares held by a subsidiary	(422,210,490)	-	(422,210,490)	-100%	-3%	0%
Other reserves	(121,523,954)	139,381,879	(260,905,833)	-187%	-1%	1%
Retained earnings	440,361,436	980,929,502	(540,568,066)	-55%	3%	6%
	15,042,176,416	15,787,859,685	(745,683,269)	-5%	91%	99%
<b>Non-controlling Interests</b>	<b>847,081,509</b>	<b>-</b>	<b>847,081,509</b>	<b>100%</b>	<b>5%</b>	<b>0%</b>
<b>Total Equity</b>	<b>15,889,257,925</b>	<b>15,787,859,685</b>	<b>101,398,240</b>	<b>1%</b>	<b>97%</b>	<b>99%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,441,997,803</b>	<b>15,872,860,772</b>	<b>569,137,031</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

Total assets increased by P569.1 million (4%) to P16,442.0 million as of December 31, 2015 from P15,827.9 million as of December 31, 2014. This increase was mainly brought about by the consolidation of POSC in 2015, which contributed to significant increases in the Company's receivables, investments (both marketable securities and AFS) and property and equipment. Goodwill of P1,828.6 million was recognized as a result of the acquisition of controlling interest in POSC, accounted for using the pooling method. Meanwhile, intangible asset decreased by P 563.3 million in 2015 due to amortization for the year.

Total liabilities amounted to P552.7 million in 2015, up by 550% from 2014's P85.0 million amount. This increase was also mainly brought about by the consolidation of POSC's financials with PLC. The increase in income tax payable for 2015 is mainly due to the higher revenues recorded for the year versus the previous year, resulting to relatively higher taxes.

Stockholders' equity amounted to P15,889.3 million as of December 31, 2015. This increased by P101.4 million from 2014. Changes in stockholders' equity include an increase in additional paid-in capital by P292.5 million mostly due to the effect of the pooling method in consolidating POSC, P422.2 million in treasury shares held by a subsidiary, full payment in 2015 of subscription receivable amounting to P185.5 million, a decrease in other reserves by P260.9 million brought about mainly by the mark-to-market losses in AFS. Retained earnings for 2015 is also lower by P540.6 million versus 2014 due to the P695.8 million dividends declared and paid during the year offset by the P223.2 million net income (of which P155.2 million is attributable to the parent company) recognized for the year.

Below are the comparative key performance indicators of the Company and its majority-owned subsidiaries:

Ratio	Manner in which the financial ratios are computed	December 31, 2015	December 31, 2014
Current ratio	Current assets over current liabilities	7.14 : 1.00	36.16 : 1.00
Return on assets	Net income (loss) over average total assets during the period	1.38%	14.93%
Return on equity	Net income (loss) over average equity during the period	1.41%	15.20%
Asset to equity ratio	Total assets over total equity	1.03 : 1.00	1.01 : 1.00
Debt to equity ratio	Interest-bearing debt over total equity	Not applicable	Not applicable
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	Not applicable	Not applicable

The current ratio of the Company decreased for 2015 from 32.76 to 7.14. This is mainly brought about by the increase in current liabilities for 2015 due to the consolidation of POSC. Despite the increase in current assets of 14%, the increase in current liabilities of 425% affects the current ratio heavily. In spite of this, however, the current assets of the Company can more than adequately cover its current liabilities. In addition, the Company does not foresee any cash flow or liquidity problems over the next 12 months.

Return on assets (from 14.93% to 1.38%) and return on equity (from 15.20% to 1.41%) also significantly declined in 2015. This is mainly because of the relatively lower net income recognized in 2015 versus 2014. 2014 recorded several one-off transactions due to the reorganization that contributed to the higher return on assets and return on equity in 2014.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2015, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

The Company does not foresee any liquidity problem over the next 12 months.

## Analysis of Results of Operation and Financial Condition - 2014 compared to 2013

(Amounts in Pesos, except percentages)	For the year ended December 31		Horizontal Analysis		Vertical Analysis	
	2014	2013	Increase (Decrease)		2014	2013
			Amount	%		
<b>Revenue</b>						
Gaming revenue share	38,809,095	-	38,809,095	100.0%	17.0%	0.0%
<b>Other Income</b>						
Gain on sale of land	149,170,154	-	149,170,154	100.0%	65.4%	0.0%
Equity in net earnings of an associate	31,521,474	-	31,521,474	100.0%	13.8%	0.0%
Interest income from cash in bank and cash equivalents	6,465,350	1,043	6,464,307	619780.2%	2.8%	100.0%
Dividend income	1,999,754	-	1,999,754	100.0%	0.9%	0.0%
	227,965,827	1,043	227,964,784	21856642.8%	100.0%	100.0%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	(468,991,793)	(8,735,710)	460,256,083	5268.7%	-205.7%	-837556.1%
<b>FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT AND SALE OF GOLF CLUB SHARES</b>	1,643,407,304	-	1,643,407,304	100.0%	720.9%	0.0%
<b>SHARE IN CUMULATIVE TRANSLATION ADJUSTMENT OF AVAILABLE FOR-SALE FINANCIAL ASSETS</b>	(58,318,988)	-	(58,318,988)	-100.0%	-25.6%	0.0%
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	1,344,062,350	(8,734,667)	1,352,797,017	15487.7%	589.6%	-837456.1%
<b>PROVISION FOR CURRENT INCOME TAX</b>	5,117,366	-	5,117,366	100.0%	2.2%	0.0%
<b>NET INCOME (LOSS)</b>	1,338,944,984	(8,734,667)	1,347,679,651	15429.1%	587.3%	-837456.1%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Fair value change due to recovery of previous impairment	1,643,407,304	-	1,643,407,304	100.0%	720.9%	0.0%
Recycling of fair value change due to cancellation of Swap Agreement and sale of golf club shares	(1,643,407,304)	-	(1,643,407,304)	-100.0%	-720.9%	0.0%
Mark-to-mark gains (losses) on available-for-sale financial assets	23,420,369	(20,800,737)	44,221,106	212.6%	10.3%	-1994318.0%
Share in the other comprehensive loss of an associate accounted for using the equity method - net of tax	(3,989,546)	-	(3,989,546)	-100.0%	-1.8%	0.0%
	19,430,823	(20,800,737)	40,231,560	193.4%	8.5%	-1994318.0%
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	1,358,375,807	(29,535,404)	1,387,911,211	4699.1%	595.9%	-2831774.1%

PLC realized consolidated income amounting to ₱1,338.9 million for the year ended December 31, 2014 compared to a consolidated net loss of ₱8.7 million for the year ended December 31, 2013. The higher net income in 2014 resulted mainly from: a) ₱1,219.1 million net reversal of a provision for impairment of its investment in Legend International Resorts (LIR) HK Limited following the cancellation of the 1,000,000,000 PLC shares formerly held by Metroplex and rescinding the Swap Agreement; (b) reversal of impairment for the 220 membership shares in Tagaytay Midlands Golf Club, Inc. amounting to ₱83.6 million following the eventual sale in July 2014; (c) ₱149.2 million gain on the sale of its real estate property in the Aseana Business Park and 17 parcels of lands in The Parks at Saratoga Hills; (d) ₱38.8 million Gaming Revenue share from the opening of the City of Dreams Manila integrated resort and casino operations for the period December 14-31, 2014; (e) ₱31.5 million Equity in net earnings of an associate; (f) interest income from cash in banks and short-term deposits of ₱6.5 million.

General and administrative expenses increased by ₱460.3 million compared to 2013 due to: (a) provision for doubtful accounts on its receivable from LIR and provision for probable loss on its input VAT amounting to ₱340.7 and ₱9.0 respectively; (b) amortization of Intangible assets of ₱48.6 million; (c) payment of DST and CGT arising from sale of its real properties amounting to ₱24.3 million; and (d) payment of professional and service fee of ₱23.8 million.

PLC's total comprehensive income for the year ended December 31 2014 of ₱1,358.4 was higher than total comprehensive loss of ₱29.5 million due to higher net income as discussed above and higher mark-to-market gain on available-for-sale financial assets as compared to mark-to-market loss recognized in 2013.

	December	December	Horizontal Analysis		Vertical Analysis	
	2014	2013	Increase (Decrease)		2014	2013
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,692,121,573	925,039	2,691,196,534	290927.8%	17.0%	0.0%
Receivables and others	57,800,517	26,201,799	31,598,718	120.6%	0.4%	1.3%
Other current asset	-	65,501,280	(65,501,280)	-100.0%	0.0%	3.2%
Total Current Assets	2,749,922,090	92,628,118	2,657,293,972	2868.8%	17.3%	4.5%
<b>Non-Current Assets</b>						
Intangible asset	10,794,591,525	-	10,794,591,525	100.0%	68.0%	0.0%
Investment in an associate	1,552,566,238	-	1,552,566,238	100.0%	9.8%	0.0%
Available-for-sale financial assets	489,801,169	1,580,820,800	(1,091,019,631)	-69.0%	3.1%	76.5%
Investment properties	285,510,452	394,210,452	(108,700,000)	-27.6%	1.8%	19.1%
Other noncurrent assets	469,298	-	469,298	100.0%	0.0%	0.0%
Total Non-Current Assets	13,122,938,682	1,975,031,252	11,147,907,430	564.4%	82.7%	95.5%
<b>Total Assets</b>	<b>15,872,860,772</b>	<b>2,067,659,370</b>	<b>13,805,201,402</b>	<b>667.7%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accrued expenses and other current liabilities	79,141,507	53,321,503	25,820,004	48.4%	0.5%	2.6%
Income tax payable	4,812,080	-	4,812,080	100.0%	0.0%	0.0%
Total Current Liabilities	83,953,587	53,321,503	30,632,084	57.4%	0.5%	2.6%
<b>Non-Current Liabilities</b>						
Retirement liability	1,047,500	-	1,047,500	100.0%	0.0%	0.0%
Due to Belle Corporation	-	179,011,579	(179,011,579)	-100.0%	0.0%	8.7%
Total Non-Current Liabilities	1,047,500	179,011,579	(177,964,079)	-99.4%	0.0%	8.7%
<b>Total Liabilities</b>	<b>85,001,087</b>	<b>232,333,082</b>	<b>(147,331,995)</b>	<b>-63.4%</b>	<b>0.5%</b>	<b>11.2%</b>
<b>Equity</b>						
Capital stock	7,906,827,500	7,927,310,000	(20,482,500)	-0.3%	49.8%	383.4%
Additional paid-in capital	6,946,201,779	2,039,727,799	4,906,473,980	240.5%	43.8%	98.6%
Subscription receivable	(185,480,975)	(4,962,580,586)	4,777,099,611	96.3%	-1.2%	-240.0%
Cost of Parent Company shares held by a subsidiary	-	(512,594,197)	512,594,197	100.0%	0.0%	-24.8%
Other reserves	139,381,879	315,951,765	(176,569,886)	-55.9%	0.9%	15.3%
Retained earnings (deficit)	980,929,502	(2,972,488,493)	3,953,417,995	133.0%	6.2%	-143.8%
Net Equity	15,787,859,685	1,835,326,288	13,952,533,397	760.2%	99.5%	88.8%
<b>Total Liabilities and Equity</b>	<b>15,872,860,772</b>	<b>2,067,659,370</b>	<b>13,805,201,402</b>	<b>667.7%</b>	<b>100.0%</b>	<b>100.0%</b>

Total assets increased by ₱13,805.2 million (668%) to ₱15,872.9 million as of December 31, 2014 from ₱2,067.7 million as of December 31, 2013. Significant increase in total assets was due to the 100% acquisition of PLAI and consequently recognition of an intangible asset-net amounting to ₱10,794.6 million and acquisition of 34.5% interest in POSC amounting to ₱1,552.6 million recorded as an Investment in an associate. Increased in Receivables and others account represents the gaming revenue share from MCE Leisure for the period December 14-31 amounting to ₱38.8 million. Available-for-sale financial assets decreased by ₱1,091.0 million due to the redemption of 1,000,000,000 Preferred shares of Belle and the sale of 220 membership shares in TMGLCI. Decreased in Investment properties account was due to the sale of its real property in Aseana to Belle. Other assets also decreased due to the sale of the 17 lots in The Parks at Saratoga Hills.

Total liabilities amounted to ₱85.0 million as of December 31, 2014 compared to ₱232.3 million as of December 31, 2013 for a decrease of ₱147.3 million or 63% due to the full settlement of the remaining liabilities to Belle. Accrued and other current liabilities increased due the accrual made on Professional and Service fee amounting to ₱14.6 million. The Company also recorded retirement liability from its employees and income tax payable for the year.

Stockholder's equity amounted to ₱15,787.9 million as of December 31, 2014 compared to ₱1,835.3 million as of December 31, 2013 for an increase of ₱13,952.5 million or 760%. The increase was mainly due to Belle's subscription to new shares of the Company and full payment of its partially paid shares which were part of the corporate reorganization amounting to ₱12,671.8 million. Decrease in subscription receivable was due the collections made by the Company from its subscribers amounting to ₱4,777.1 million. Other reserves increase by ₱23.4 million due to unrealized mark-to-market gain on its available-for-sale investments. Foundation Capital Resources, Inc. a wholly owned subsidiary of PLC had sold all of its 156.53 million PLC shares at ₱1.65 per share resulting in a decrease in "Cost of Parent Company shares held by a subsidiary" account.

Other movements within the Stockholders' equity account were primarily due to effects of the quasi- reorganization completed by PLC in 2014, which reduced the par value of its common shares from ₱1.00 per share to ₱0.25 per share and applied the resulting additional paid-in capital to reduce its accumulated deficit by ₱2,614.5 million.

Below are the comparative key performance indicators of the Company and its majority-owned subsidiaries:

	Manner by which the financial ratios are computed	Dec. 31, 2014	Dec. 31, 2013
Current ratio	Current assets over current liabilities	<b>32.76 : 1.00</b>	<b>1.74 : 1.00</b>
Return on assets	Net income (loss) over average total assets during the period	<b>14.93%</b>	<b>(0.43%)</b>
Return on equity	Net income (loss) over average equity during the period	<b>15.20%</b>	<b>(0.47%)</b>
Asset-to-equity ratio	Total assets over total equity	<b>1.01:1.00</b>	<b>1.13:1.00</b>
Debt to equity ratio	Total debt over total equity	<b>Not applicable</b>	Not applicable
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	<b>Not applicable</b>	Not applicable

The Company does not foresee any cash flow or liquidity problems over the next 12 months. The Company has no borrowings from banks or institutional investors.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2014, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company during the years ended December 31, 2014 and December 31, 2013.

## **Analysis of Results of Operation and Financial Condition - 2013 compared to 2012**

(Amounts in Pesos, except percentages)	For the year ended December 31		Horizontal Analysis		Vertical Analysis	
	2013	2012	Increase (Decrease)		2013	2012
			Amount	%		
<b>INCOME</b>						
Interest income from cash in bank	1,043	1,160	(117)	-10.1%	100.0%	0.0%
Gain on liquidating dividend	-	33,324,175	(33,324,175)	-100.0%	0.0%	100.0%
	1,043	33,325,335	(33,324,292)	-100.0%	100.0%	100.0%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	(8,735,710)	(6,913,678)	1,822,032	26.4%	-837556.1%	-20.7%
<b>PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	-	(1,585,088,316)	(1,585,088,316)	-100.0%	0.0%	-4756.4%
<b>LOSS BEFORE INCOME TAX</b>	(8,734,667)	(1,558,676,659)	1,549,941,992	99.4%	-837456.1%	-4677.2%
<b>PROVISION FOR CURRENT INCOME TAX</b>	-	9,376,689	(9,376,689)	-100.0%	0.0%	28.1%
<b>NET LOSS</b>	(8,734,667)	(1,568,053,348)	1,559,318,681	99.4%	-837456.1%	-4705.3%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Mark-to-market gains (losses) on available-for-sale financial assets during the year	(20,800,737)	94,833,460	(115,634,197)	-121.9%	-1994318.0%	284.6%
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	(29,535,405)	(1,473,219,888)	1,443,684,483	98.0%	-2831774.1%	-4420.7%

PLC incurred a consolidated net loss of ₱8.7 million for the year ended December 31, 2013, which compares to a consolidated net loss of ₱1,568.1 million for the year ended December 31, 2012. In 2012, an impairment loss was recorded amounting to ₱1,585.1 million due to the decrease in the recoverable value of investments in the Company's available-for-sale investments, principally the remaining book value of ₱1,501.5 million in LIR-HK. The foregoing impairment loss of the Company in 2012 was partially offset by its gain from the liquidating dividend on its investment in Belle Bay City Corporation amounting to ₱33.3 million. No impairment loss provision was necessary in 2013.



	December	December	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
	2013	2012	Amount	%	2013	2012
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash in bank	925,039	789,884	135,155	17.1%	0.0%	0.0%
Receivables and others	26,201,799	30,036,723	(3,834,924)	-12.8%	1.3%	1.5%
Other asset	65,501,280	-	65,501,280	100.0%	3.2%	0.0%
Total Current Assets	92,628,118	30,826,607	61,801,511	200.5%	4.5%	1.5%
<b>Non-Current Assets</b>						
Available-for-sale financial assets	1,580,820,800	1,601,621,537	(20,800,737)	-1.3%	76.5%	79.0%
Investment Properties	394,210,452	394,210,452	(0)	0.0%	19.1%	19.5%
Total Non-Current Assets	1,975,031,252	1,995,831,989	(20,800,737)	-1.0%	95.5%	98.5%
<b>Total Assets</b>	<b>2,067,659,370</b>	<b>2,026,658,596</b>	<b>41,000,774</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
Accrued expenses and other current liabilities	53,321,503	53,367,070	(45,567)	-0.1%	2.6%	2.6%
Income tax payable	-	2,854,689	(2,854,689)	-100.0%	0.0%	0.1%
Due to Belle Corporation	179,011,579	105,650,145	73,361,434	69.4%	8.7%	5.2%
Total Liabilities	232,333,082	161,871,904	70,461,178	43.5%	11.2%	8.0%
<b>Equity</b>						
Capital stock	7,927,310,000	7,927,310,000	-	0.0%	383.4%	391.2%
Additional paid-in capital	2,039,727,799	2,039,727,799	-	0.0%	98.6%	100.6%
Subscription receivable	(4,962,580,586)	(4,962,655,586)	75,000	0.0%	-240.0%	-244.9%
Cost of Parent Company shares held by a subsidiary	(512,594,197)	(512,594,197)	-	0.0%	-24.8%	-25.3%
Other reserves	315,951,765	336,752,502	(20,800,737)	-6.2%	15.3%	16.6%
Deficit	(2,972,488,493)	(2,963,753,826)	(8,734,667)	0.3%	-143.8%	-146.2%
Net Equity	1,835,326,288	1,864,786,692	(29,460,404)	-1.6%	88.8%	92.0%
<b>Total Liabilities and Equity</b>	<b>2,067,659,370</b>	<b>2,026,658,596</b>	<b>41,000,774</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Total assets increased by P41.0 million (2%), to P2,067.7 million as of December 31, 2013, from P2,026.7 million as of December 31, 2012, mainly due PLC's receipt from Belle Corporation of 17 lots in The Parks at Saratoga Hills with a market value of approximately P65.5 million, in accordance with a Memorandum of Agreement executed by Belle and PLC on August 28, 2009 and amended on April 5, 2013 (the "Settlement Agreement"). The Settlement Agreement was executed between Belle and the Company relative to the proposed settlement of the 1 billion Belle Preferred shares held by PLC and dividends receivable therefrom. The Settlement Agreement provides, among others, the following: (i) the transfer by Belle Corporation or its designee to PLC of 220 shares of Tagaytay Midlands Golf Club, Inc. ("TMGC") and 220 saleable lots in a future project in Tanauan, Batangas at prevailing market rates (The "Future Project"); (ii) in consideration for the TMGC shares, PLC renounced all past, present and future dividends on Belle preferred shares held by it; and (iii) the eventual cancellation of the Belle preferred shares held by the Company upon receipt by it of saleable lots in the Future Project, which were intended to be completed by Belle by August 2014. On April 5, 2013, Belle and the Company executed an amendment to the Settlement Agreement stipulating an immediate payment by Belle of property (e.g. the 17 lots in The Parks at Saratoga Hills) and an undertaking by Belle to arrange for the conversion and titling of 36 hectares of land owned by Sinophil in Tanauan, Batangas. In exchange, the Company agreed to extend the delivery of sealable lots in the Future Project to August 28, 2019, which lots are to have a total valuation of approximately P794 million.

The Company's total liabilities increased by P70.5 million (44%), to P232.3 million as of December 31, 2013 from P161.9 million as of December 31, 2012, mainly due to the acquisition of 17 lots in The Parks at Saratoga Hills from Belle. This and other amounts Due to Belle will be reversed upon final settlement of the 1 billion Belle Preferred Shares under the Settlement Agreement, which is stipulated to occur by August 28, 2019.

The Company's equity decreased by ₱29.5 million (2%) from ₱1,864.8 million as of December 31, 2012 to ₱1,835.3 million as of December 31, 2013, due to ₱20.8 million in unrealized mark-to-market losses on Available-for-Sale ("AFS") financial assets and the ₱8.7 million net loss during 2013. The mark-to-market losses on AFS financial assets during 2013 arose from the decrease in market value of the Company's 100 million Belle common shares as of December 31, 2013, compared to December 31, 2012.

Below are the comparative key performance indicators of the Company and its majority-owned subsidiaries:

	Manner by which the financial ratios are computed	Dec. 31, 2013	Dec. 31, 2012
Current ratio	Current assets over current Liabilities	<b>1.74 : 1.00</b>	0.55 : 1.00
Return on assets	Net loss over average total assets during the period	<b>(0.43%)</b>	(56.78%)
Return on equity	Net loss over average equity during the period	<b>(0.47%)</b>	(60.28%)
Asset-to-equity ratio	Total assets over total equity	<b>1.13:1.00</b>	1.09:1.00
Debt to equity ratio	Total debt over total equity	Not applicable	Not applicable
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	Not applicable	Not applicable

The Company does not foresee any cash flow or liquidity problems over the next 12 months. The Company has no borrowings.

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities were created during the year.

As of December 31, 2013, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2013 to December 31, 2014.

## Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2015. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on sales; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

PLC maintains sufficient cash balances to meet minimum operational requirements, as determined by management from time to time. Additional cash requirements are sourced from affiliates. To the best of the Company's knowledge, there are no known trends, events or uncertainties that will have a material impact on its liquidity.

## Information on Independent Accountant and Other Related Matters

### a. External Audit Fees

#### 1. Audit and Audit-Related Fees

The aggregate fees paid by the Company for professional services (including Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended December 31, 2015 and 2014 follow:

	(P000's omitted)
2015	P392.0
2014	358.4

2. There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

### b. Tax Fees

There were no professional services rendered by the external auditor for tax accounting compliance, advice, planning and any other form of tax services in each of the last two years.

### c. All Other Fees

There were no other professional services rendered by the external auditors for each of the last two years other than item (a) and (b) above.

### d. The Audit Committee's approval policies and procedures for the above services

The Audit Committee has the oversight responsibility over the audit function and activities of the Company's internal and external auditors. It provides assurance that financial disclosures made by the management as presented in the Auditor's report reasonably reflect (a) the financial condition; the result of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended.

The Audit Committee has the responsibility to recommend an external auditor to be selected appointed by the stockholders during each annual stockholder's meeting.

It reviews the audit coverage of the External Auditors and deliberate on their audit report prior to endorsement to the Board of Directors and presented to the stockholder's for approval.

## Item 7. Financial Statements

Please see attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

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

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant or any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

### Independent Public Accountants, External Audit Fees and Services

SyCip Gorres Velayo & Co. ("SGV"), the Company's external auditors for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholder's meeting. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Over the past five (5) years, there was no event where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

In Compliance with the SEC Memorandum Circular No. 8 Series of 2003, Mr. Juanito A. Fullecido was assigned in 2007 as SGV's engagement partner for the Company, his assignment has ended after 2008-2009 audit engagement. SGV appointed Mr. Roel E. Lucas as the engagement partner for the Company from 2010-2011. In 2013 and 2012, SGV appointed Ms. Clairma T. Mangangey as the engagement partner for the Company. In 2014, SGV appointed Ms. Marydith C. Miguel as the engagement partner for the Company. In 2015, SGV appointed Ms. Belinda T. Beng Hui as the partner-in-charge of the Company.

The Audit Committee recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

## PART III - CONTROL AND COMPENSATION INFORMATION

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

#### (1) Directors and Executive Officers

The names and ages of all the incumbent Directors, elected on April 27, 2015 during the Annual Stockholders' Meeting and who are to serve for a term of one (1) year until their successor shall have been duly elected and qualified, and the Executive Officers are:

Name	Citizenship	Age	Position	Period Served
Willy N. Ocier	Filipino	59	Chairman of the Board	06/25/99 - present
Frederic C. DyBuncio	Filipino	56	President and CEO	04/23/12 - present
Roman Felipe S. Reyes	Filipino	64	Independent Director	07/18/14 - present
Joseph C. Tan	Filipino	58	Independent Director	07/18/14 - present
Juan Victor S. Tanjuatco	Filipino	68	Independent Director	07/18/14 - present
A. Bayani K. Tan	Filipino	60	Director	06/23/98 - present
Exequiel P. Villacorta, Jr.	Filipino	70	Director	07/18/14 - present
Elmer B. Serrano	Filipino	48	Corporate Secretary	04/27/15 - present
Phil Ivan Chan	Filipino	33	Asst Corporate Secretary	04/27/15 - present
Arthur A. Sy	Filipino	46	Asst. Corporate Sec.	07/19/11 - present
Armin Raquel-Santos	Filipino	48	EVP & COO	07/18/14 - present
Jackson T. Ongsip	Filipino	42	Chief Finance Officer	04/23/12 - present
Dexter C. Reyes	Filipino	42	Controller	07/18/14 - present

The following are brief descriptions of the business experiences over the past five (5) years of the incumbent members of the Board.

All of the incumbent members of the Board have been nominated for re-election by the Nomination Committee.

**Willy N. Ocier**

Mr. Ocier is the Chairman of the Board and Director of Premium Leisure Corp. same with APC Group, Inc., and Premium Leisure and Amusement, Inc.. He is one of the Co-Vice Chairman of Belle Corporation since June 1999. He is also the Vice Chairman of Highlands Prime, Inc. and Tagaytay Highlands International Golf Club, Inc. He is the Chairman, Chief Executive Officer and President of Philippine Global Communications, Inc. and likewise the Chairman and President of Pacific Online Systems Corporation. He is also the Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc. He sits as Director of Leisure and Resorts World Corporation, IVantage Equities, and Toyota Corporation Batangas. He was the former President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

**Frederic C. DyBuncio**

Mr. DyBuncio is the President, Chief Executive Officer and Director of Premium Leisure Corp, Belle Corporation and APC Group, Inc. He is the Vice Chairman and Director of Atlas Consolidated Mining and Development Corporation, and a Director of Pacific Online Systems Corporation. Concurrently, he is the Senior Vice President of Investments Portfolio of SM Investments Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions where he worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

**Roman Felipe S. Reyes**

Mr. Reyes, a Certified Public Accountant, is the Chairman of Reyes Tacandong & Co., and a member of the GSIS Board of Trustees since 2010. He serves as an Independent Director of Macawiwili Gold Mining And Development Co., Inc., Pakistan International Container Terminal Limited, Premium Leisure Corporation, Bank of Commerce, RPN 9, Philippine Geothermal Production Company, Pasudeco, All Asian Countertrade, National Reinsurance Corporation of the Philippines, and Rockwell Leisure Club. He is also a current Trustee of San Beda College, San Beda Alumni Association Foundation, and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. He was a Senior Partner and the Vice Chairman for Client Services and Accounts of SGV & Co. from 1984-2009, and the President of Knowledge Institute in 2009. Mr. Reyes earned his Bachelor of Science degree in Commerce, major in Accounting, from San Beda College in 1972, and obtained his MBA degree in Finance from the University of Detroit in 1975.

**Joseph C. Tan**

Atty. Tan is the Founding Partner of MOST LAW. He is a Consultant Chairman of UCPB. He was formerly a Director of Philippine Bank of Communications and special counsel for Agus Cruz & Manzano Law Office. Atty. Tan holds a Bachelor of Arts degree in Business Administration from the University of San Francisco (USA) and a Bachelor of Laws degree from the Ateneo de Manila College of Law graduating with honors.

**Juan Victor S. Tanjuatco**

Mr. Tanjuatco is an Independent Director of IP Ventures, Inc., and a Director of Ketmar Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatruster Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez where, after 21 years, he retired as Deputy General Manager in Manila. Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from the Ateneo de Manila University (cum laude) and a Masters in Business Administration, major in Finance, from the Wharton School, University of Pennsylvania.

**A. Bayani K. Tan**

Atty. Tan is a Director of the Corporation (since December 1993, Publicly-Listed). He is also a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation (since February 2014 as Corporate Secretary\*, since June 2014 as Director\*, Publicly-Listed), Belle Corporation (since May 1994, Publicly Listed), Coal Asia Holdings, Inc. (since July 2012, Publicly-Listed), Destiny Financial Plans, Inc. (since 2003), Discovery World Corporation (since March 2013 as Director, since July 2003 as Corporate Secretary, Publicly-Listed), First Abacus Financial Holdings Corp. (since May 1994, Publicly Listed), I-Remit, Inc. (since May 2007, Publicly-Listed), Pacific Online Systems Corporation (since May 2007, Publicly-Listed), Philequity Balanced Fund, Inc. (since March 2010), Philequity Dividend Yield Fund, Inc. (since January 2013), Philequity Dollar Income Fund, Inc. (since March 1999), Philequity Foreign Currency Fixed Income Fund, Inc. (since March 2010), Philequity Fund, Inc. (since June 1997), Philequity Peso Bond Fund, Inc. (since June 2000), Philequity PSE Index Fund, Inc. (since February 1999), Philequity Resources Fund, Inc. (since March 2010), Philequity Strategic Growth Fund, Inc. (since April 2008), TKC Metals Corporation (since February 2007, Publicly-Listed), Tagaytay Highlands International Golf Club, Inc. (since November 1993), Tagaytay Midlands Golf Club, Inc. (since June 1997), The Country Club at Tagaytay Highlands, Inc. (since August 1995), The Spa and Lodge at Tagaytay Highlands, Inc. (since December 1999) and Vantage Equities, Inc. (since January 1993, Publicly-Listed). Mr. Tan is also a Director and the Corporate Secretary of Sterling Bank of Asia Inc. (since December 2006). He is the Managing Partner of the law offices of Tan Venturanza Valdez (since it was established in 1988), Managing Director/President of Shamrock Development Corporation (since May 1988), Director of Destiny LendFund, Inc. (since December 2005) and Pascual Laboratories, Inc. (since March 2014), President of Catarman Chamber Elementary School Foundation, Inc. (since August 2012), Managing Trustee of SCTan Foundation, Inc. (since 1986), Trustee and Treasurer of Rebisco Foundation, Inc. (since April 2013) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (since February 2011).

Atty. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

\*As approved by Bangko Sentral ng Pilipinas on December 29, 2014

**Exequiel P. Villacorta, Jr**

Mr. Villacorta is an elected Director of BDO Leasing and Finance, Inc. Prior to this position, he was a Director of Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank and PBCom, and Adviser to the Board of PCI Capital Corporation. Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from the Asian Institute of Management.

**Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

The Nomination Committee constituted by the Company's Board of Directors, indorsed the nominations for re-election as independent directors given in favor of Messrs. Joseph C. Tan, Juan Victor S. Tanjuatco and Mr. Roman Felipe S. Reyes. The Nomination Committee, composed of Mr. Joseph C. Tan (Chairman), Juan Victor S. Tanjuatco and Roman Felipe S. Reyes, has determined that these nominees for

independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above, are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

#### **Other Executive Officers**

##### **Armin B. Raquel-Santos**

Mr. Raquel-Santos is currently the Executive Vice President and Chief Operating Officer of PLC. He is Executive Vice President – Integrated Resorts of Belle Corporation, Executive Vice President of PremiumLeisure and Amusement Inc., Director of Tagaytay Highlands International Golf Club, Inc. and Trustee, Melco Crown Philippines Foundation Corporation. He was former Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II. His experience include stints with multinational companies such as Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York. He holds a Master of Arts in Liberal Studies from Dartmouth College, U.S.A. and Bachelor of Science in Business Administration Major in Finance from Iona College, U.S.A.

##### **Jackson T. Ongsip**

Mr. Ongsip is the Vice President for Finance and Chief Financial Officer of the Company. He is a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co. (SGV) and 11 years as with Globe Telecom. He is currently a Vice President for Portfolio Investments of SM Investments Corporation. He is also a Director, the President and Chief Executive Officer of APC Group, Inc., an affiliate of Premium Leisure Corp. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

##### **Dexter C. Reyes**

Mr. Reyes is the Controller of Premium Leisure Corp., and Assistant Vice President for Operations of Premium Leisure and Amusement, Inc. He has over 15 years of experience in the hotel and integrated resort business, and has specialized in auditing hotel and gaming operations. He was a former Senior Manager at EDSA Shangri-la and Thunderbird Resorts and has experience in opening casinos in Lodz, Poland and Daman, India. Mr. Reyes holds a Bachelor of Science degree in Accounting from the University of the East Manila.

##### **Elmer B. Serrano**

Mr. Serrano is one of the co-founders/co-owners and Senior Partner of Martinez Vergara Gonzalez & Serrano, a law firm engaged in the general practice of law with 30 lawyers. He is a practicing partner and the firm has been repeatedly recognized as top tier in the Philippines and recommended by several international publications, including Acquisitions International based in the UK and The Legal 500. Atty. Serrano was a senior officer of BDO Unibank, Inc. handling investment banking, corporate finance, and mergers & acquisitions until 2005. He is currently the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc. and Crown Equities, Inc. as well as Corporate Information Officer of BDO Unibank, Inc., the biggest bank in the Philippines and AG Finance, Inc. All these companies are listed with the Philippine Stock Exchange. Atty. Serrano, graduated college from Ateneo de Manila University and law from the Ateneo College of Law.

##### **Phil Ivan A. Chan**

Atty. Chan is a Senior Associate Lawyer at Martinez Vergara Gonzalez & Serrano. Phil is heavily exposed in the firm's banking and corporate practice, mergers and acquisitions, mining and energy law, gaming, immigration, real estate, securities and corporate restructuring projects. He has a vast experience in securities law involving applications, filings and dealings with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC). Phil also assists listed companies in their compliance with the PSE and SEC's disclosure and reporting requirements. Phil is also involved in the firm's litigation practice. A member of Integrated Bar of the Philippines. Mr. Chan holds a degree of B.S. Legal Management and a Juris Doctor degree from Ateneo de Manila University.

**Arthur Sy**

Mr. Sy is the Assistant Corporate Secretary of Premium Leisure Corp. He is the Vice President of Corporate Legal Affairs at SM Investments Corporation, and is the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. A member of the New York Bar, Mr. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University.

**(2) Significant Employees**

There are no other significant employees.

**(3) Family Relationships**

No director and/or executive officer of PLC are related up to the fourth degree by affinity or consanguinity.

**(4) Involvement in Certain Legal Proceedings**

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members initiated a Complaint for Estafa (I.S. No. 08K-89713) against ULC, the Universal Rightfield Property Holdings, Inc., and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, an incumbent Director of the Company. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the Office of the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed a Motion for Reconsideration which was denied by the OCP on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition. In a Resolution dated April 17, 2015, the Petition for Review was denied and the DOJ dismissed the Complaint for Estafa.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, executive officers, nominees for election as director, executive officers, underwriter or control persons were involved during the past five (5) years up to the latest date:

- (1) Any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (2) Any conviction by final judgment, in a criminal proceeding, domestic or foreign;
- (3) Any order or judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities, or banking activities; and,
- (4) Any findings by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.



## Item 10. Executive Compensation

### Summary of Annual Compensation

Name and Principal Position	Year	Salary	Other Annual Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board Frederic C. Dybuncio, President and CEO Jackson T. Ongsip CFO Elmer Serrano, Corporate Secretary Arthur A. Sy, Assistant Corporate Secretary Armin Raquel-Santos, EVP and COO Dexter Reyes, Controller				
All officers and directors as a Group (Unnamed)	2016* 2015 2014**	9,042,053 8,530,239 8,244,016	698,771 535,995 754,638	9,740,824 9,066,234 8,998,654

\* Compensation based on estimates only

\*\* Armin Raquel-Santos and Dexter Reyes only became officers as of 18 July 2014

### Compensation of Directors

All independent directors get a per diem of ₱50,000 each while other directors get a per diem of ₱10,000 each per meeting.

### Employment Contracts and Termination of Employment and Change in Control Arrangements

There was no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

### Warrants and Options Outstanding

None

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

### (1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2015, PLC knows of no one who beneficially owns in excess of 5% of PLC's common stock except as set forth in the table below.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent
Common	Belle Corporation (Belle) * 5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City (a)	Belle Corporation	Filipino	24,904,904,324	78.745
Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	(please see footnote)	Filipino	4,411,453,170	13.948
Common	PCD Nominee Corp. (Non-Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City (b)	(please see footnote)	Non-Filipino	2,016,162,315	6.375

The shares held by Belle Corporation, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by Belle for the purpose. The natural person/s that has/have the power to vote on the shares of Belle shall be determined upon the submission of its proxy form to the Company, which is not later than three (3) days before the date of the meeting.

PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in Premium Leisure Corp.

are to be voted. As of December 31, 2015, there are no participants of PCD who own more than 5% of the Company's outstanding capital.

As of 31 December 2015, 2,035,847,185 Common Shares of the Company are owned by non-Filipinos, constituting 6.437% of the Company's outstanding capital stock.

## (2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of December 31, 2015:

Title of Class	Name of Beneficial Owner	Amount* and Nature of Beneficial Ownership	Citizenship	Percent
Common	Willy N. Ocier	16,888,001 Direct	Filipino	0.053%
Common	Frederic C. DyBuncio	1 Direct	Filipino	0%
Common	A. Bayani K. Tan	2 Direct	Filipino	0%
Common	Exequiel P. Villacorta, Jr.	1 Direct	Filipino	0%
Common	Joseph C. Tan	1 Direct	Filipino	0%
Common	Juan Victor S. Tanjuatco	1 Direct	Filipino	0%
Common	Roman Felipe S. Reyes	1 Direct	Filipino	0%
Common	Armin Raquel-Santos	0	Filipino	0%
Common	Jackson Ongsip	0	Filipino	0%
Common	Dexter Reyes	0	Filipino	0%
Common	Arthur Sy	20,000 Direct	Filipino	0.0001%

\*Number of shares

## (3) Voting Trust Holders of 5% or More

The Company is not aware of any party which holds any voting trust or any similar agreement for 5% or more of Premium Leisure Corp.'s voting securities.

## (4) Change in Control

On 2 June 2014, the Company's Board of Directors approved to take on the gaming business and interests of the Belle Group. The transaction involved the sale to Belle of PLC's non-gaming assets (comprising primarily real properties and corporate club membership shares) and acquisition of all of Belle's interest in PremiumLeisure and Amusement, Inc. (PLAI) and 34.5% interest in Pacific Online Systems Corporation (POSC). The transfers of the said assets were completed on 24 July 2014. As part of the consideration for the transfer of assets, PLC undertook to increase its authorized capital stock, and out of such increase, Belle agreed to subscribe to new shares to increase its stake in the Company to 90% of the outstanding capital.

As a result of the transactions, the Company directly owns 100% of PLAI and 34.5% of POSC. In turn, the Company is approximately 90% owned and controlled by Belle, together with its affiliates/subsidiaries APC Group, Inc., Foundation Capital Resources, Inc. and Parallax Resources, Inc. Subsequently, Belle together with other principal shareholders agreed to offer an amount of shares for sale as a result of which, its shareholdings was reduced to 24,700,000,000 common shares representing 78.1% of PLC's outstanding shares. As of December 31, 2015, Belle holds 24,904,904,324 shares of PLC, with an overall interest of 78.745%.

August 5, 2015, PLC acquired additional 47,851,315 shares of Pacific Online Systems Corp. ("POSC"), thereby obtaining an overall ownership of 50.1% of POSC. The purchase resulted in combining PLC's and POSC's financial statements on a line-by-line basis. Based on management's judgment, PLC's investment gives PLC controlling interest over POSC as evidenced by more than 50% voting interest.

**Item 12. Certain Relationships and Related Transactions**

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction of proposed transaction to which the Company was a party.

As summarized and disclosed in the corporation's consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of advances from Belle Corporation. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables. Aside from these transactions, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in Note 19 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

**PART IV - CORPORATE GOVERNANCE**

Please refer to attached Annual Corporate Governance Report.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.


**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACGR

### ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **PREMIUM LEISURE CORP.**
3. **5<sup>th</sup> Floor Tower A, Two E-Com Center, Palm Coast Avenue**  
**Mall of Asia Complex, CBP-1A, Pasay City, Metro Manila** **1300**  
Address of Principal Office Postal Code
4. SEC Identification Number **AS093-009289** 5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **003-457-827** 
7. **(632) 662-8888**  
Issuer's Telephone number, including area code
8. **N.A.**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If nominee , identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Willy N. Ocier	ED		A. Bayani K. Tan	6/25/1999	4/27/2015	Annual	16
Frederic C. DyBuncio	ED	SM Group	A. Bayani K. Tan	4/23/2012	4/27/2015	Annual	3
A. Bayani K. Tan	NED		Willy N. Ocier	6/23/1998	4/27/2015	Annual	17
Exequiel P. Villacorta, Jr.	NED		A. Bayani K. Tan (not related)	7/18/2014	4/27/2015	Annual	1
Joseph C. Tan	ID		A. Bayani K. Tan	7/18/2014	4/27/2015 (1 yr)	Annual	1
Juan Victor S. Tanjuatco	ID		A. Bayani K. Tan	7/18/2014	4/27/2015 (1 yr)	Annual	1
Roman Felipe S. Reyes	ID		A. Bayani K. Tan (not related)	7/18/2014	4/27/2015 (1 yr)	Annual	1

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors, management and staff of Premium Leisure Corp. (PLC) commit themselves to an open governance process through which its shareholders may derive assurance that, in protecting and adding value to PLC's financial and human investment, the Company is being managed ethically, according to prudently determined risk perimeters, and striving to achieve local best practices. The Revised Manual on Corporate Governance institutionalizes the principles of good corporate governance in the entire company. The Company believes that corporate governance is of utmost importance to the Company's shareholders, and will therefore undertake every effort possible to create awareness throughout the entire organization.

In addition, the Company's Code of Ethics serves as a guiding principle for the Company's directors, officers and employees in the performance of their duties and responsibilities and in their transactions with investors, creditors, customers, contractors, suppliers, regulators and the public. The Code reflects the Company's mission, vision and core values. The salient provisions of the Code pertain to compliance and integrity, relationship with business partners, employee welfare, shareholder rights and protection of company information.

Some of the important provisions of the Code are as follows:

- All employees are required to immediately report to the management all suspected or actual fraudulent or dishonest acts.
- Solicitation or acceptance of gifts in any form from any business partner is prohibited, except for gifts of nominal value.
- Any conflict of interest must be promptly disclosed to the management.



- All employees are prohibited from disclosing vital business information, unless authorized by the company or required by law.
- Insider trading is prohibited.
- Directors and key officers are required to disclose their dealings of company shares within three (3) business days.

Changes in policies and additional policies have been introduced in 2015 and these are as follows:

- Payment of dividends to all shareholders of record within thirty (30) days from date of declaration of such dividend.
- Directors and key officers are required to disclose their dealings of company shares within three (3) business days.
- Adoption of Whistle-blowing and Protection from Retaliation Policy.
- Adoption of Accreditation of Vendor and Suppliers Process
- Inclusion of rationale for each agenda item that requires shareholders' approval will be provided as reflected in the notice to the Annual Stockholders' Meeting

The Company website is regularly updated for the benefit of the shareholders, stakeholders and the public. Copies of the policies and contact information of the responsible officers for investor relations and shareholders' concerns.

#### Board of Directors

Premium Leisure Corp.'s commitment to the principles of good corporate governance emanate from the Board of Directors. In line with this commitment is the Board's primary responsibility to foster the long term success of the Company and secure its sustained competitiveness consistent with its fiduciary responsibility and in a manner that ensures the best interests of the Company, its shareholders and its stakeholders.

#### Board Committees

To help focus on specific corporate governance responsibilities, the Board created five (5) committees, namely the Compensation and Remuneration Committee, the Nomination Committee, the Audit Committee, the Risk Management Committee and the Corporate Governance Committee.

The Compensation and Remuneration Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.

The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Revised Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship.

The Audit Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the Company's internal control systems, its audit plans, auditing processes and related party transactions.

Under its Charter, the Risk Management Committee reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.

The Corporate Governance Committee reviews the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued.

### **Rights of Stockholders**

The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board is committed to respect the following rights of the stockholders:

#### **Right to Nominate**

Shareholders, whether majority or minority, shall have the right to nominate candidates for seats in the Board of Directors who must have the qualifications and none of the disqualifications of Directors as stated in the Company's Revised Manual for Corporate Governance.

#### **Voting Right**

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **Power of Inspection**

- The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.
- Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.

#### **Right to Information**

- The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the Philippine Stock Exchange (PSE) and Philippine Securities and Exchange Commission (SEC).
- Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

#### **Right to Dividends**

- Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.
- **Dividends shall be paid to all shareholders within thirty (30) days from declaration.**
- The Board of Directors adopted, as a matter of policy, that the Corporation shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration the availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of cash, operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.

### Appraisal Right

- The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:
  - a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
  - b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.
  - c. In case of merger or consolidation.

### Disclosure and Transparency

To ensure that stakeholders receive timely and accurate information on the Company and its business, the Company has formally adopted a policy of full and prompt disclosure of all material information. The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

In addition, the Revised Manual on Corporate Governance provides that minority shareholders shall be given the right to:

- a. Propose the holding of a meeting and the items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice; and
- b. Have access to any and all information relating to matters for which the Management is accountable, and to those relating to matters for which the Management shall include such information.

Further, the Company's Code of Ethics, provides the following to protect the rights of the shareholders:

- a. adoption of corporate governance practices, strategies and plans with the end in view of increasing shareholder value
- b. maintenance of complete and accurate records of all financial and business transactions in accordance with laws and regulation governing financial reporting and generally accepted accounting principles to provide the basis for the report it discloses to its shareholders regarding the Company's results of operations and financial position
- c. ensuring an independent audit of its financial statements by external auditors

- (c) How often does the Board review and approve the vision and mission?

The Company reviews its vision, mission and core values annually. The Board of Directors reviewed the Company's vision, mission and core values in its meeting conducted on October 30, 2015.

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>1</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	Belle Corporation	Executive Director (Vice-Chairman)

<sup>1</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	Metropolitan Leisure & Tourism Corp	Executive Director (Chairman)
	Parallax Resources, Inc.	Non-Executive Director (Chairman)
	SLW Development Corporation	Non-Executive Director (Chairman)
	PremiumLeisure and Amusement, Inc.	Non-Executive Director (Chairman)
	Highland Gardens Corporation	Executive Director (Chairman)
	Woodland Development Corporation	Executive Director
	Belle Bay City Corporation	Non-Executive Director (Chairman)
	Pacific Online Systems Corporation	Executive Director (Chairman)
	Highlands Prime, Inc.	Non-Executive Director (Vice-Chair)
	Belle Bay Plaza Corporation	Non-Executive Director (Chairman)
	APC Group, Inc.	Non-Executive Director (Chairman)
	Sinophil Leisure and Resorts Corp.	Non-Executive Director (Chairman)
	Foundation Capital Resources, Inc.	Non-Executive Director (Chairman)
	Tagaytay Highlands Intl Golf Club, Inc.	Non-Executive Director (Vice-Chair)
	The Country Club Tagaytay Highlands	Non-Executive Director (Chairman)
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director (Chairman)
	The Spa and Lodge, Inc.	Non-Executive Director (Chairman)
	Philippine Global Communications	Executive Director (Chairman)
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining & Dev Corp	Non-Executive Director
Frederic C. DyBuncio	Belle Corporation	Executive Director, President & CEO
	Pacific Online Systems Corporation	Non-Executive Director
	Premium Leisure and Amusement, Inc	Non-Executive Director
	APC Group, Inc.	Executive Director
	Parallax Resources, Inc.	Non-Executive Director
	SLW Development Corporation	Non-Executive Director
	Metropolitan Leisure & Tourism Corp.	Non-Executive Director
	Sinophil Leisure & Resorts Corp.	Non-Executive Director
	Foundation Capital Resources, Inc.	Non-Executive Director
	Woodland Development Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director (Vice-Chairman)
	Tagaytay Highlands Int'l Golf Club	Non-Executive Director
A. Bayani K. Tan	Belle Corporation	Non-Executive Director
	Pacific Online Systems Corporation	Non-Executive Director
	Tagaytay Highlands Int'l Golf Club, Inc.	Non-Executive Director
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director
	Country Club Tagaytay Highlands, Inc.	Non-Executive Director
	The Spa and Lodge at Tagaytay	Non-Executive Director

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	Leisure & Resorts World Corporation	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
A. Bayani K. Tan	First Abacus Financial Holdings Corp.	Non-Executive Director

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	TKC Steel Corporation	Non-Executive Director
	Coal Asia Holdings, Inc.	Non-Executive Director
	Asia United Bank Corporation	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
	I-Remit, Inc.	Non-Executive Director
Exequiel P. Villacorta, Jr.	BDO Leasing & Finance	Non-Executive Director
Juan Victor S. Tanjuatco	Export & Industry Bank, Inc.	Executive Director
	IP E-Game Ventures, Inc.	Non-Executive Director
Roman Felipe S. Reyes	National Reinsurance Corporation of the Philippines	Non-Executive Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Willy N. Ocier	Belle Corporation	With common set of directors /officers
Frederic C. DyBuncio		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	NO. The Company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously.	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Willy N. Ocier	16,888,001	–	0.053%
Frederic C. DyBuncio	1	–	0.000%
A. Bayani K. Tan	2	–	0.000%
Exequiel P. Villacorta	500,001	–	0.002%
Joseph C. Tan	1	–	0.000%
Juan Victor S. Tanjuatco	1	–	0.000%
Roman Felipe S. Reyes	1	–	0.000%
TOTAL	17,388,008	–	0.055%

2) Chairman and President

- (a) Do different persons assume the role of Chairman of the Board of Directors and President? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

Chairman of the Board	Willy N. Ocier
President	Frederic C. DyBuncio

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and President.

	Chairman	President
<b>Role</b>	<ul style="list-style-type: none"> <li>Preside at all meetings of the Board of Directors and stockholders and ensure that all meetings are held in accordance with the By-Laws</li> </ul>	<ul style="list-style-type: none"> <li>Supervise and control all of the business and affairs of the Company</li> </ul>
<b>Accountabilities</b>	<ul style="list-style-type: none"> <li><u>Supervise the preparation of the agenda of each meeting of the Board, the Shareholders, and any of the Committees of the Board with the Corporate Secretary, taking into account the suggestions of the President and CEO, Management and other Directors</u></li> <li><u>Maintain qualitative and timely lines of communication and information between the Board and Management</u></li> </ul>	<ul style="list-style-type: none"> <li><u>To exercise such powers and duties and perform such duties commonly incident to and vested in the President of a Corporation and which the Chairman of the Board and Chief Executive Officer may, from time to time assign to him;</u></li> <li><u>To sign or cause the signatures of Certificates of Stock;</u></li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>Identify areas for improvement of the members of the Board, such as training / continuing education programs or any other form of assistance that the directors may need in the performance of their duties</li> <li>Evaluate and enhance the support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to management and the Corporate Secretary</li> </ul>	<ul style="list-style-type: none"> <li>Consider various opportunities relative to new business ventures, the implementation of which will depend on economic conditions in the future</li> <li>Oversee the management of the Company and safeguard the Company's assets</li> </ul>

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

**The Company's Amended By-Laws state that in the absence or disability of the President, the most senior Vice-President who is also a director shall perform the duties and exercise the powers of the President.**

Succession plan for top key management positions will be monitored and addressed by the Company's Nomination Committee as part of its committee programs to improve effective governance for the coming year. The Committee shall adhere to the "Fit and Proper Rule" standards to determine whether an individual is fit and proper to hold key management positions within the Company, which shall include, but not be limited to, standards on integrity, experience, education, training and competence. Once evaluated, the recommendation is presented to the Board for discussion and consideration.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

**YES.** Under the Company's Revised Manual on Corporate Governance, the Nomination Committee is tasked to ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

**YES.** All candidates nominated to become a member of the Board shall be assessed and evaluated by the Nomination Committee in accordance with the qualifications provided for in the Corporation Code, the Securities Regulation Code, and other relevant laws. The Nomination Committee shall also consider the following factors, among others, in determining the fitness of a nominee to the Board:

- a) college education or equivalent academic degree;
- b) involvement in the gaming industry business;
- c) practical understanding of the business of the Company;
- d) membership in good standing in relevant industry, business, or professional organizations; and,
- e) previous business experience.

**The Company in fact has a Non-Executive Director who has a significant understanding and experience in gaming business in the country.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
<b>Role</b>	<ul style="list-style-type: none"> <li>Oversee the management of the Company and be responsible for the Company's finances, goals and policies</li> <li>Foster the long-term success of the Company and sustain its competitiveness and profitability</li> </ul>	<ul style="list-style-type: none"> <li>Monitor compliance with policies and achievement against objectives through regular reports to the Board by management</li> <li>Constructively challenge and contribute to the development of strategy</li> </ul>	<ul style="list-style-type: none"> <li>Monitor compliance with policies and achievement against objectives through regular reports to the Board by management</li> <li>Constructively challenge and contribute to the development of strategy</li> </ul>
<b>Accountabilities</b>			
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies</li> <li>Institutionalize the risk management</li> </ul>	<ul style="list-style-type: none"> <li>Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance</li> <li>Formulate succession</li> </ul>	<ul style="list-style-type: none"> <li>Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4</li> <li>Review and assess the effectiveness of the Company's risk</li> </ul>

	Executive	Non-Executive	Independent Director
	<p>assessment process and continuously monitor key risk areas and performance indicators with due diligence</p> <ul style="list-style-type: none"> <li>▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance</li> <li>▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees</li> </ul>	<p>plans for top key management positions and review such plan on a regular basis</p> <ul style="list-style-type: none"> <li>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties</li> <li>▪ Meet at least once a year without the presence of executive directors and senior management</li> </ul>	<p>management system in the mitigation of financial and non-financial risks</p> <ul style="list-style-type: none"> <li>▪ Review the Company's continual process of good corporate governance and update the Company's Manual on Corporate Governance</li> <li>▪ Meet at least once a year without the presence of executive directors and senior management</li> </ul>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company defines independence as "independence from management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment."

In addition, in accordance with SEC Securities Regulation Code (SRC) Rule 38, an independent director is any person who:

- Is not a director or officer of the company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
- Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- Has not been employed in any executive capacity by the company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- Has not engaged and does not engage in any transaction with the company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

The nomination, pre-screening and election of independent directors were made in compliance with the Company's definition and the requirements of the Code of Corporate Governance and SRC Rule 38. The



**Nomination Committee has determined that the nominees for independent directors possess all of the qualifications and none of the disqualifications for independent directors.**

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

**The Company follows the rules regarding term limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.**

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
NONE. There were no changes in the composition of the Board of Directors in 2015.			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>Members of the Board of Directors are nominated <u>through</u> the Nomination Committee and elected at the annual meeting of the stockholders to serve for a term of one (1) year until their successors are duly elected and qualified.</p> <p><u>Nomination of directors shall be conducted by the Nomination Committee prior to a stockholders' meeting.</u></p> <p><u>As contained in its Charter, the Nomination Committee may engage the services of a professional search firm to look for candidates to the Board of Directors.</u></p> <p><u>All nominations shall be submitted to the Nomination Committee by any stockholder of record on or before January 30 of each year to allow the Nomination Committee sufficient time to assess and evaluate the qualifications of</u></p>	<p>The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications:</p> <p>(a) a holder of at least one (1) share of stock of the Company;</p> <p>(b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;</p> <p>(c) of legal age; and</p> <p>(d) shall have proven to possess integrity and probity.</p> <p>In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board:</p> <p>(a) college education or equivalent academic degree;</p> <p>(b) practical understanding of the business of the Company;</p>
(ii) Non-Executive Directors		

Procedure	Process Adopted	Criteria
	<p><u>the nominees.</u></p> <p><u>All recommendations for the nomination of independent director shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be-nominees.</u></p>	<p>(c) <u>involvement in the gaming industry business</u></p> <p>(d) membership in good standing in relevant industry, business, or professional organizations; and,</p> <p>(e) previous business experience.</p>
(iii) Independent Directors	<p><u>After the nomination, the Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be required to submit to the SEC.</u></p> <p><u>The name of the person or group of persons who recommended the nomination of the independent director(s) shall be identified in such report including any relationship with the nominee.</u></p> <p><u>Only nominees whose names appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained after the List of Candidates have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the annual stockholders' meeting.</u></p> <p><u>Based on the Final List of Candidates, Directors are elected individually. Each shareholder may vote such number of shares for as many persons he may choose to be elected from the Final List, or he may cumulate said shares and give one candidate as</u></p>	<p>In addition to the foregoing qualifications, a director nominated and elected as independent shall likewise meet the following requirements:</p> <p>(i) He is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing.</p> <p>(ii) He does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders.</p> <p>(iii) He is not a relative to any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.</p> <p>(iv) He is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.</p> <p>(v) He has not been employed in any executive capacity by the Company, any of its related companies, and/or any of its substantial shareholders within the last five (5) years.</p> <p>(vi) He is not retained as professional adviser by the Company, and/or any of its related companies and/or any of its substantial shareholders within the last five (5) years.</p>

Procedure	Process Adopted	Criteria
	<u>many votes as the number of his shares multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.</u>	(vii) He is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, either personally or through his firm.  (viii) He has not engaged and does not engage in any transaction with the Company and /or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
b. Re-appointment		
(i) Executive Directors	Same process and criteria as Selection/Appointment <u>of Executive Directors, Non-Executive Directors and Independent Directors, respectively, for their re-appointment.</u>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.  <u>Any vacancy occurring in the Board of Directors by reason of death, resignation, retirement or disqualification may be filled by the affirmative vote of a majority of the remaining directors constituting a quorum, upon the nomination of the Nomination Committee, provided, that specific slots for independent directors shall not be filled by unqualified nominees. A director elected to fill a vacancy shall be elected for the expired terms of his predecessor in office.</u>	The following shall be grounds for the permanent disqualification of a director:  (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;  (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal,
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>(iii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member participant of the organization;</p> <p>(iv) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(v) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or</p>

Procedure	Process Adopted	Criteria
		<p>order;</p> <p>(vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vii) Any person judicially declared to be insolvent;</p> <p>(viii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;</p> <p>(ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation code committed within five (5) years prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.</p> <p>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>The Board provides for the temporary disqualification or suspension of a director for the following reasons:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meeting of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by the SEC's Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Procedure	Process Adopted	Criteria
		<p>or termination.</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
e. Removal		
(i) Executive Directors	Same process and criteria as Permanent/Temporary Disqualification <i>of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their removal.</i>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	Same process and criteria as Selection/Appointment <i>of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their re-instatement.</i>	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	Same process and criteria as Permanent/Temporary Disqualification <i>of Executive Directors, Non-executive Directors and Independent Directors, respectively, for their suspension.</i>	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting on 27 April 2015:

Name of Director	Votes in favor	% To total Voting Shares		Votes against	Abstain
Willy N. Ocier	26,409,848,342	100.00%		0	1,200,000
Frederic C. DyBuncio	26,411,048,342	100.00%		0	0
A.Bayani K. Tan	26,307,824,342	99.61%		0	103,224,000
Exequiel P. Villacorta, Jr.	26,306,624,342	99.60%		0	104,424,000
Joseph C. Tan	26,411,048,342	100.00%		0	0
Juan Victor S. Tanjuatco	26,411,048,342	100.00%		0	0
Roman Felipe S. Reyes	26,411,048,342	100.00%		0	0

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

Under Section 2.2.5 of the Revised Manual on Corporate Governance, all newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar. Thereafter, all members of the Board of Directors and key officers of the Company shall attend a program on corporate governance at least once a year, as required by SEC.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>2</sup> for the past three (3) years

See table below.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<u>Exequiel P. Villacorta, Jr.</u>	<u>Nov. 12, 2015</u>	<u>Corporate Governance</u>	<u>Institute of Corporate Directors</u>
<u>A Bayani K. Tan</u>	<u>Sept. 08, 2015</u>	<u>Corporate Governance</u>	<u>Institute of Corporate Directors</u>
<u>Exequiel P. Villacorta, Jr.</u>	<u>Aug. 24, 2015</u>	<u>Distinguished Corporate Governance Speaker</u>	<u>Institute of Corporate Directors</u>
<u>Willy N. Ocier</u> <u>Frederic C. DyBuncio</u> <u>Juan Victor S. Tanjuatco</u>	<u>Aug. 05, 2015</u>	<u>ASEAN Corporate Governance Score Card</u>	<u>Institute of Corporate Directors</u>
<u>Roman Felipe S. Reyes</u>	<u>April 29, 2015</u>	<u>Corporate Governance</u>	<u>Institute of Corporate Directors</u>
<u>Joseph C. Tan</u>	<u>March 31, 2015</u>	<u>Corporate Governance</u>	<u>Risks, Opportunities, Assessment and Management, Inc.</u>
Juan Victor S. Tanjuatco Exequiel P. Villacorta, Jr.	November 20, 2014	Workshop on Corporate Governance	Institute of Corporate Directors
Joseph C. Tan	October 28, 2014	Workshop on Corporate Governance	Risks, Opportunities, Assessment and Management, Inc.
Willy N. Ocier Frederic C. DyBuncio A. Bayani K. Tan	May 26, 2014	Workshop on Corporate Governance	Institute of Corporate Directors
Roman Felipe S. Reyes	May 14, 2014	Corporate Governance	Philippine Securities Consultancy Corporation
A. Bayani K. Tan	2009 - 2012	Mandatory Continuing Legal Education (MCLE)	UP Law Center
Willy N. Ocier	May 1-4, 2012	Asia Pacific Lottery Association Conference	Asia Pacific Lottery Association
Willy N. Ocier	May 22-24, 2012	G2E Gaming Conference (Macau)	American Gaming Association and Reed Exhibitions
Frederic C. DyBuncio	June 27, 2012	Corporate Governance Orientation	KPMG

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal</p>		

<sup>2</sup> Senior Management refers to the President and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p> <p>The Company's Conflict of Interest policy defines a conflict as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him from acting in the best interests of the Company. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose said conflict to the Company.</p>		
(b) Conduct of Business and Fair Dealings	<p>All directors, officers and employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). They must adhere to the Company's principles of healthy competition, equal opportunity and fair treatment of business partners.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p>		
(c) Receipt of gifts from third parties	<p>The Company prohibits the solicitation or acceptance of gifts in any form from a business partner (i.e., contractors, suppliers, banks and other entities engaged in business with the Company), directly or indirectly, by any director, officer or employee of the Company.</p> <p>The term "gift" covers anything of value, such as but not limited to cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel entertainment, sponsorship of personal events, use of property owned by business partners, whether for personal or business use.</p> <p>However, a director, officer or employee may accept corporate give-aways, tokens or promotional items of nominal values, provided that the gift is voluntarily given by a third person without any suggestion or solicitation, as a souvenir or out of courtesy, and provided further that the approximate value of the gifts does not exceed Two Thousand Pesos (Php2,000.00). If the value of the gift exceeds Php2,000.00, it should not be accepted and returned to the giver immediately.</p> <p>In situations where it is deemed improper to refuse a gift, the issue shall be referred to Management for proper disposition.</p>		
(d) Compliance with Laws & Regulations	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All directors, officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to management. The Company shall promptly investigate any suspected illegality and pursue appropriate administrative, civil and/or criminal actions.</p>		



Business Conduct & Ethics	Directors	Senior Management	Employees
(e) Respect for Trade Secrets/Use of Non-public Information	<p>All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.</p> <p>All directors, officers and employees are prohibited from trading shares of stock of the Company using material information that has not been disclosed to the public and obtained by reason of position, contact within or other relationship with the Company.</p> <p>As stated in the Company's Insider Trading Policy, which is an Annex to its Revised Manual on Corporate Governance, Directors, officers and employees are strictly prohibited from trading in Belle shares five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information. <u>Directors and key officers are required to disclose their dealings of company shares within three (3) business days.</u></p>		
(f) Use of Company Funds, Assets and Information	<p>All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.</p>		
(g) Employment & Labor Laws & Policies	<p>All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.</p> <p>The Company shall maintain a safe, productive and conducive workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them.</p> <p>The Company endeavors to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.</p>		
(h) Disciplinary action	<p><u>All directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code of Ethics to preserve the goodwill and reputation of the Company. The Human Resources and Governance and Corporate Affairs Departments are responsible for monitoring compliance with the Code of Ethics.</u></p> <p>Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.</p>		
(i) Whistle Blower	<p>The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p>Upon the request of the complainant, the Company shall use its best efforts to protect the confidentiality of the complainant for any good faith report. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.</p> <p>Concerns raised anonymously shall not be entertained.</p> <p>The Company's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit Committee and the Risk Management Committee.</p> <p>POLICY ON ACCOUNTABILITY, INTEGRITY, AND VIGILANCE</p> <p>A. Rationale and General Policy  Consistent with the Company's core values of Integrity and Accountability, it expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.</p> <p>Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Ethics, policies and laws so they can be resolved sooner than later.</p> <p>B. Reporting Mandate  It is the responsibility of all directors, officers, employees and contract workers to comply with and to report violations or suspected violations of the Code of Ethics, policies, or laws in accordance with this policy.</p> <p>C. Reporting in Good Faith  Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code, policies, or law. Any allegations that prove not to be substantiated and have been made maliciously or with knowledge that they were false will be treated as a serious disciplinary offense. Any good faith report, concern or complaint is fully protected by this policy, even if the report, question or concern is, after investigation, not substantiated.</p> <p>D. No Retaliation  Anyone who in good faith reports a violation of the Code or policies, or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p>		

Business Conduct & Ethics	Directors	Senior Management	Employees
			<p><b>E. The Escalation Process of Raising Concerns</b>  <b>Violations or suspected violations of Company policies can be escalated to any of the following:</b>  <b>1. The Head of HR</b>  <b>2. The Compliance Officer</b>  <b>3. The Head of Internal Audit</b>  <b>4. The Head of Corporate Governance</b></p> <p><b>Above executives shall acknowledge receipt of complaints in writing within 24 hours from receipt of same.</b></p> <p><b>F. Confidentiality</b>  <b>Upon the request of the complainant, the Company will use its best efforts to protect the confidentiality of the complainant for any good faith report. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. Concerns raised anonymously shall not be entertained.</b></p> <p><b>G. Handling of Reported Violations</b>  <b>The Company's Code of Ethics and Code of Conduct, and other relevant rules and regulations, shall serve as guide in determining the penalties and sanctions to be imposed by HR where violations are proven and validated by Internal Audit Group. The principle of due process shall be observed in the handling of all cases. The Audit Committee and the Risk Management Committee shall be informed of all such complaints or reports and their status to be rendered by the Compliance Officer.</b></p>
(j) Conflict Resolution			<p><b>Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.</b></p>
(k) Accreditation of Vendors and Suppliers Process			<p><b>Premium Leisure Corp. (PLC) purchases its goods and services through its subsidiary, PremiumLeisure &amp; Amusement, Inc. (PLAI). This is done in accordance with professionalism and sound business practice to obtain value for money by incurring the lowest costs to address the Company's needs in terms of quality and service.</b></p> <p><b>The authority to buy is vested in PLAI. It is mainly responsible for the following:</b></p> <ul style="list-style-type: none"> <li>- issuance of Purchase Requests to which each order shall conform to the required signatories based on the latest authority protocol policy;</li> <li>- verification that all allocations are approved and budgeted in the current fiscal year;</li> <li>- verify that the funds are available and that the appropriate budget department's approval is secured</li> </ul> <p><b>It should on the other hand be provided with accurate specifications at the time request of purchase is made as well as ample lead time for bidding and processing of orders. It shall verify all delivered orders for accuracy and completeness.</b></p> <p><b>A Bidding Committee shall be set up by PLAI Management for the procurement of big-ticket items.</b></p>

Business Conduct & Ethics	Directors	Senior Management	Employees
	<p>Only accredited vendors are awarded contracts. Vendors to be accredited should be corporations, which are required to submit their latest General Information Sheet, duly accomplished Accreditation Form, Code of Ethics, Disclosure Form and accreditation summary. The officers, owners or employees of the corporation to be accredited should not be connected up to the 3<sup>rd</sup> degree of consanguinity and affinity to any officers or employees of PLAI or PLC.</p> <p>PLAI shall be the control point for all the goods received. Original invoices are required in order to facilitate payment process. All contracts or agreement documents shall be reviewed and approved by the Legal Department. For computer hardware, audio-visual equipment, etc., the Group's IT Department must be consulted for pre-configuration and installation.</p> <p>This policy will be subject to review by the Executive Committee annually.</p>		
(l) Related Party Transactions	<p>The Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.</p> <p>The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following:</p> <ul style="list-style-type: none"> <li>▪ Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables</li> <li>▪ Market and financial risks faced by related parties</li> <li>▪ Guarantees issued to or received from related parties</li> <li>▪ Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.)</li> </ul> <p>Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit <u>Committee</u> and <u>the</u> Risk Management Committee.</p>		
(m) Alternative Dispute Resolution System	<p>A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.</p> <p>Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.</p> <p>There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.</p>		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

**YES.** All directors, officers and employees are given a copy of the Company's Manual on Corporate Governance and Code of Ethics and Discipline and are required to sign an Acknowledgement Receipt that will be kept as part of the employee's 201 file.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

**Directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code to preserve the goodwill and reputation of the Company. The Human Resources Department and the Governance and Corporate Affairs Department are responsible for monitoring compliance with the Code.**

**Disciplinary actions against violators include dismissal and/or filing of appropriate civil and criminal actions.**

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following: <ul style="list-style-type: none"> <li>▪ Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables</li> <li>▪ Market and financial risks faced by related parties</li> <li>▪ Guarantees issued to or received from related parties</li> <li>▪ Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.)</li> </ul> Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit <u>Committee</u> and <u>the</u> Risk Management Committee.
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

- (b) Conflict of Interest

- (i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

**The Company has no instance of conflict of interest to which directors, officers or significant shareholders may be involved.**

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p> <p><u>Further, all directors, officers and employees should inhibit oneself from the processing and approval of transactions when conflicted.</u></p> <p><u>Any member of the Board is required to abstain from participating in discussions on a particular agenda when conflicted. One should avoid situations that may compromise his impartiality, and should an actual or potential conflict of interest arise, he should fully and immediately disclose the same.</u></p> <p>In addition, the Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.</p> <p>Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee and the Risk Management Committee.</p> <p><u>The Company strictly enforces the Policy on Accountability, Integrity and Vigilance, its Code of Ethics and Code of Conduct.</u></p>
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>3</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
NONE. There are no family, commercial, contractual or business relations that exists between the holders of significant equity (5% or more) for Y2015.		

<sup>3</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<ul style="list-style-type: none"> <li>▪ Belle Corporation</li> <li>▪ Premium Leisure Corp.</li> </ul>	Business	With common set of directors/officers

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<b>NONE. There are no shareholder arrangements which may impact the control, ownership and strategic direction of the Company <u>for Y2015</u>.</b>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	<p>A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.</p> <p>Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.</p> <p>There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.</p>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

**YES. Meetings of the Board of Directors are usually scheduled in the month following each quarter-end, and the schedule is finalized subject to the availability of the directors. Additional meetings are scheduled as the need arises.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
<u>Chairman</u>	<u>Willy N. Ocier</u>	<u>April 27, 2015</u>	<u>6</u>	<u>5</u>	<u>83%</u>
<u>Member</u>	<u>Frederic D. DyBuncio</u>	<u>April 27, 2015</u>	<u>6</u>	<u>6</u>	<u>100%</u>
<u>Member</u>	<u>Exequiel P. Villacorta, Jr.</u>	<u>April 27, 2015</u>	<u>6</u>	<u>6</u>	<u>100%</u>
<u>Member</u>	<u>A. Bayani K. Tan</u>	<u>April 27, 2015</u>	<u>6</u>	<u>5</u>	<u>83%</u>
<u>Independent</u>	<u>Joseph C. Tan</u>	<u>April 27, 2015</u>	<u>6</u>	<u>5</u>	<u>83%</u>
<u>Independent</u>	<u>Juan Victor S. Tanjuatco</u>	<u>April 27, 2015</u>	<u>6</u>	<u>5</u>	<u>83%</u>
<u>Independent</u>	<u>Roman Felipe S. Reyes</u>	<u>April 27, 2015</u>	<u>6</u>	<u>5</u>	<u>83%</u>

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

**YES. A separate meeting of non-executive directors was held in 2015 as part of their program to improve effective governance for the coming year.**

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

**A majority of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors as provided for under the Company's Amended By-Laws. In practice, this requirement is more than two-thirds vote.**

5) Access to Information

- (a) How many days in advance are board papers<sup>4</sup> for board of directors meetings provided to the board?

**Board papers for Board of Directors' meetings are provided to the directors at least five (5) business days before the meeting.**

- (b) Do board members have independent access to Management and the Corporate Secretary?

**YES. Board members have independent access to management and the Corporate Secretary.**

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

**Under the Company's Revised Manual on Corporate Governance, the Corporate Secretary has the following duties and responsibilities:**

- 1) Be responsible for the safekeeping and preservation of the integrity of minutes of the meeting of the Board and its committees, as well as other official records of the Company.**
- 2) Work fairly and objectively with the Board, management and stockholders.**
- 3) Have appropriate administrative and interpersonal skills.**
- 4) If he is not at the same time the Company's legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.**
- 5) Have a working knowledge of the operations of the Company.**
- 6) Inform that members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.**

<sup>4</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.



- 7) Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.
- 8) Ensure that all Board and Committee procedures, rules and regulations are strictly followed by members.
- 9) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the SEC's Code of Corporate Governance.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

**YES. The Corporate Secretary, Atty. Elmer B. Serrano, was appointed during the Annual Stockholders' Meeting last April 27, 2015. He holds a Juris Doctorate and a Bachelor of Science degree in Legal Management from the Ateneo de Manila University, and is a member of the Integrated Bar of the Philippines.**

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒ No ☐

Committee	Details of the procedures
Executive	To enable the Board <u>and each Board Committee</u> to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary and they can freely communicate with them through email or telephone.
Audit	
Risk Management	
Nomination	
Remuneration	
Others (specify)	<u>The Committee Members may request for additional information thru the Corporate Secretary of Management, if necessary.</u>

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary, as well as to independent professional advice when the need arises.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
1. <u>Dividend policy</u>	<u>Payment of dividends within 30 days from declaration</u>	<u>To align with leading corporate governance practices</u>

Existing Policies	Changes	Reason
2. <u>Disclosure of trading in Company shares</u>	<u>Directors and key officers must declare their dealings with Company shares within three (3) business days</u>	<u>To align with leading corporate governance practices</u>
3. <u>ASM Agenda</u>	<u>Each agenda item in the Notice to Stockholders' Meeting that will require stockholder approval must have a brief explanation or rationale</u>	<u>To align with leading corporate governance practices</u>
4. <u>Whistle-blowing</u>	<u>Adoption of Whistle-blowing and Protection from Retaliation Policy</u>	<u>To align with leading corporate governance practices</u>
5. <u>Vendor Accreditation</u>	<u>Adoption of Vendor Accreditation and Selection Policy</u>	<u>To align with leading corporate governance practices</u>

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<u>Performance-based</u>	<u>Performance-based</u>
(2) Variable remuneration	<u>Not applicable</u>	<u>Not applicable</u>
(3) Per diem allowance	<u>For independent directors – Php 50,000 and for other directors – Php10,000 per Board meeting attended</u>	<u>Not applicable</u>
(4) Bonus	<u>Performance-based</u>	<u>Performance-based</u>
(5) Stock Options and other financial instruments	<u>Not applicable</u>	<u>Not applicable</u>
(6) Others (specify)	<u>Not applicable</u>	<u>Not applicable</u>

##### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Compensation and Remuneration Committee determines the amount of remuneration	Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting	<u>Benchmarks such as industry peer group, compensation studies, and level of responsibilities are used as basis.</u>

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
	which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.	attended.  Independent Director – ₱50,000 / meeting Others – ₱10,000 / meeting	
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Yes, stockholders ratify all acts made by the Board and Management during the Annual Stockholders' Meeting (ASM). The annual compensation of the principal officers and the per diem for directors are disclosed in the SEC Form 20-IS distributed to all stockholders prior to the ASM.	<u>27 April 2015</u>
	<u>28 April 2014</u>
	<u>22 April 2013</u>

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (Other than Independent Directors)	Independent Directors
(a) Fixed Remuneration (b) Variable Remuneration (c) Per Diem Allowance (d) Bonuses (e) Stock options and / or other financial instruments Others (Specify)	<p><b><u>The total per diem allowance paid to Directors in 2015 amounted to Php 4.99 million.</u></b></p> <p><b>There are no stock options or other financial instruments given to Directors.</b></p>		

Other Benefits	Executive Directors	Non-Executive Directors (other than Independent Directors)	Independent Directors
<p>(a) <u>Advances</u> (b) <u>Credit granted</u> (c) <u>Pension plans, Contributions</u> (d) <u>Pension plans, Obligations incurred</u> (e) <u>Life Insurance premium</u> (f) <u>Hospitalization plan</u> (g) <u>Car plan</u> (h) <u>Others (Specify)</u></p> <p><b>Total</b></p>	<p><b>There are no advances, credit and car plan granted to directors.</b></p> <p><b>There are no life insurance and hospitalization plan for the independent directors. The directors (except independent directors) are covered with life insurance and are included in the retirement contribution given for the Company's eligible employees as a whole.</b></p>		

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<b>NONE. There are no option grants outstanding held by directors and officers as of December 31, <u>2015</u>.</b>				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<b>NONE. There are no amendments and/or discontinuation of any incentive programs in <u>2015</u>.</b>		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

**The aggregate compensation, inclusive of salary, bonuses, and other annual compensation, paid or incurred in 2015 to the four (4) highest compensated members of management (not executive directors) amounted to Php 7.88 million.**

## E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	<u>1</u>	<u>0</u>	<ul style="list-style-type: none"><li>• The Executive Committee oversees the management of the Company and is responsible for the Company’s finances, goals, and policies.</li><li>• The Committee is also tasked to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company’s long-term viability and strength.</li></ul>			
Audit		1	2	<ul style="list-style-type: none"><li>• The Audit Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company’s accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice.</li><li>• The Committee also oversees the Company’s process for monitoring compliance with laws, regulations, the Code of Ethics and Discipline, and performs other duties as the Board may require.</li></ul>			

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				<p>Under its Charter, the Committee is duty-bound to perform and carry out the following responsibilities, among others, categorized under seven (7) major domains:</p> <ul style="list-style-type: none"><li>• Financial statements and reporting<ul style="list-style-type: none"><li>- Review significant accounting and reporting issues</li><li>- Review and endorse to the Board for approval the financial statements of the Company</li><li>- Review the results of external audit</li></ul></li><li>• Internal control<ul style="list-style-type: none"><li>- Review the effectiveness of the Company's internal control system</li></ul></li><li>• Internal audit<ul style="list-style-type: none"><li>- Provide oversight of the performance of the internal audit group</li></ul></li><li>• External audit<ul style="list-style-type: none"><li>- Review the external auditors' audit scope and approach and the results of the audit</li></ul></li><li>• Compliance<ul style="list-style-type: none"><li>- Review and continually improve the effectiveness of the system for monitoring the results of management's investigation and follow-up of any instance of non-compliance</li></ul></li><li>• Reporting responsibilities<ul style="list-style-type: none"><li>- Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations</li><li>- <u>Review the details of the Company's related party transactions.</u></li></ul></li><li>• Other responsibilities<ul style="list-style-type: none"><li>- Perform other activities as requested by the Board</li></ul></li></ul>			
Risk Management		1	2	<p>1) <u>Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks</u></p> <p>2) <u>Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring</u></p>			
Nomination	0	0	3	<p>1) <u>Pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with the Company's Manual on Corporate Governance</u></p> <p>2) <u>Ensures that all candidates nominated by shareholders to become a member of the Board shall possess the ideals and values that are aligned to the Company's mission and vision statements;</u></p>			

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				3) <u>In consultation with the appropriate executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer (CEO) by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;</u>			
				4) <u>Determine the number of directorships which a member of the Board of Directors may hold, in accordance with the guidelines provided under the Manual on Corporate Governance and all relevant rules and regulations;</u>			
				5) <u>The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Revised Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship.</u>			
Compensation and Remuneration	1	0	2	1) <u>Tasked to establish ad formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy and control environment;</u>			
				2) <u>Designate amount of remuneration, which shall be in sufficient level to attract and retain directors and officers who are needed to run the Company successfully;</u>			
				3) <u>Review policies to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</u>			
				4) <u>The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.</u>			
Others – Corporate Governance Committee		1	2	Review the Company's continual process of good corporate governance, as well as provide approach and advice for development, and tasks management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued.			

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Willy N. Ocier	04/27/2015				17
Member (ED)	Frederic C. DyBuncio	04/27/2015				<3
Member (ID)	Roman Felipe S. Reyes*	04/27/2015				<2
Member (NED)	<u>A Bayani K. Tan*</u>	<u>10/30/2015</u>				<u>&lt;1</u>

\*Note: Membership of Mr. Roman Felipe S. Reyes to the Executive Committee ended on 10/30/2015 with the appointment of Atty A Bayani K. Tan.

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Roman Felipe S. Reyes	04/27/2015	<u>4</u>	<u>4</u>	<u>100%</u>	<2
Member (ID)	Joseph C. Tan	04/27/2015	<u>4</u>	<u>4</u>	<u>100%</u>	<1
Member (NED)	Exequiel P. Villacorta, Jr.	04/27/2015	<u>4</u>	<u>4</u>	<u>100%</u>	<2

### (c) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Roman Felipe S. Reyes	04/27/2015	<u>1</u>	<u>1</u>	<u>100%</u>	<2
Member (ID)	Joseph C. Tan	04/27/2015	<u>1</u>	<u>1</u>	<u>100%</u>	<1
Member (NED)	Exequiel P. Villacorta, Jr	04/27/2015	<u>1</u>	<u>1</u>	<u>100%</u>	<2

Disclose the profile or qualifications of the Audit Committee members.

#### Roman Felipe S. Reyes

Mr. Reyes, a Certified Public Accountant, is the Chairman of Reyes Tacandong & Co., and a member of the GSIS Board of Trustees since 2010. He serves as an Independent Director of Macawiwili Gold Mining And Development Co., Inc., Pakistan International Container Terminal Limited, Premium Leisure Corporation, Bank of Commerce, RPN 9, Philippine Geothermal Production Company, Pasudeco, All Asian Countertrade, National Reinsurance Corporation of the Philippines, and Rockwell Leisure Club. He is also a current Trustee of San Beda College, San Beda Alumni Association Foundation, and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. He was a Senior Partner and the Vice Chairman for Client Services and Accounts of SGV & Co. from 1984-2009, and the President of Knowledge Institute in 2009. Mr. Reyes earned his Bachelor of Science degree in Commerce, major in Accounting, from San Beda College in 1972, and obtained his MBA degree in Finance from the University of Detroit in 1975.

#### Joseph C. Tan

Atty. Joseph C. Tan is the Founding Partner of MOST Law Firm from September 2006 to present. He was a Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995. Atty. Tan is a director of San Carlos Bioenergy Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011. He is a Consultant Chairman of UCPB.

Atty. Tan holds a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA (Class of 1978). He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

#### **Exequiel P. Villacorta, Jr.**

Mr. Exequiel P. Villacorta, Jr. is an elected Director of BDO Leasing and Finance, Inc. He was previously director of Equitable PCI Bank, Inc. from 2005 to 2006, and EBC Insurance Brokerage, Inc., and Maxicare Healthcare Corporation. He was formerly the Chairman of EBC Strategic Holdings Corporation, EBC Investments, Inc. (now BDO Strategic Holdings Inc.), Jardine Equitable Finance Corporation, Strategic Property Holdings, Inc., PCIB Properties, Inc., Equitable Data Center, Inc. and PCI Automation Center, Inc. He was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines (PDCP). He was Senior adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom; and Adviser to the Board of PCI Capital Corporation.

Describe the Audit Committee's responsibility relative to the external auditor.

**The Audit Committee, as authorized by the Board, has the primary responsibility of endorsing ~~on~~ the appointment, re-appointment and removal of the external auditors. The Board, through the Audit Committee, recommends to the stockholders a duly accredited external auditor who shall undertake the independent audit and shall provide and perform an objective assurance on the preparation and presentation of financial statements.**

**The Audit Committee also:**

- Performs oversight functions of the Company's external auditors. It ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function.
- Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Reviews the reports submitted by the external auditors, including any difficulties encountered.
- Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.
- Meets separately with the external auditor, on a regular basis, to discuss any matter that the Committee or auditors believe should be discussed privately.

#### (d) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<u>Chairman (ID)</u>	<u>Joseph C. Tan*</u>	<u>10/30/2015</u>	<u>3</u>	<u>3</u>	<u>100%</u>	<u>&lt;2</u>
<u>Member (ID)</u>	<u>Juan Victor S. Tanjuatco</u>	<u>04/27/2015</u>	<u>3</u>	<u>3</u>	<u>100%</u>	<u>&lt;1</u>
<u>Member (ID)</u>	<u>Roman Felipe S. Reyes**</u>	<u>10/30/2015</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>&lt;1</u>
<u>Chairman (ED)</u>	<u>Frederic C. DyBuncio*</u>	<u>04/27/2015</u>	<u>2</u>	<u>2</u>	<u>100%</u>	<u>&lt;4</u>

*\*Note: Chairmanship of Mr. Frederic C. DyBuncio to the Nomination Committee ended on 10/30/2015 with the appointment of Atty. Joseph C. Tan from Member to Chairman. Further, Atty Joseph C. Tan was appointed on 04/27/2015 as a Member of the Nomination Committee.*

*\*\* Mr. Roman Felipe S. Reyes was appointed as a NEW member of the Nomination Committee on 10/30/2015.*



(e) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<b>Chairman (ID)</b>	<b><u>Juan Victor S. Tanjuatco*</u></b>	<b><u>10/30/2015</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>100%</u></b>	<b><u>&lt;1</u></b>
<b>Member (ED)</b>	<b><u>Willy N. Ocier**</u></b>	<b><u>10/30/2015</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>100%</u></b>	<b><u>&lt;2</u></b>
<b>Member (ID)</b>	<b><u>Joseph C. Tan***</u></b>	<b><u>10/30/2015</u></b>	<b><u>2</u></b>	<b><u>2</u></b>	<b><u>100%</u></b>	<b><u>&lt;1</u></b>
<b>Member (NED)</b>	<b><u>A.Bayani K. Tan***</u></b>	<b><u>04/27/2015</u></b>	<b><u>1</u></b>	<b><u>1</u></b>	<b><u>100%</u></b>	<b><u>17</u></b>

*\*Note: Designation of Mr. Juan Victor S. Tanjuatco was changed from Member to Chairman of the Compensation and Remuneration Committee on 10/30/2015. Further, Mr Juan Victor S. Tanjuatco was appointed on 04/27/2015 as a Member of the Nomination Committee.*

*\*\*Note: Designation of Mr. Willy N. Ocier was changed from Chairman to Member on 10/30/2015. He was appointed as Chairman on 04/27/2015.*

*\*\*\*Note: Membership of Atty A Bayani K. Tan ended on 10/30/2015 with the appointment of Atty Joseph C. Tan.*

(f) Others (Specify) – Corporate Governance Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<b>Chairman (ID)</b>	<b>Roman Felipe S. Reyes</b>	<b>04/27/2015</b>	<b><u>3</u></b>	<b><u>3</u></b>	<b>100%</b>	<b>&lt;2</b>
<b>Member (ID)</b>	<b>Joseph C. Tan</b>	<b>04/27/2015</b>	<b><u>3</u></b>	<b><u>3</u></b>	<b>100%</b>	<b>&lt;2</b>
<b>Member (NED)</b>	<b>Exequiel P. Villacorta, Jr</b>	<b>04/27/2015</b>	<b><u>3</u></b>	<b><u>3</u></b>	<b>100%</b>	<b>&lt;2</b>

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
<b>Executive Committee</b>	<b><u>Roman Felipe S. Reyes</u></b> <b><u>REPLACED BY</u></b> <b><u>A Bayani K. Tan</u></b>	<b><u>Committee Restructuring</u></b>
<b>Audit Committee</b>	<b>NEW</b> <b>Joseph C. Tan</b>	<b>Appointed during the organizational board meeting held on April 27, 2015</b>
<b>Risk Management Committee</b>	<b>NEW</b> <b>Joseph C. Tan</b>	<b>Appointed during the organizational board meeting held on April 27, 2015</b>
<b>Nomination Committee</b>	<b>Frederic C. DyBuncio</b> <b>replaced by Joseph C. Tan as Chairman and Roman Felipe S. Reyes joined as NEW member</b>	<b><u>to adhere with good governance practices</u></b>
<b>Compensation and Remuneration Committee</b>	<b>Willy N. Ocier replaced by Juan Victor S. Tanjuatco as Chairman and A Bayani K Tan replaced by Joseph C. Tan</b>	<b><u>to adhere with good governance practices</u></b>
<b>Others (specify) – Corporate Governance Chairman (ID) Member (ID) Member (NED)</b>	<ul style="list-style-type: none"> <li>▪ Roman Felipe S. Reyes</li> <li>▪ Joseph C. Tan</li> <li>▪ Exequiel P. Villacorta, Jr.</li> </ul>	<b>Committee created during organizational board meeting held on April 27, 2015.</b>

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<ul style="list-style-type: none"> <li>▪ Oversee the management of the Company, which includes, among others: <ul style="list-style-type: none"> <li>– Financial matters</li> <li>– Construction updates and issues</li> <li>– Property maintenance updates and issues</li> <li>– Legal matters</li> </ul> </li> <li>▪ Reviewed the Company's vision, mission, strategies, plans, and annual budget <ul style="list-style-type: none"> <li>– Monitored the implementation of policies and strategies, including management's overall performance</li> </ul> </li> </ul>	<u>Implementa tion of the strategic and long – term goals of the Company</u>
Audit	<ul style="list-style-type: none"> <li>▪ Assisted and advised the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice</li> <li>▪ <u>Recommended for Board approval the audited financial statements of Premium Leisure Corp. for the year ended December 31, 2014;</u></li> <li>▪ <u>Reviewed Premium Leisure Corp.'s financial statements for the first quarter ended March 31, 2015, second quarter ended June 30, 2015, third quarter ended September 30, 2015;</u></li> <li>▪ Reviewed significant accounting and reporting issues, and endorsed to the Board for approval the financial statements of the Company</li> <li>▪ Reviewed the effectiveness of the Company's internal control system</li> <li>▪ Provided oversight of the performance of the internal audit group</li> <li>▪ Reviewed the external auditors' audit scope and approach and the results of the audit</li> <li>▪ <u>Reviewed the details of the Company's related party transactions</u></li> <li>▪ <u>Reviewed and introduced changes to its Charter to conform with good corporate governance practices.</u></li> <li>▪ <u>Restructured the Committee based on the provisions of the new Charter.</u></li> </ul>	<u>Reported audit findings and identified related party transactions</u>
Risk Management	<ul style="list-style-type: none"> <li>▪ Reviewed the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks</li> <li>▪ <u>Discussed the results of the enterprise-wide risk assessment and Management's action plans to address identified risks;</u></li> <li>▪ <u>Reviewed and introduced changes to its Charter to conform with good corporate governance practices.</u></li> <li>▪ <u>Restructured the Committee based on the provisions of the new Charter.</u></li> </ul>	<u>Identified significant risks</u>
Nomination	<ul style="list-style-type: none"> <li>▪ Evaluated all candidates nominated to the Board in accordance with the requirements set forth by the SEC and the Company's Manual on Corporate Governance</li> <li>▪ Ensured that those nominated to the Board meet all the qualifications and none of the disqualifications for directorship</li> <li>▪ <u>Reviewed and introduced changes to its Charter to conform with good corporate governance practices.</u></li> <li>▪ <u>Restructured the Committee based on the provisions of the new Charter.</u></li> </ul>	<u>Adherence to good corporate governance practices</u>
Compensation and Remuneration	<ul style="list-style-type: none"> <li>▪ Performed oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement</li> <li>▪ Reviewed existing human resource policies to ensure the continued growth and development of the Company's workforce</li> <li>▪ <u>Reviewed and introduced changes to its Charter to conform with good</u></li> </ul>	<u>Adherence to good corporate governance practices</u>

Name of Committee	Work Done	Issues Addressed
	<u>corporate governance practices;</u> ▪ <u>Restructured the Committee based on the provisions of the new Charter.</u>	
Others (specify) Corporate Governance	▪ Reviewed the Company's continual process of good corporate governance, as well as providing approach and advice for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued.	<u>Adherence to good corporate governance practices</u>

#### 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<ul style="list-style-type: none"> <li>▪ Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company's long-term viability and strength</li> <li>▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies, including management's overall performance</li> <li>▪ Institutionalize the risk management assessment process to ensure standardization, effectiveness and efficiency, and continuously monitor key risk areas and performance indicators with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability</li> <li>▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance</li> <li>▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees</li> </ul>	
Audit	<ul style="list-style-type: none"> <li>▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4, which includes, among others:               <ul style="list-style-type: none"> <li>– Develop a succession plan for its members and Chair</li> <li>– Reporting to the Board and issuance of certifications on critical compliance issues</li> <li>– Review and approval of management representation letter before submission to external auditor</li> <li>– Obtaining management's assurance on the state of internal controls</li> <li>– Review and approval of fees of external auditor</li> </ul> </li> <li>▪ Oversee the effectiveness of the Company's whistleblower policy, so that the whistleblower has the confidence that the Company has the required and appropriate independent procedure to effectively investigate and resolve such possible wrong-doings and non-compliance issues</li> </ul>	

Name of Committee	Planned Programs	Issues to be Addressed
Risk Management	<ul style="list-style-type: none"> <li>▪ Promotion of risk awareness in the organization</li> <li>▪ Evaluation of compliance with the Code of Conduct for management</li> <li>▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks</li> </ul>	
Nomination	<ul style="list-style-type: none"> <li>▪ Enhance the process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and appoint competent, professional, honest and highly-motivated management officers</li> <li>▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance</li> <li>▪ Formulate succession plans for top key management positions and review such plan on a regular basis</li> <li>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties</li> </ul>	
Compensation and Remuneration	<ul style="list-style-type: none"> <li>▪ Periodically review the compensation method for directors, officers and employees so that they are equitable and appropriately corresponds to the respective assigned duties and responsibilities, current business environment and performance results of the Company</li> <li>▪ Define goals and evaluate the performance of top management to set reasonable compensation</li> </ul>	
Others (specify) Corporate Governance	<ul style="list-style-type: none"> <li>▪ Review the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued.</li> </ul>	

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

**The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.**

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

- **The Board of Directors through the Risk Management Committee has reviewed the Company's risk management system and has found the same effective and adequate.**

- (c) Period covered by the review;

**Year 2015.**

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

**The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.**

- (e) Where no review was conducted during the year, an explanation why not. **NOT APPLICABLE**

2) Risk Policy

- (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<b><u>Financial Risks</u></b> <ul style="list-style-type: none"> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<ul style="list-style-type: none"> <li>▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant</li> <li>▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information</li> <li>▪ Maintain debt-to-equity ratio at manageable levels</li> </ul>	<p>The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>
<b><u>Regulatory Risks</u></b> <ul style="list-style-type: none"> <li>▪ Government regulations</li> <li>▪ Changes to Philippine laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with licensing and regulatory requirements necessary to operations</li> </ul>	

- (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<b>Financial Risks</b> <ul style="list-style-type: none"> <li>▪ Interest rate risk</li> <li>▪ Foreign currency risk</li> <li>▪ Credit risk</li> <li>▪ Liquidity risk</li> <li>▪ Equity price risk</li> <li>▪ Capital management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manage interest cost by limiting borrowings</li> <li>▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate</li> <li>▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant</li> <li>▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information</li> <li>▪ Maintain debt-to-equity ratio at manageable levels</li> </ul>	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>
<b>Market Risks</b> <ul style="list-style-type: none"> <li>▪ Economic and political conditions</li> <li>▪ Competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversify portfolio by offering different product lines</li> <li>▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market</li> <li>▪ Offer long and affordable terms for buyers</li> </ul>	
<b>Performance / Completion Risks</b> <ul style="list-style-type: none"> <li>▪ Suppliers</li> <li>▪ Contractors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchase only from accredited suppliers</li> <li>▪ Performance bonds for contractors to ensure contractual arrangements meet the Group's performance standards</li> </ul>	
<b>Regulatory Risks</b> <ul style="list-style-type: none"> <li>▪ Government regulations</li> <li>▪ Changes to Philippine laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with licensing and regulatory requirements necessary to operations</li> </ul>	

Risk Exposure	Risk Management Policy	Objective
<b>Hazard Risks</b> <ul style="list-style-type: none"> <li>Natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Regular site inspections by Group personnel and consultants/experts</li> <li>Implement safety measures in the design plans</li> <li>Include in insurance coverage</li> </ul>	
<b>IT Risks</b> <ul style="list-style-type: none"> <li>Primary data center risk</li> <li>Mission critical business application risk</li> <li>Internet connection risk</li> <li>Hacking risk</li> <li>IT solution acquisition risk</li> </ul>	<ul style="list-style-type: none"> <li>Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery</li> <li>Implement enterprise security solutions to manage external and internal threats</li> <li>Annual review of technology roadmap to ensure alignment between business and IT</li> </ul>	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Principal risks of the exercise of controlling shareholders' voting power are as follows:</p> <ol style="list-style-type: none"> <li>Majority shareholders may dominate major Company decisions</li> <li>Lack of transparency on the actions and decisions of majority shareholders</li> <li>Abusive and inequitable conduct on the part of majority shareholders</li> <li>Rights of minority shareholders may not be upheld and protected</li> </ol> <p>The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board of Directors is committed to respect the rights of minority stockholders.</p>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<b>Financial Risks</b> <ul style="list-style-type: none"> <li>Credit risk</li> <li>Liquidity risk</li> <li>Equity price risk</li> <li>Capital management</li> </ul>	<p>The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.</p>	

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<b>Regulatory Risks</b> <ul style="list-style-type: none"> <li>Government regulations</li> <li>Changes to Philippine laws and regulations</li> </ul>	<p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p> <p>The Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> <li>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</li> <li>3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.</li> <li>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</li> <li>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</li> <li>6) Review the details of the Company's related party transactions.</li> </ol>	

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<b>Financial Risks</b> <ul style="list-style-type: none"> <li>Interest rate risk</li> <li>Foreign currency risk</li> <li>Credit risk</li> <li>Liquidity risk</li> <li>Equity price risk</li> <li>Capital management</li> </ul>	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p>	
<b>Market Risks</b> <ul style="list-style-type: none"> <li>Economic and political conditions</li> <li>Competition</li> </ul>	<p>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>	
<b>Performance / Completion Risks</b> <ul style="list-style-type: none"> <li>Suppliers</li> <li>Contractors</li> </ul>	<p>The Group also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Group. The ERMC has the responsibility of developing a formal framework to assist the Group in managing its risks and is mandated to report regularly to the Risk Management Committee on any risk concerns.</p>	
<b>Regulatory Risks</b> <ul style="list-style-type: none"> <li>Government regulations</li> <li>Changes to Philippine laws and regulations</li> </ul>	<p>In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> <li>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</li> <li>3) Advise the Board, in consultation with management, on the overall risk</li> </ol>	
<b>Hazard Risks</b> <ul style="list-style-type: none"> <li>Natural disasters</li> </ul>		



Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<b>IT Risks</b> <ul style="list-style-type: none"> <li>▪ Primary data center risk</li> <li>▪ Mission critical business application risk</li> <li>▪ Internet connection risk</li> <li>▪ Hacking risk</li> <li>▪ IT solution acquisition risk</li> </ul>	<p>management program of the Group as it relates to its risk appetite and strategic direction.</p> <p>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</p> <p>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</p> <p>6) Review the details of the Group's related party transactions.</p>	

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management Committee	<p>The Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> <li>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</li> <li>2) Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</li> <li>3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.</li> <li>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</li> <li>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</li> <li>6) Review the details of the Company's related party transactions.</li> </ol> <p>The Committee directly reports the results of its review and assessment of the Company's risk management process to the Board of Directors.</p>	

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

**The Company defines internal control as the system established by the Board of Directors and management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules. The**

internal control system is the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or a combination of risks or business activities, to which the Company is exposed.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

**The Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with.**

- (c) Period covered by the review;

**Year 2015.**

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The scope and the particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

- (e) Where no review was conducted during the year, an explanation why not. **NOT APPLICABLE**

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting activity designed to add value and improve the Company's operations	To determine whether the Company's network of risk management, control and corporate governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure: <ul style="list-style-type: none"> <li>• Risk are appropriately identified and managed.</li> <li>• Interaction with the various corporate governance groups occurs as needed.</li> <li>• Significant financial, managerial and operating information are accurate, reliable and timely.</li> <li>• Employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations.</li> </ul>	In-house	Rhea Marie R. Abueg	The Internal Audit Head, in the discharge of her duties, shall be accountable to Audit Committee and the Senior Management to: <ul style="list-style-type: none"> <li>a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set</li> </ul>

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	<ul style="list-style-type: none"> <li>Resources are acquired economically, used efficiently and adequately protected.</li> <li>Programs, plans and objectives are achieved.</li> <li>Quality and continuous improvement are fostered in the control processes of the Company.</li> <li>Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.</li> </ul>			<p>forth under the mission and scope of work.</p> <p>b. Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution.</p> <p>c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.</p> <p>d. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal ethics, environmental, external audit)</p>

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

**YES. Under the Company's Revised Manual on Corporate Governance, the Audit Committee is tasked to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagements and removal.**

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

**The Internal Audit Head reports directly to the Audit Committee. In the performance of the internal audit function, the group is authorized to:**

- 1) Have unrestricted access to all functions, records, property and personnel.**

- 2) Have full and free access to communicate with the Audit Committee.
- 3) Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
- 4) Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from with or outside the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Elda Ting (January 2015)	Will study
Melvilo De Mesa (April 2015)	AWOL

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<b>Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee.</b>
<b>Issues<sup>5</sup></b>	<b>Issues and findings noted during the audit were given appropriate attention by management and recommendations were implemented accordingly. Significant findings and recommendations, together with management's responses, are reported to the Audit Committee to enable the Committee to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.</b>
<b>Findings<sup>6</sup></b>	
<b>Examination Trends</b>	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<b>Internal controls over financial reporting</b>	<b>Implemented</b>
<b>Authorization of transactions</b>	<b>Implemented</b>

<sup>5</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>6</sup> "Findings" are those with concrete basis under the company's policies and rules.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks
<ul style="list-style-type: none"> <li>▪ The Audit Committee reviews and confirms the independence of the external auditors by obtaining certification from the latter relative to their overall relationship with the Company. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence.</li> <li>▪ To provide for the independence of the internal auditor, the Internal Audit Head reports directly to the Audit Committee. The group has the authority to have unrestricted access to all functions, records, property and personnel of the Company.</li> </ul>	<p>The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.</p> <p>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</p>	

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

**Premium Leisure Corp fully complies with the Securities and Exchange Commission's Code of Corporate Governance, as attested by its Chairman, Willy N. Ocier, and President and Chief Executive Officer, Frederic C. DyBuncio. Its directors, officers and employees have been given instructions on their respective duties as provided for in the Code and that internal mechanisms are in place to ensure compliance.**

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The Company is fully committed to doing business in accordance with long-held values and ethical standards that have been the foundation for its growth and success. As such, all Directors,	<ul style="list-style-type: none"> <li>• Keeping its shareholders and the public regularly informed of the Company' results of operations and financial positions through corporate disclosures, press</li> </ul>

	Policy	Activities
	<p>Officers and Employees are required to treat its customers with courtesy, fairness, respect and professionalism all the time.</p>	<p>releases, and investors' and analysts' briefings.</p> <ul style="list-style-type: none"> <li>• The Company's continued compliance with all applicable laws in the country, districts and communities in which it operates its business.</li> <li>• The Company's maintenance of accurate and complete records of all financial and business transactions in accordance with laws and regulations.</li> <li>• Adherence to ethical practices such as but not limited to support for diversity and non-discrimination, respect for confidentiality and privacy of information and commitment to environmental and safety practices.</li> <li>• Uploading of Shareholders' Concern Contact to the website which may be reached to air shareholders' concerns and queries, <u>as follows:</u></li> </ul> <p><u>Contact Details for Shareholders' Concerns:</u>  <u>Michelle T. Hernandez</u>  <u>Vice President</u>  <u>Governance &amp; Corporate Affairs</u>  <u>Email:</u>  <u>Michelle.hernandez@bellec corp.com</u></p>
Supplier/contractor selection practice	<p>Premium Leisure Corp. (PLC) purchases its goods and services through its subsidiary, PremiumLeisure &amp; Amusement, Inc. (PLAI). This is done in accordance with professionalism and sound business practice to obtain value for money by incurring the lowest costs to address the Company's needs in terms of quality and service.</p> <p>The authority to buy is vested in PLAI. It is mainly responsible for the following:</p> <p>issuance of Purchase Requests to which each order shall conform to the required signatories based on the latest authority protocol policy; verification that all allocations are approved and budgeted in the current fiscal year; verify that the funds are available and that the appropriate budget department's approval is secured</p>	<p>A Bidding Committee shall be set up by PLAI Management for the procurement of big-ticket items.</p> <p>Only accredited vendors are awarded contracts. Vendors to be accredited should be corporations, which are required to submit their latest General Information Sheet, duly accomplished Accreditation Form, Code of Ethics, Disclosure Form and accreditation summary. The officers, owners or employees of the corporation to be accredited should not be connected up to the 3<sup>rd</sup> degree of consanguinity and affinity to any officers or employees of PLAI or PLC.</p> <p>PLAI shall be the control point for all the goods received. Original invoices are required in order to facilitate payment process. All contracts or agreement documents shall be reviewed and approved by the Legal Department.</p>

	Policy	Activities
	It should on the other hand be provided with accurate specifications at the time request of purchase is made as well as ample lead time for bidding and processing of orders. It shall verify all delivered orders for accuracy and completeness.	For computer hardware, audio-visual equipment, etc., the Group's IT Department must be consulted for pre-configuration and installation.  This policy will be subject to review by the Executive Committee annually.
Environmentally friendly value-chain	The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations.	
Community interaction	The Company respects relevant laws and/or regulations in the community where the Company operates. Compliance with those laws and regulations is strictly monitored to prevent any damage to the quality of life of society, surrounding communities and the environment.	
Anti-corruption programmes and procedures	<p>The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.</p> <p><u><i>In addition, the Company has issued Guidelines on Acceptance of Gifts which prohibits solicitation or acceptance of gifts in any form from any business partner.</i></u></p>	

	Policy	Activities
Safeguarding creditors' rights	The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.	The Company strictly respects agreements with creditors, manages loans according to lending objectives, ensures timely repayment of loans and interests, thoroughly honors loan conditions as agreed and competently operates the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

**NO. Moving forward, the Company will create a separate Corporate Responsibility section in its Annual Report.**

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

**The Company's Code of Ethics states that:**

- All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.
- The Company shall maintain a safe, productive and conducive workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them.
- The Company endeavours to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.

(b) Show data relating to health, safety and welfare of its employees.

**As of December 31, 2015, the Company has 7 employees, all of whom are full-time employees and are not subject to Collective Bargaining Agreements, broken down as follows:**

Executives	<u>3</u>
Senior Managers/Managers/Officers	<u>3</u>
Supervisors	<u>1</u>
Rank and File	
<b>TOTAL</b>	<u>7</u>

All regular employees are enrolled under a group life insurance plan with Generali and Ace Insurance and under a group health plan with Avega and Valucare. The Company also complies with government mandated benefits such as SSS, Philhealth and Pag-ibig for all employees.

The Company encourages good health and wellness through its various sports and fitness programs. Employees may use the courts and fitness facilities in the workplace and are encouraged to participate in SM Alliance games. The Company also conducts orientations and learning sessions on health-related matters, such as breast and cervical cancer awareness and detection, influenza and hepatitis B prevention and drug abuse awareness, to name a few.



(c) State the company's training and development programmes for its employees. Show the data.

The Company considers its officers and employees as important stakeholders of the Company and is committed to their continuous learning and growth. The Company offers its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.

*In 2015, internal trainings and seminars offered to employees include 7 Habits, Developing Leadership Skills, Customer Service Training, and etc.*

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company endeavors to provide career advancement to employees through a clearly defined promotion system based on the employee's competencies, major contributions and accomplishments, work attitude and interpersonal relationships. Performance appraisals are conducted annually, and merit increases resulting from these appraisals are given to the deserving employee subject to the review and approval of management.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Belle Corporation	<u>24,904,904,324</u>	<u>78.745%</u>	Belle Corporation
PCD Nominee Corp. (Filipino) <sup>(1)</sup>	<u>4,411,453,170</u>	<u>13.948%</u>	see footnote
PCD Nominee Corp. (Non-Filipino)	<u>2,016,162,315</u>	<u>6.375%</u>	

(1) PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE. There are no members of senior management that hold 5% shareholding or more.			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.  
**Disclosures not included in the Annual Report can be viewed and downloaded from the PSE.**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	<u><b>P350,000</b></u>	<u><b>P0.00</b></u>

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

**The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE.**

**The Company also conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results. Those held in the Philippines were last February, June and October 2015. Those which took place in several parts of Asia and London, England were completed in July and September 2014 and January to March 2015.**

5) Date of release of audited financial report: **March 5, 2015**

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes

Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **N/A**

## 7) Disclosure of RPT

RPT	Relationship	Nature	Value
<b>ADVANCES TO RELATED PARTIES</b>			
<u>Belle Corporation</u>	<u>Parent</u>	<u>Advances</u>	<u>5,544,222</u> <u>(non-interest bearing, due and</u> <u>demandable, unsecured, no</u> <u>impairment)</u>
<u>Belle Corporation</u>	<u>Parent</u>	<u>Notes Receivable</u>	<u>805,925,000</u> <u>(interest-bearing short-term</u> <u>notes, unsecured, no</u> <u>impairment)</u>
<b>ADVANCES FROM RELATED PARTIES</b>			
<u>Belle Corporation</u>	<u>Parent</u>	<u>Service and</u> <u>management fee</u>	<u>1,585,000</u> <u>(non-interest bearing, due and</u> <u>demandable, unsecured)</u>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.

Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee and the Risk Management Committee. This is to ensure that the Company conducts all related party transactions on an arm's length basis.

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	<b>Majority of the stock issued and outstanding</b>
------------------------	-----------------------------------------------------

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<b>Vote of stockholders</b>
<b>Description</b>	Corporate acts are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<p><b><u>Voting Right</u></b></p> <ul style="list-style-type: none"> <li>▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.</li> <li>▪ Cumulative voting shall be used in the election of directors.</li> </ul>	
<p><b><u>Power of Inspection</u></b></p> <ul style="list-style-type: none"> <li>▪ The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.</li> <li>▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.</li> </ul>	
<p><b><u>Right to Information</u></b></p> <ul style="list-style-type: none"> <li>▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC.</li> <li>▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.</li> </ul>	
<p><b><u>Right to Dividends</u></b></p> <ul style="list-style-type: none"> <li>▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.</li> <li>▪ <u>Dividends shall be paid to all shareholders within thirty (30) days from declaration.</u></li> </ul> <p>The Board of Directors adopted, as a matter of policy, that the Corporation shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.</p> <p>At its meeting on March 05, 2015, the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of March 20, 2015, with the payment date of April 17, 2015.</p>	

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
At its meeting on <u>February 23, 2016</u> , the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of <u>March 04, 2016</u> , with the payment date of <u>March 23, 2016</u> .	
<b>Appraisal Right</b> ▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances: <ol style="list-style-type: none"> <li>In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;</li> <li>In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.</li> <li>In case of merger or consolidation.</li> </ol>	

#### Dividends

Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.

- Dividends shall be paid to all shareholders within thirty (30) days from declaration.
- The Board of Directors adopted, as a matter of policy, that the Corporation shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.
- At its meeting on March 05, 2015, the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of March 20, 2015, with the payment date of April 17, 2015.
- At its meeting on February 23, 2016, the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of March 04, 2016, with the payment date of March 23, 2016.

Declaration Date	Record Date	Payment Date
March 05, 2015	March 20, 2015	April 17, 2015
<u>February 23, 2016</u>	<u>March 04, 2016</u>	<u>March 23, 2016</u>

#### (d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
<p>Notice of the Annual Stockholders' Meeting is given to all stockholders at least 21 business days before the meeting to provide stockholders with enough time to examine the information. The Notice encloses essential and adequate facts on all items on the agenda for consideration and approval of the stockholders.</p> <p>As provided for in the Company's Revised Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• SEC Form D20-IS</li> </ul>
<p>To facilitate stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• SEC Form D20-IS</li> <li>• Proxy Form</li> </ul>
<p>To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.</p>	<ul style="list-style-type: none"> <li>• Notice of the Annual Stockholders' Meeting</li> <li>• SEC Form D20-IS</li> </ul>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or of substantially all assets, which in effect results in the sale of the Company, are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**
  - a. Date of sending out notices: **March 31, 2015**
  - b. Date of the Annual/Special Stockholders' Meeting: **April 27, 2015**
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate

Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.

The opportunities were presented to ask questions and raise issues but there were no questions or issues which the stockholders raised during the Annual Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous meeting of stockholders	100%	–	–
Approval of 2014 operations and results	100%	–	–
Ratification of all acts of the Board of Directors and officers	100%	–	–
Election of directors	99.89%	–	0.11%
Appointment of SGV & Co. as external auditors	100%	–	–

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

**April 27, 2015**

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
<b>NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.</b>	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<b>BOARD MEMBERS:</b> 1. Willy N. Ocier 2. Frederic C. DyBuncio 3. A. Bayani K. Tan 4. Exequiel P. Villacorta, Jr. 5. Juan Victor S. Tanjuatco 6. Roman Felipe S.	4/27/2015	Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each	0.001%	83.512%	83.512%

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
	Reyes		stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.			

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

**YES. Under the Company's Amended By-Laws, two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.**

**For purposes of the Annual Stockholders' Meeting on April 27, 2015, the Corporate Secretary and/or his representative together with the Audit Partner of the External Auditor and/or his representative have been designated as inspectors to oversee the counting of votes.**

- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

**YES. Each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation. Voting rights for each class of share are as follows:**

Share Class	Voting Rights
Common	Full voting rights
Preferred	No issuance as of December 31, <u>2015</u> ; Rights and features shall be determined through a resolution of the BOD prior to issuance

- (g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.



	Company's Policies
Execution and acceptance of proxies	Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.
Notary	Notarization of proxy forms is not required to encourage stockholders to apply their right to vote through the proxy forms.
Submission of Proxy	All proxies should be received by the Corporation at least four (4) days before the meeting.
Several Proxies	If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.
Validity of Proxy	Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	
	Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
	Notice of time and place of regular or special meetings of stockholders shall be given by mailing or delivering written or printed notice of the same at least ten (10) days prior to the meeting, with postage and/or delivery charges prepaid, to each stockholder of record of the corporation entitled to vote at such meeting and addressed to the stockholder's last known post office address appearing on the corporate books of the corporation.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<b>581</b>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<b>March 31, 2015</b>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	<b>April 27, 2015</b>
<b>State whether CD format or hard copies were distributed</b>	<b>Soft copies</b>
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	<b>No</b>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<b>Yes</b>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<b>Yes</b>
The auditors to be appointed or re-appointed.	<b>Yes</b>
An explanation of the dividend policy, if any dividend is to be declared.	<u><b>Yes</b></u>
The amount payable for final dividends.	<b>Yes</b>
Documents required for proxy vote.	<b>Yes</b>

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **N/A**

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

<b>Policies</b>	<b>Implementation</b>
<b><u>Voting Right</u></b> <ul style="list-style-type: none"> <li>▪ Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.</li> <li>▪ Cumulative voting shall be used in the election of directors.</li> <li>▪ A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li> </ul>	<ul style="list-style-type: none"> <li>▪ During the Annual Stockholders' Meeting held last April 27, 2015 members of the Company's Board of Directors were nominated and elected to serve for the year 2015-2016 and until their successors are duly elected and qualified.</li> </ul>
<b><u>Power of Inspection</u></b> <ul style="list-style-type: none"> <li>▪ The Company shall allow all stockholders to</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by</li> </ul>

Policies	Implementation
<p>inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.</p> <ul style="list-style-type: none"> <li>▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.</li> </ul>	<p>the SEC and the PSE.</p> <ul style="list-style-type: none"> <li>▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE.</li> <li>▪ The Company undertakes to provide printed copies of the Information Statement and Annual Report upon written request of any stockholder entitled to vote at the Annual Stockholders' Meeting without charge.</li> </ul>
<p><b><u>Right to Information</u></b></p> <ul style="list-style-type: none"> <li>▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC.</li> <li>▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.</li> <li>▪ The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</li> <li>▪ The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE.</li> <li>▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE.</li> <li>▪ Information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers are disclosed in the Company's SEC Form 17-A.</li> </ul>
<p><b><u>Right to Dividends</u></b></p> <p>Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.</p> <p><b><u>Dividends shall be paid to all shareholders within thirty (30) days from declaration.</u></b></p> <ul style="list-style-type: none"> <li>▪ The Board of Directors adopted, as a matter of</li> </ul>	<p>The Company's By-Laws provide that dividends upon the capital stock of the corporation may be declared by the Board of Directors in the manner and form provided by law.</p> <ul style="list-style-type: none"> <li>▪ At its meeting on March 05, 2015, the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of March 20, 2015,</li> </ul>

Policies	Implementation
policy, that the Corporation shall declare dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration availability of cash, restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long term capital expenditures of its businesses/subsidiaries, and regulatory requirements on dividend payments, among others.	with the payment date of April 17, 2015.  ▪ At its meeting on <u>February 23, 2016</u> , the Company's Board of Directors approved the declaration of cash dividends for all shareholders on record as of <u>March 04, 2016</u> , with the payment date of <u>March 23, 2016</u> .
<u>Appraisal Right</u> ▪ The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:  a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;  b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.  c. In case of merger or consolidation.	▪ The matters voted upon in the Annual Stockholders' Meeting held last April 27, 2015 are not among the instances whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

**YES. Minority stockholders have a right to nominate candidates for the board of directors as provided for in the Revised Manual on Corporate Governance.**

#### **K. INVESTORS RELATIONS PROGRAM**

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

**Financial statements and results of operations are disclosed quarterly. Before submission to the PSE and SEC, these reports are presented to the Audit Committee and the Board of Directors for their review and approval. The Corporate Information Officer approves all disclosures that will be made available to the public.**

**Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE.**

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<ul style="list-style-type: none"> <li>▪ To assist investors in making investment decisions with regards to their shareholdings in the Company</li> <li>▪ To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company</li> <li>▪ To provide the regulators, the media and the general public with the most current information about the Company, which will have a material impact on the company's overall growth and profitability</li> <li>▪ To handle enquiries and manage relations with investors, analysts, shareholders and the general public</li> </ul>
(2) Principles	<ul style="list-style-type: none"> <li>▪ Transparency and accountability to all existing and potential investors</li> <li>▪ Fairness and level playing field for all stakeholders</li> </ul>
(3) Modes of Communications	<ul style="list-style-type: none"> <li>▪ Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE.</li> <li>▪ The Company conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results.</li> </ul>
(4) Investor Relations Officer	<p>Mr. Armin B. Raquel-Santos Executive Vice President and Chief Operations Officer Email: <a href="mailto:armin.raquel-santos@bellec corp.com">armin.raquel-santos@bellec corp.com</a> Telephone No.: 662-8888</p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?  
Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Before any extraordinary transaction is finalized, the Company performs due diligence, benchmarking and cost-benefit analysis procedures to ensure that the transaction is in line with the long-term sustainability of the business and within the core competency of the Group. In addition, Board, stockholder and regulatory approvals are obtained first before such transaction is finalized.

The independent party to be appointed may vary depending on the type of the transaction (e.g., investment banks, external auditors, third party appraisers and legal and tax consultants).

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<u>Medical and Dental Mission</u>	<u>Residents of Brgy. Mabato, Calamba, Laguna, Barangay Calabuso, Tagaytay, Cavite, Brgy. Suplang, Tanauan, Batangas</u>

Initiative	Beneficiary
<u>Education</u>	<u>Department of Education's Brigada Eskwela 2015:</u> <ul style="list-style-type: none"> <li>• <u>Dona Maria Laurel Platon (Aya) / Montana / Quiling / Sulpoc / Tranca Elementary Schools</u></li> </ul>
<u>Health (feeding program)</u>	<ul style="list-style-type: none"> <li>• <u>346 public school children from Tanauan &amp; Talisay, Batangas</u></li> <li>• <u>Tambo Elementary School, Paranaque</u></li> </ul>
Annual 'One Tree at a Time' tree planting activity (in partnership with Highlands Prime, Inc. and the ASEAN Centre for Biodiversity)	Tagaytay Highlands <u>and its members</u>

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<u>The Board conducts an annual performance self-evaluation.</u>  <u>The performance evaluation is based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors and President as provided for by the Manual on Corporate Governance and By-Laws.</u>	<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
Board Committees		<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
Individual Directors	<u>Directors are also asked to identify areas for improvement, such as training/ continuing education programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and Board Advisors.</u>	<ol style="list-style-type: none"> <li>1. Independence</li> <li>2. Leadership</li> <li>3. Expertise</li> <li>4. Corporate Governance</li> </ol>
CEO/President		<ol style="list-style-type: none"> <li>1. Leadership</li> <li>2. Integrity</li> <li>3. Diligence</li> <li>4. <u>Adherence to Corporate Governance</u></li> </ol>

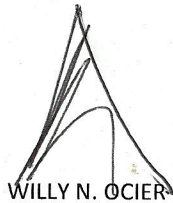
## N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

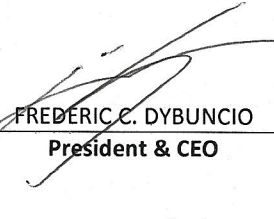
Violations	Sanctions
Violation of any of the provisions in the Revised Manual on Corporate Governance	In case of <u>first violation</u> , the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall at least be reprimanded or suspended.
	A <u>second violation</u> may require suspension depending on the gravity of the violation.
	For the <u>third violation</u> , the maximum penalty of removal from office may be imposed. When removed, the subject directors, officers or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on \_\_\_\_\_, 20\_\_\_\_.

**SIGNATURES**



**WILLY N. OCIER**  
Chairman of the Board



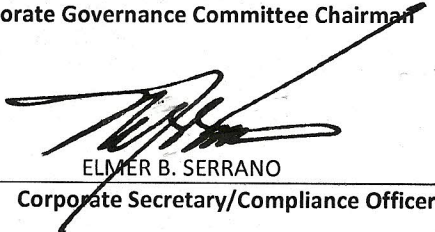
**FREDERIC C. DYBUNCIO**  
President & CEO



**ROMAN FELIPE S. REYES**  
Independent Director  
Corporate Governance Committee Chairman



**JOSEPH C. TAN**  
Independent Director  
Corporate Governance Committee Member



**ELMER B. SERRANO**  
Corporate Secretary/Compliance Officer

**MAR 18 2016**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	PASSPORT/ DRIVERS LICENSE NUMBER	DATE OF ISSUE	PLACE OF ISSUE
WILLY N. OCIER	EB6130282	August 14, 2012	Manila
FREDERIC C. DYBUNCIO	EC0634893	March 22, 2014	Manila
ROMAN FELIPE S. REYES	106205125000		
JOSEPH C. TAN	119873261000		
ELMER B. SERRANO	153406995000		

Doc No. 100  
Page No. 20  
Book No. XX  
Series of 2016

**NOTARY PUBLIC**

**ATTY. REINIER S. QUIAMBAO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 5329630 / 01.07.16 / MAKATI CITY  
IBP NO. 1023809 / 01.08.16 / TARC CITY  
TIN 238-251-699 ROLL NO. 62283  
MCLE NO. V - 0011532 / 10.06.15



## PART V - EXHIBITS AND SCHEDULES

### Item 13. Exhibits and Reports on SEC Form 17-C

#### a. Exhibits on SEC Form 17-C

There are no exhibits to be provided/applicable to the Company

#### b. Reports on SEC Form 17-C

Document	Date Filed	Item Number	Matter
SEC Form 17-C dated January 13, 2015	January 14, 2015	Item 9	Delinquency Sale of Delinquent Shares
SEC Form 17-C dated February 23, 2015	February 24, 2015	Item 9	Response to PSE's request for clarification and/or confirmation of news article published in Philippine Daily Inquirer on 23 Feb 2015 re: Premium Leisure dividends on tap for its shareholders
SEC Form 17-C dated March 5, 2015	March 6, 2015	Item 9	PLC's Board of Directors approved on March 5, 2015 the declaration of cash dividends
SEC Form 17-C dated March 5, 2015	March 6, 2015	Item 9	Notice of Annual Stockholders' Meeting
SEC Form 17-C dated March 6, 2015	March 6, 2015	Item 9	Press Release on Premium Leisure Corp's Declaration of Cash Dividend
SEC Form 17-C dated April 17, 2015	April 17, 2015	Item 9	Increase in the Corporation's number of Issued Shares
SEC Form 17-C dated April 27, 2015	April 28, 2015	Item 9	Results of the Annual Stockholders' Meeting held on April 27, 2015.
SEC Form 17-C dated April 27, 2015	April 28, 2015	Item 9	Results of the Organizational Meeting held on April 27, 2015.
SEC Form 17-C dated May 11, 2015	May 12, 2015	Item 9	Results of the Board Meeting held on May 11, 2015 (Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion))
SEC Form 17-C dated August 4, 2015	August 5, 2015	Item 9	Approval on Purchase of POSC shares from Belle Corporation.
SEC Form 17-C dated August 4, 2015	August 5, 2015	Item 9	Resignation of Mr. Roman Felipe S. Reyes from the Executive Committee.
SEC Form 17-C dated August 4, 2015	August 5, 2015	Item 9	Approval on Purchase of POSC shares from Belle Corporation. (Amendment)
SEC Form 17-C dated August 7, 2015	August 7, 2015	Item 9	Approval on Purchase of POSC shares from Belle Corporation. (Amendment 2)
SEC Form 17-C dated October 30, 2015	November 2, 2015	Item 9	Changes in composition of the various Board Committees


## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on MAR 13 2016 **PASAY CITY**


By:

  
**WILLY N. OCIER**

Chairman of the Board

  
**FREDERIC C. DYBUNCIO**

President & CEO

  
**JACKSON T. ONGSIP**  
Chief Financial Officer

**MAR 18 2016**

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_ 2016 affiants exhibiting to me their passports / drivers licenses and tax identification numbers (TIN) as follows:

Name	Passport / Driver's License and TIN	Place of Issue	Expiration Date
WILLY N. OCIER	EB6130282 TIN 101-934-954	DFA Manila	Aug 13, 2017
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	DFA Manila	Mar 21, 2019
JACKSON T. ONGSIP	N03-90-097042 TIN 178-486-617	Manila	Jul 13, 2017

DOC. NO.  
PAGE NO.  
BOOK NO.  
SERIES OF

101  
21  
818  
2014

  
**ATTY REINIER S. QUIAMBAO**

NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 5329630 / 01.07.16 / MAKATI CITY  
IBP NO. 1023809 / 01.08.16 / TARLAC CITY  
TIN 238-251-699 ROLL NO. 62283  
MCLE NO. V - 0011532 / 10.06.15

**PREMIUM LEISURE CORP.  
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17-A, Item 7**

<b>Consolidated Financial Statements</b>	<b>Page No.</b>
Statement of Management's Responsibility for Financial Statements	
Report of Independent Public Accountants	) see
attached FS	
Consolidated Statement of Financial Position as at December 31, 2015 and 2014	)
Consolidated Statements of Comprehensive Income for the years ended	)
December 31, 2015, 2014 and 2013	)
Consolidated Statements of Changes in Equity	)
for the years ended December 31, 2015, 2014 and 2013	)
Consolidated Statements of Cash Flows for the years ended	)
December 31, 2015, 2014 and 2013	)
Notes to Consolidated Financial Statements	)

**Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules
A. Financial Assets
B. Amounts of Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
C. Amounts Receivables from Related Parties which are Eliminated during consolidation of Financial Statements
D. Intangible Asset Assets – Other Assets
E. Long-Term Debt
F. Indebtedness to Related Parties
G. Guarantees of Securities of other Issuers
H. Capital Stocks
I. Reconciliation of Retained Earnings for Dividend Declaration
J. Key Financial Ratios
1) Schedule of all the effective standards and interpretations
2) Map of the relationships of the companies within the group
List of Top 20 Stockholders of Record (See Page 5)

## INDEX TO EXHIBITS

### Form 11-A

<u>No.</u>	<u>Page No.</u>
(3) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5) Instruments Defining the Rights of Security Holders, Including Indentures	*
(8) Voting Trust Agreement	*
(9) Material Contracts	*
(10) Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13) Letter re Change in Certifying Accountant	*
(16) Report Furnished to Security Holders	*
(19) Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20) Consent of Experts and Independent Counsel	*
(21) Power of Attorney	*

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\*These Exhibits are either not applicable to the Company or require no answer.



**PREMIUM  
LEISURE CORP.**

**SECURITIES AND EXCHANGE COMMISSION**

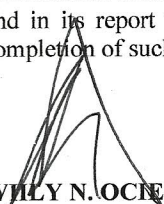
SEC Building, EDSA Greenhills  
Mandaluyong City, Metro Manila

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

The management of Premium Leisure Corp. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.


SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined 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 examination.



**WILLY N. OCHER**  
Chairman of the Board



**FREDERIC C. DYBUNCIO**  
President and Chief Executive Officer



**JACKSON T. ONGSIP**  
Chief Finance Officer / Treasurer

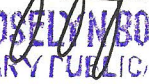
**Signed this 23<sup>rd</sup> day of February 2016**

MAR 15 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ 2016 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	EB6130282 TIN 101-934-954	August 13, 2017	Manila
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	March 21, 2019	Manila
JACKSON T. ONGSIP	EC4804332 TIN 178-486-617	July 29, 2020	Manila

DOC NO. : 49  
PAGE NO. : 10  
BOOK NO. : XXIII  
SERIES OF : 2016.

  
**ATTY. JOSELYN BONNIE V. VALEROS**  
NOTARY PUBLIC/ ROLL NO. 54515  
PTR NO. 4912213 UNTIL 12-31-16  
IBPI IFENO. 05925, COMMISSION NO. 2014-022  
OFFICE ADD: IMPERIAL BAYFRONT TOWER 1621A, MABINI/MLA  
MCLENO. IV-0017429 ISSUED ON APR 18 2013

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S O 9 3 - 9 2 8 9

**COMPANY NAME**

P	R	E	M	I	U	M		L	E	I	S	U	R	E		C	O	R	P	.		(	F	o	r	m	e	r	l
y		S	i	n	o	p	h	i	l		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 )

S	t	h		F	l	o	o	r	,		T	o	w	e	r		A	,		T	w	o		E	-	C	o	m	
C	e	n	t	e	r	,		P	a	l	m		C	o	a	s	t		A	v	e	n	u	e	,		M	a	l
l		o	f		A	s	i	a		C	o	m	p	l	e	x	,		C	B	P	-	1	A	,		P	a	s
a	y		C	i	t	y																							

Form Type

A C F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

www.premiumleisurecorp.com

Company's Telephone Number

662-8888

Mobile Number

0917-5578203

No. of Stockholders

382

Annual Meeting (Month / Day)

Any day in May

Fiscal Year (Month / Day)

December 31

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

Name of Contact Person

Mr. Jackson T. Ongsip

Email Address

jackson.ongsip@sminvestments.com

Telephone Number/s

662-8888

Mobile Number

0917-5578203

**CONTACT PERSON'S ADDRESS**

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City

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

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



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, CBP-1A, Pasay City

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. (formerly Sinophil Corporation) and Subsidiaries which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

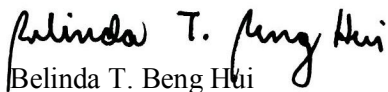




***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Premium Leisure Corp. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-1 (Group A),

March 25, 2013, valid until March 24, 2016

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2015,

June 26, 2015, valid until June 25, 2018

PTR No. 5321613, January 4, 2016, Makati City

February 23, 2016



**PREMIUM LEISURE CORP.**  
**(Formerly Sinophil Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31, 2015	December 31, 2014 (As restated - Note 17)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 8 and 31)	₱1,187,556,503	₱2,692,121,573
Investments held for trading (Notes 9 and 31)	226,746,690	—
Receivables (Notes 10, 28 and 31)	509,585,194	57,771,668
Notes receivable (Notes 11, 28 and 31)	805,925,000	—
Other current assets (Note 12)	131,884,988	28,849
	2,861,698,375	2,749,922,090
Noncurrent asset held for sale (Note 17)	285,510,452	285,510,452
Total Current Assets	3,147,208,827	3,035,432,542
<b>Noncurrent Assets</b>		
Intangible asset (Note 13)	10,231,313,891	10,794,591,525
Available-for-sale financial assets (Notes 14, 28 and 31)	586,543,893	489,801,169
Investment in an associate (Notes 15 and 18)	—	1,552,566,238
Property and equipment (Note 16)	544,628,438	383,800
Goodwill (Notes 18 and 19)	1,828,577,952	—
Deferred tax assets (Note 27)	42,261,133	—
Other noncurrent assets (Notes 21 and 33)	61,463,669	85,498
Total Noncurrent Assets	13,294,788,976	12,837,428,230
<b>TOTAL ASSETS</b>	<b>₱16,441,997,803</b>	<b>₱15,872,860,772</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 20 and 31)	₱365,772,706	₱79,141,507
Current portion of obligations under finance lease (Notes 29 and 31)	25,201,309	—
Income tax payable	49,600,322	4,812,080
Total Current Liabilities	440,574,337	83,953,587
<b>Noncurrent Liabilities</b>		
Obligation under finance lease (Notes 29 and 31)	93,527,275	—
Retirement liability (Note 21)	18,638,266	1,047,500
Total Noncurrent Liabilities	112,165,541	1,047,500
Total Liabilities	552,739,878	85,001,087

(Forward)



	December 31, 2015	December 31, 2014 (As restated - Note 17)
<b>Equity Attributable to the Equity Holders of the Parent</b> (Notes 22 and 31)		
Capital stock	<b>₱7,906,827,500</b>	₱7,906,827,500
Additional paid-in capital	<b>7,238,721,924</b>	6,946,201,779
Subscription receivable	—	(185,480,975)
Cost of parent company shares held by a subsidiary	<b>(422,210,490)</b>	—
Other reserves	<b>(121,523,954)</b>	139,381,879
Retained earnings	<b>440,361,436</b>	980,929,502
Total Equity Attributable to Equity Holders of the Parent	<b>15,042,176,416</b>	15,787,859,685
<b>Non-controlling Interests</b> (Note 18)	<b>847,081,509</b>	—
Total Equity	<b>15,889,257,925</b>	15,787,859,685
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱16,441,997,803</b>	₱15,872,860,772

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP.**  
**(Formerly Sinophil Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2015	2014	2013
<b>REVENUE</b>			
Gaming revenue share (Notes 23 and 33)	₱756,237,939	₱38,809,095	₱—
Equipment lease rentals (Note 29)	630,926,248	—	—
Commission and instant scratch tickets (Note 33)	88,400,678	—	—
	<b>1,475,564,865</b>	<b>38,809,095</b>	<b>—</b>
<b>COST AND EXPENSES</b>			
Cost of services (Note 24)	356,598,224	12,075,317	—
General and administrative expenses (Note 25)	289,749,544	408,292,190	8,735,710
Amortization of intangible asset (Note 13)	563,277,634	48,624,286	—
	<b>1,209,625,402</b>	<b>468,991,793</b>	<b>8,735,710</b>
<b>OTHER INCOME (EXPENSES)</b>			
Equity in net earnings of an associate (Note 15)	75,525,743	31,521,474	—
Interest income (Notes 8, 11 and 22)	42,034,540	6,465,350	1,043
Dividend income (Note 14)	31,770,513	1,999,754	—
Finance charges	(4,996,708)	—	—
Gain on sale of land (Note 28)	—	149,170,154	—
Fair value change due to cancellation of swap agreement and sale of golf club shares (Note 14)	—	1,643,407,304	—
Transfer of share in cumulative translation adjustments of investment in an associate (Note 14)	—	(58,318,988)	—
Other expense - net (Note 26)	(2,355,705)	—	—
	<b>141,978,383</b>	<b>1,774,245,048</b>	<b>1,043</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>407,917,846</b>	<b>1,344,062,350</b>	<b>(8,734,667)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 27)			
Current	186,833,985	5,117,366	—
Deferred	(2,070,488)	—	—
	<b>184,763,497</b>	<b>5,117,366</b>	<b>—</b>
<b>NET INCOME (LOSS)</b>	<b>₱223,154,349</b>	<b>₱1,338,944,984</b>	<b>(₱8,734,667)</b>
<b>Net Income (Loss) Attributable to:</b>			
Equity holders of the parent	155,232,754	1,338,944,984	(8,734,667)
Non-controlling interests	67,921,595	—	—
	<b>₱223,154,349</b>	<b>₱1,338,944,984</b>	<b>(₱8,734,667)</b>
<b>Basic/Diluted Earnings (Loss) Per Common Share</b> <b>Attributable to Equity Holders of the Parent</b> (Note 30)	<b>₱0.004913</b>	<b>₱0.086607</b>	<b>(₱0.00112)</b>

See accompanying Notes to Consolidated Financial Statements.



**PREMIUM LEISURE CORP.**  
**(Formerly Sinophil Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2015	2014	2013
<b>NET INCOME (LOSS)</b>	<b>₱223,154,349</b>	<b>₱1,338,944,984</b>	<b>(₱8,734,667)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Mark-to-market gains (losses) on available-for-sale financial assets (Note 14)	(252,460,264)	23,420,369	(20,800,737)
Share in mark-to-market loss on available-for-sale financial assets of an associate (Note 15)	(38,258,713)	—	—
Fair value change due to recovery of previous impairment of available-for-sale financial assets (Note 14)	—	1,643,407,304	—
Recycling of fair value change due to cancellation of swap agreement and sale of golf club shares (Note 14)	—	(1,643,407,304)	—
Recycling of share in cumulative translation adjustments of investment in an associate (Note 14)	—	58,318,988	—
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain on net retirement benefits - net of tax	4,582,575	—	—
Share in remeasurement loss on net retirement benefits of an associate - net of tax (Note 15)	—	(3,989,546)	—
	<b>(286,136,402)</b>	<b>77,749,811</b>	<b>(20,800,737)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱62,982,053)</b>	<b>₱1,416,694,795</b>	<b>(₱29,535,404)</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>			
Equity holders of the parent	(₱105,673,078)	₱1,416,694,795	(₱29,535,404)
Non-controlling interests	42,691,025	—	—
	<b>(₱62,982,053)</b>	<b>₱1,416,694,795</b>	<b>(₱29,535,404)</b>

See accompanying Notes to Consolidated Financial Statements.



**PREMIUM LEISURE CORP.**  
**(Formerly Sinophil Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Other Reserves			Retained Earnings (Note 22)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 3)	Total
					Cumulative Unrealized Gain on Available-for- Sale Financial Assets (Note 14)	Remeasurement Gains and (Losses) on Defined Benefit Obligation (Note 21)	Share in Other Comprehensive Income of an Associate and Other Reserves (Notes 14 and 22)				
Balance at January 1, 2015	₱7,906,827,500	₱6,946,201,779	(₱185,480,975)	₱-	₱397,691,122	₱-	(₱258,309,243)	₱980,929,502	₱15,787,859,685	₱-	₱15,787,859,685
Net income	-	-	-	-	-	-	-	155,232,754	155,232,754	67,921,595	223,154,349
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	-	-	-	-	-	2,066,520	-	-	2,066,520	2,516,055	4,582,575
Mark-to-market loss on available-for-sale financial assets	-	-	-	-	(224,713,640)	-	-	-	(224,713,640)	(27,746,624)	(252,460,264)
Share in mark-to-market loss on available-for- sale financial assets of an associate	-	-	-	-	-	-	(38,258,713)	-	(38,258,713)	-	(38,258,713)
Total comprehensive income (loss)	-	-	-	-	(224,713,640)	2,066,520	(38,258,713)	155,232,754	(105,673,079)	42,691,026	(62,982,053)
Subscriptions collected, net of listing fees (Note 22)	-	(4,567,388)	185,480,975	-	-	-	-	-	180,913,587	-	180,913,587
Step acquisition (Note 18)	-	297,087,533	-	(286,398,070)	(38,258,713)	(3,989,546)	42,248,259	-	10,689,463	849,067,497	859,756,960
Parent Company shares held by a subsidiary (Note 22)	-	-	-	(135,812,420)	-	-	-	-	(135,812,420)	-	(135,812,420)
Cash dividends (Note 22)	-	-	-	-	-	-	-	(695,800,820)	(695,800,820)	-	(695,800,820)
Cash dividends received by non-controlling interest (Note 3)	-	-	-	-	-	-	-	-	-	(44,677,014)	(44,677,014)
Balance at December 31, 2015	₱7,906,827,500	₱7,238,721,924	₱-	(₱422,210,490)	₱134,718,769	(₱1,923,026)	(₱254,319,697)	₱440,361,436	₱15,042,176,416	₱847,081,509	₱15,889,257,925



	Other Reserves								
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Cumulative Unrealized Mark-to-Market Gain on Available-for- Sale Financial Assets (Note 14)	Share in Cumulative Actuarial Losses of an Associate (Note 15)	Share in Cumulative Translation Adjustments of an Associate and Other Reserves (Notes 14 and 22)	Retained Earnings (Deficit) (Note 22)	Total
Balance at January 1, 2014	₱7,927,310,000	₱2,039,727,799	(₱4,962,580,586)	(₱512,594,197)	₱374,270,753	₱—	(₱58,318,988)	(₱2,972,488,493)	₱1,835,326,288
Net income	—	—	—	—	—	—	—	1,338,944,984	1,338,944,984
Other comprehensive (income) loss									
Fair value change due to recovery of previous impairment	—	—	—	—	1,643,407,304	—	—	—	1,643,407,304
Recycling of fair value change due to cancellation of Swap Agreement and sale of golf club shares	—	—	—	—	(1,643,407,304)	—	—	—	(1,643,407,304)
Recycling of share in cumulative translation adjustments of investment in an associate	—	—	—	—	—	—	58,318,988	—	58,318,988
Mark-to-market gain on available-for-sale financial assets	—	—	—	—	23,420,369	—	—	—	23,420,369
Share in remeasurement loss on net retirement benefits of an associate - net of tax	—	—	—	—	—	(3,989,546)	—	—	(3,989,546)
Total comprehensive (income) loss	—	—	—	—	23,420,369	(3,989,546)	58,318,988	1,338,944,984	1,416,694,795
Effect of quasi re-organization (Note 22)	(5,195,482,500)	2,581,009,489	—	—	—	—	—	2,614,473,011	—
Cancellation of Swap Agreement (Note 14)	(1,000,000,000)	(559,847,304)	—	—	—	—	—	—	(1,559,847,304)
Subscriptions during the year (Note 22)	6,175,000,000	2,885,311,795	—	—	—	—	—	—	9,060,311,795
Subscriptions collected (Note 22)	—	—	4,777,099,611	—	—	—	—	—	4,777,099,611
Sale of Parent Company shares held by a subsidiary (Note 22)	—	—	—	477,256,825	—	—	(218,982,325)	—	258,274,500
Reclassification	—	—	—	35,337,372	—	—	(35,337,372)	—	—
Balance at December 31, 2014	₱7,906,827,500	₱6,946,201,779	(₱185,480,975)	₱—	₱397,691,122	(₱3,989,546)	(₱254,319,697)	₱980,929,502	₱15,787,859,685

(Forward)



					Other Reserves				
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Cumulative Unrealized Mark-to-Market Gain on Available-for- Sale Financial Assets (Note 14)	Share in Cumulative Actuarial Losses of an Associate (Note 15)	Share in Cumulative Translation Adjustments of an Associate and Other Reserves (Notes 14 and 22)	Retained Earnings (Deficit) (Note 22)	Total
Balance at January 1, 2013	₱7,927,310,000	₱2,039,727,799	(₱4,962,655,586)	(₱512,594,197)	₱395,071,490	₱—	(₱58,318,988)	(₱2,963,753,826)	₱1,864,786,692
Net loss	—	—	—	—	—	—	—	(8,734,667)	(8,734,667)
Other comprehensive loss									
Mark-to-market loss on available-for-sale financial assets	—	—	—	—	(20,800,737)	—	—	—	(20,800,737)
Total comprehensive loss	—	—	—	—	(20,800,737)	—	—	(8,734,667)	(29,535,404)
Subscriptions collected	—	—	75,000	—	—	—	—	—	75,000
Balance at December 31, 2013	₱7,927,310,000	₱2,039,727,799	(₱4,962,580,586)	(₱512,594,197)	₱374,270,753	—	(₱58,318,988)	(₱2,972,488,493)	₱1,835,326,288

See accompanying Notes to Consolidated Financial Statements.





**PREMIUM LEISURE CORP.****(Formerly Sinophil Corporation)****AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱407,917,846</b>	<b>₱1,344,062,350</b>	<b>(₱8,734,667)</b>
Adjustments for:			
Amortization of intangible asset (Note 13)	<b>563,277,634</b>	48,624,286	—
Equity in net earnings of an associate (Note 15)	<b>(75,525,743)</b>	(31,521,474)	—
Depreciation of property and equipment (Note 16)	<b>65,301,971</b>	203,368	—
Interest income (Notes 8, 11 and 22)	<b>(42,034,540)</b>	(6,465,350)	(1,043)
Dividend income (Note 14)	<b>(31,770,513)</b>	(1,999,754)	—
Mark-to-market loss of investments held for trading (Note 26)	<b>29,331,526</b>	—	—
Gain on sale of investments held for trading (Note 26)	<b>(11,363,516)</b>	—	—
Reversal of allowance for input value-added tax (Note 26)	<b>(10,992,915)</b>	—	—
Provisions for doubtful accounts and probable loss on input VAT (Note 25)	<b>8,645,486</b>	349,691,841	256,937
Finance charges	<b>4,996,708</b>	—	—
Foreign exchange loss (Note 26)	<b>698,585</b>	—	—
Loss on sale of property and equipment (Note 26)	<b>446,948</b>	—	—
Fair value change due to cancellation of Swap Agreement and sale of golf club shares (Note 14)	—	(1,643,407,304)	—
Transfer of share in cumulative translation adjustments of investment in an associate (Note 14)	—	58,318,988	—
Gain on sale of land (Note 28)	—	(149,170,154)	—
Operating income (loss) before working capital changes	<b>908,929,477</b>	(31,663,203)	(8,478,773)
Decrease (increase) in:			
Receivables	<b>138,177,582</b>	(381,290,559)	11,438,141
Other current assets	<b>(41,250,642)</b>	—	—
Increase (decrease) in:			
Trade payables and other current liabilities	<b>65,153,439</b>	21,842,615	(45,567)
Retirement liability	<b>(5,736,204)</b>	1,047,500	—
Cash used generated from (used for) operations	<b>1,065,273,652</b>	(390,063,647)	2,913,801
Income taxes paid	<b>(128,269,589)</b>	—	(2,854,689)
Interest received	<b>38,173,395</b>	6,465,350	1,043
Net cash provided by (used in) operating activities	<b>975,177,458</b>	(383,598,297)	60,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment (Note 16)	<b>(223,409,934)</b>	—	—
Cash acquired from step acquisition of a subsidiary (Note 18)	<b>179,986,807</b>	—	—
Dividends received	<b>62,271,200</b>	1,999,754	—
Acquisition of available-for-sale financial asset (Note 14)	<b>(14,546,522)</b>	—	—
Proceeds from sale of property and equipment	<b>1,013,249</b>	—	—
Decrease (increase) in:			
Notes receivable	<b>(1,805,925,000)</b>	—	—
Other noncurrent assets	<b>(9,460,547)</b>	(133,920)	—
Investments held for trading	<b>4,826,592</b>	—	—
Acquisition of interest in a subsidiary - net of cash acquired from a subsidiary (Note 2)	—	(10,840,082,454)	—
Acquisition of interest in an associate (Notes 2 and 15)	—	(1,525,034,310)	—
Proceeds from redemption of preferred shares (Note 14)	—	1,000,000,000	—
Proceeds from sale of land and other assets (Note 28)	—	323,371,434	—
Proceeds from sale of available-for-sale financial assets (Note 14)	—	198,000,000	—
Decrease in due to Belle Corporation	—	(179,011,579)	—
Net cash used in investing activities	<b>(1,805,244,155)</b>	(11,020,891,075)	—

*(Forward)*

	Years Ended December 31		
	2015	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(P740,477,834)	P-	P-
Collections of subscription receivable (Note 22)	180,913,587	4,777,099,611	75,000
Additional cost of parent company shares held by a subsidiary (Note 22)	(135,812,420)	-	-
Increase in obligations under finance lease	20,878,294	-	-
Subscriptions by Belle Corporation (Note 22)	-	9,060,311,795	-
Proceeds from sale of Parent Company shares (Note 22)	-	258,274,500	-
Net cash provided by (used in) financing activities	(674,498,373)	14,095,685,906	75,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,504,565,070)</b>	<b>2,691,196,534</b>	<b>135,155</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,692,121,573</b>	<b>925,039</b>	<b>789,884</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)</b>	<b>P1,187,556,503</b>	<b>P2,692,121,573</b>	<b>P925,039</b>

*See accompanying Notes to Consolidated Financial Statements.*



# PREMIUM LEISURE CORP.

(Formerly Sinophil Corporation)

## AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

##### Corporate Information

Premium Leisure Corp., formerly Sinophil Corporation, (“PLC” or “Parent Company”), incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved PLC’s application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC’s primary purpose to that of engagement and/or investment in gaming-related businesses.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 78.74% and 78.86% (direct and indirect) owned by Belle Corporation (“Belle”) and the rest by the public as at December 31, 2015 and 2014, respectively.

PLC and its subsidiaries (collectively referred to as “the Company”) have investment portfolio consisting of investment holding, real estate, public amusement recreation, gaming business and online gaming.

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CPB-1A, Pasay City.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership			
	2015		2014	
	Direct	Indirect	Direct	Indirect
<b>Gaming Business</b>				
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	—	100.00	—
<b>Real Estate</b>				
Foundation Capital Resources, Inc. (FCRI)	100.00	—	100.00	—
<b>Public Amusement and Recreation</b>				
Sinophil Leisure and Resorts Corporation (SLRC)	100.00	—	100.00	—
Pacific Online Systems Corporation (POSC) <sup>(a)</sup>	50.10	—	34.50	—
Loto Pacific Leisure Corporation (LotoPac)	—	100.00	—	—
Lucky Circle Corporation (LCC)	—	100.00	—	—
Total Gaming Technologies, Inc. (TGTI)	—	98.92	—	—
Falcon Resources, Inc. (FRI)	—	100.00	—	—

*The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.*

*<sup>(a)</sup> POSC was accounted as a subsidiary starting August 5, 2015 (see Note 18).*



Authorization for the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on February 23, 2016.

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**2. Corporate Reorganization**

On June 2, 2014, the Company's BOD approved a plan to take on the gaming business and interests of Belle (the "Investment Plan"). In line with this, the Company was authorized:

(1) To sell to Belle its non-gaming related assets consisting of the following:

- Membership shares in Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 14);
- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area;
- Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Midlands Complex; and
- Undeveloped land located in the City of Tanauan, Province of Batangas (see Note 28).

(2) To acquire from Belle the following:

- 100% ownership interest in PLAI for a consideration of ₱10,847,820,000 (see Note 13);
- 34.5% ownership interest in Pacific Online Systems Corporation ("POSC") for a consideration of ₱1,525,034,310 (see Note 15).

(3) To execute a Memorandum of Agreement (Second Amendment Agreement to the Settlement Agreement dated August 28, 2009) for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000,000,000 (see Note 14).

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**3. Basis of Preparation and Consolidation and Statement of Compliance**

Basis of Preparation

The Company's consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading and available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2015 and 2014 (see Note 1). Control is achieved if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. 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 of the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between and among the Parent Company and subsidiaries 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 Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company.



Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Company. Non-controlling interest is 49.9% as at December 31, 2015.

The summarized financial information of POSC is provided below. This information is based on amounts before intercompany eliminations.

Summarized consolidated statement of financial position as at December 31, 2015:

	Amount
	<i>(In thousands)</i>
Total current assets	₱969,430
Total noncurrent assets	1,241,432
Total current liabilities	(353,647)
Total noncurrent liabilities	(98,261)
<u>Total equity</u>	<u>₱1,758,954</u>
Attributable to:	
Equity holders of the Parent	₱1,756,008
Non-controlling interests	2,946
<u>Total</u>	<u>₱1,758,954</u>

Summarized consolidated statement of comprehensive income for the year ended December 31, 2015:

	Amount
	<i>(In thousands)</i>
Revenues	₱1,718,318
Costs and expenses	(1,212,796)
Other income – net	3,860
Income before income tax	509,382
Provision for income tax	(163,312)
Net income	346,070
Other comprehensive loss	(394,749)
<u>Total comprehensive loss</u>	<u>(₱48,679)</u>
Attributable to:	
Equity holders of the Parent	(₱50,574)
Non-controlling interests	1,895
<u>Total</u>	<u>(₱48,679)</u>

Summarized consolidated statement of cash flows for the year ended December 31, 2015:

	Amount
	<i>(In thousands)</i>
Operating	₱441,487
Investing	(666,202)
Financing	22,934
<u>Net decrease in cash and cash equivalents</u>	<u>(₱201,781)</u>

Dividends paid to non-controlling interests in 2015 amounted to ₱44.7 million.



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#### 4. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments which were adopted starting January 1, 2015. The adoption of these amendments did not have any significant impact in the Company's consolidated financial statements.

- Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendment)*
- Annual Improvements to PFRS (2010-2012 cycle)
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*.
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*.
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*.
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*.
  - PAS 24, *Related Party Disclosures - Key Management Personnel*.
- Annual Improvements to PFRS (2011-2013 cycle)
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*.
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*.
  - PAS 40, *Investment Property*.

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#### 5. Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations from Financial Reporting Interpretations Committee (IFRIC) to have significant impact on its consolidated financial statements.

##### *Effective 2016*

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*, are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
  - a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - b. That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated
  - c. That entities have flexibility as to the order in which they present the notes to financial statements
  - d. That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line



item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*. The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it is not in the business of agriculture.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's consolidated financial statements.
- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the





Company is not a subsidiary of an investment entity, not an investment entity nor does it have investment entity associates or joint venture.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*. The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRS (2012-2014 cycle)  
The annual improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.



- *PFRS 7 Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.* This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate.* This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'.* The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### *Effective 2018*

- *PFRS 9, Financial Instruments*, whose final version was issued in July 2014, reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

#### *Deferred*

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate.* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements.



*The following new standards issued by the IASB have not yet been adopted by the FRSC and Board of Accountancy.*

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.
- IFRS 16, *Leases*. On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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## 6. Summary of Significant Accounting Policies

### Cash and Cash Equivalents

Cash includes cash on hand and in banks. 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 are subject to an insignificant risk of change in value. Cash in bank and short-term deposits earn interest at the prevailing bank deposit rates.

### Fair Value Measurement

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 Company.

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

A fair value measurement of a 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Assets and liabilities for which fair value is measured or disclosed in the 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) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level of input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3: valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

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

#### Financial Assets

*Date of Recognition of Financial Assets.* The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

*Initial Recognition of Financial Assets.* Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), transaction costs that are attributable to the acquisition of the financial asset.



*Categories of Financial Assets and Subsequent Measurement.* Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

The Company has no HTM investments as at December 31, 2015 and 2014.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, derivative financial instruments and those designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVPL unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in the fair value recognized in profit or loss. Remeasurement only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The Company evaluates its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly change, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Company's investments held for trading are classified as financial assets at FVPL. The Company has no derivatives designated as hedging instruments as at December 31, 2015 and 2014.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.



This category includes the Company's cash and cash equivalents, receivables (excluding advances to contractors and suppliers) and notes receivable.

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are designated as AFS or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

AFS financial assets are carried at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are reclassified to profit or loss. Interest earned whilst holding AFS financial assets is reported as interest income using effective interest rate method. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date. Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

This category includes the Company's investments in shares of stock.

#### Financial Liabilities

*Initial Recognition of Financial Liabilities.* Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

*Categories of Financial Liabilities.* Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

The Company has no financial liabilities at FVPL and derivatives designated as hedging instruments as at December 31, 2015 and 2014.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to exchange financial assets or financial liabilities with the



holder under conditions that are potentially unfavorable to the Company. These include liabilities arising from operations or borrowings.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

The Company's liabilities arising from operations such as trade payables and other current liabilities (excluding statutory payables) and obligations under finance lease are classified under this category.

#### Offsetting of Financial Assets and Financial Liabilities

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

#### "Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

#### Classification of Financial Assets and Financial Liabilities between Debt and Equity

A financial asset and financial liability is classified as debt if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange if a fixed amount of cash or another financial asset for a fixed number of own equity shares

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may



include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortized Cost.* For assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues, to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective clients. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the





current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Derecognition of Financial Assets and Financial Liabilities

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the assets have expired; or
- the Company 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; and either (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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

#### Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.



The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of intangible assets.

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 the useful life from the indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

The Company made upfront payments to purchase a license. The license has been granted for a period of 18.6 years by the relevant government agency. The license was assessed as having a finite life.

#### Investment in an Associate

The Company's investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The consideration made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate less any dividends declared and impairment loss. Goodwill, if any, relating to an associate is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment. The consolidated statement of income reflects the Company's share of the results of operation of the associate. When there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of comprehensive income and changes in equity. Unrealized gains arising from transactions with associates are eliminated to the extent of the Company's interests in the associates.

The share in net earnings of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses.

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



After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each end of reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Equity in net earnings of an associate" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

#### Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and accumulated impairment losses, if any. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing part of the property and equipment is included in the carrying amount when the cost incurred meets the recognition criteria. When major repairs and maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against consolidated statement of income.

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

Lottery equipment	4-10 years or term of lease, whichever is shorter
Leasehold improvements	4 years or term of lease, whichever is shorter
Office equipment, furniture and fixtures	3-4 years
Transportation equipment	4-5 years

The assets' residual values, useful lives, and depreciation and amortization method are reviewed, and adjusted if appropriate, 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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement income in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.



#### Noncurrent Asset Held for Sale

Noncurrent asset is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable.

For the sale to be highly probable:

- The BOD must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

#### Asset Acquisition

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

#### Business Combinations

Business combinations are accounted for using the acquisition method except for business combinations under common control in which pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of income.

When the Company 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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial



instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. If the contingent consideration is classified as equity, it should not be remeasured, and subsequent settlement is accounted for within equity.

For pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur are included in the consolidated financial statements of the Company at their carrying amounts only from acquisition date, i.e., the date it obtains control of the subsidiary. The income and expense of the acquired companies prior to the acquisition in the period of the business combination are also excluded in the consolidated statement of income. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized as part of “Additional paid-in capital” account in the equity section of the consolidated statement of financial position.

#### Goodwill

Goodwill acquired in business combination 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 Company re-assesses 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 the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company measures in its consolidated financial statements provisional accounts for the items for which the accounting is incomplete. During the measurement period, the Company retrospectively adjusts the provisional accounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date, and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company also recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

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 Company’s cash generating units, or group of cash generating units that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8.



Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amounts, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

When goodwill forms part of a cash generating unit or group of cash generating units and part of the operations within the 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 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.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.

#### Other Assets

Other assets are stated at cost less accumulated impairment losses, if any are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

*Creditable Withholding Tax (CWT).* CWT, included as part of “Other current assets” account, is recognized by virtue of Republic Act No. 8424, also known as the Tax Reform Act of 1997, relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the other party withheld certain taxes payable to the tax authority, and is reduced to the extent of that CWT which will not be realized through the use of an allowance account.

*Instant Scratch Tickets, Spare Parts and Supplies.* Instant scratch tickets, spare parts and supplies are included as part of “Other current assets” account in the consolidated statement of financial position. Instant scratch tickets are valued at cost less any impairment loss. Spare parts and supplies are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value of spare parts and supplies is its current replacement cost.

#### Impairment of Nonfinancial Assets (excluding Goodwill)

The Company assesses at each reporting date whether there is an indication that the noncurrent asset held for sale, intangible asset, investment in an associate and property and equipment may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s cash-generating unit’s fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset'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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 the consolidated statement of income.

#### 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 from proceeds, net of tax.

Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital. The additional paid-in capital also includes the excess of the cost of the business combination under common control over the net carrying amounts of the assets and liabilities of the acquired companies.

Retained earnings represent accumulated net earnings, net of dividends declared.

Subscription receivable represents the unpaid portion of subscription of capital shares by the investors.

#### Cost of Parent Company Shares Held by a Subsidiary

Cost of Parent Company shares held by subsidiary are accounted for as equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.



The following specific recognition criteria must also be met before revenue is recognized:

*Gaming Revenue Share.* Revenue representing monthly payments from MCE Leisure (Philippines) Corp., or Melco, based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to the Operating Agreement (see Notes 23 and 33).

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Dividend Income.* Revenue is recognized when the shareholders' right to receive the payment is established.

*Equipment Lease Rental.* Income from equipment rental of central computer, communications equipment, including its accessories, lotto terminals, including the right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as maintenance and repair fees are recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

*Instant Scratch Ticket Sales.* Revenue from sale of instant scratch tickets is recognized when the significant risks and rewards of ownership of the instant scratch tickets have passed to the buyer and the amount of revenue can be measured reliably, net of all directly attributable costs and expenses.

*Commission Income on Ticket Sales.* Commission is recognized as a certain percentage of sales of Philippines Charity Sweepstakes Office (PSCO) lottery, sweepstakes and instant scratch tickets.

*Equity in Net Earnings of an Associate.* The Company recognizes its share in the net income of an associate proportionate to the equity in the economic shares of such associates, in accordance with the equity method.

*Other Income.* These are recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company and can be measured reliably.

#### Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets and incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in consolidated statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.





### Leases

The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for 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 or assets, even if that right is not explicitly specified in the arrangement. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
- d. There is substantial change to the asset or assets.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios a, c or d and at the date of renewal or extension period for scenario b.

### *Company as Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of income on a straight-line basis over the lease term.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

### *Company as Lessor*

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. 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 basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset



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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a different rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations.) If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed if some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined in the reporting period.

#### Foreign Currency-denominated Transactions and Translation

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are taken to consolidated statement of income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt with in equity. Non-monetary items that are measured at 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 rate at the date when the fair value was determined.



The “Share in cumulative translation adjustments of an associate” account also includes the Company’s share in translation adjustments, under the current rate method, on the financial statements of Legend International Resort H.K. Limited (“LIR-HK”), before the Company discontinued using the equity method of accounting for its investments in LIR-HK (see Note 14).

### Taxes

*Current Tax.* Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and 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 date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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



*Value-Added Tax (VAT).* Revenues, expenses, assets, and liabilities are recognized net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation 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; and
- receivables and payables that are stated with the amount of VAT included.

The carrying value of input VAT is included under “Other current assets” account in the consolidated statement of financial position.

#### Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted earnings (loss) per share is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings (loss) per share does not assume conversion, exercise or other issue of potential common shares that would have anti-dilutive effects on earnings (loss) per share.

As the Company has no dilutive potential common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.

#### Business Segments

The Company’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, other equity shares, investment properties and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include investments and advances.

*Inter-segment Transactions.* Segment revenue, segment expenses, and segment performance include transfers among business segments. Such transfers are eliminated upon consolidation.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current



pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements 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 Company's financial position at the reporting period (adjusting events), if any, 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.

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### **7. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Judgments and estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are to believe to be reasonable under the circumstances.

The Company believes that the following represents a summary of these significant judgments and estimates and assumptions and related impact and associated risks in its consolidated financial statements.

#### Judgments

In the process of applying the accounting policies, management has made judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Asset Acquisition.* In 2014, the Company acquired 100% ownership interest in PLAI. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of an intangible asset, the subsidiary being just the grantee of the provisional license from Philippine Amusement and Gaming Corporation, or PAGCOR. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. The carrying value of the intangible asset acquired amounted to ₱10,231.3 million and ₱10,794.6 million as at December 31, 2015 and 2014, respectively (see Note 13).



*Acquisition of POSC.* As discussed in Note 15, PLC acquired 34.5% interest in POSC in 2014 as part of its overall strategy to engage in the gaming industry. As at December 31, 2014, based on management's judgment, PLC's investment gives PLC significant influence over POSC as evidenced by more than 20% voting interest.

In 2015, PLC acquired additional equity interest in POSC increasing its ownership to 50.1%. Based on management's judgment, PLC's additional investment in 2015 gives PLC controlling interest over POSC as evidenced by more than 50% voting interest. The step acquisition of POSC is assessed by management as a business combination under common control (i.e., both PLC and POSC are controlled subsidiaries of Belle before and after the business combination) and was accounted for using the pooling of interest method. Goodwill amounting to ₱1,828.6 million from Belle was recognized in 2015 as a result of the step acquisition (see Notes 18 and 19).

The carrying values of investment in an associate amounted to nil and ₱1,552.6 million as at December 31, 2015 and 2014, respectively (see Note 15).

*Evaluation of 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 fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

*Operating Lease - as a Lessor*

POSC and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. POSC has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental in 2015 amounted to ₱630.9 million and nil in 2014 and 2013 (see Note 29).

*Operating Lease - as a Lessee*

The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱19.2 million in 2015 (see Note 29).

*Finance Lease - as a Lessee*

POSC entered into various finance lease agreements covering certain lottery equipment. POSC determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

The carrying values of lottery equipment under finance lease arrangements amounted to ₱128.4 million and nil as at December 31, 2015 and 2014, respectively (see Note 29).

*Classification of Noncurrent Asset Held for Sale.* An asset is classified as held for sale if the asset will be recovered principally through a sale transaction rather than through continuing use.



Management assessed that it met the criteria of a noncurrent asset held for sale following the requirements of PFRS 5, which include, among others:

- PLC is committed to sell its land. As discussed in Note 2, the Company's BOD approved to sell to Belle its non-gaming related assets, which includes the undeveloped land located in the City of Tanauan, Province of Batangas.
- The land is available for immediate sale and can be sold in its current condition.

The carrying values of noncurrent asset held for sale amounted to ₱285.5 million as at December 31, 2015 and 2014.

#### Estimates and Assumptions

The key 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 within the next financial year are discussed below:

*Determination of Fair Value of Financial Assets and Financial Liabilities.* PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and liabilities.

The fair value of financial assets and financial liabilities as at December 31, 2015 and 2014, are disclosed in Note 31.

*Determination of Impairment of Receivables and Notes Receivables.* The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of relationship with the customers and counterparties, the payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. Factors considered in individual assessment are payment history, past due status and term. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, changes in counterparty payment terms and other factors that may affect the Company's ability to collect payments.

The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease its current assets.

Provision for doubtful accounts on receivables recognized in 2015, 2014 and 2013 amounted to ₱8.6 million, ₱340.7 million and nil, respectively. Allowance for doubtful accounts amounted to ₱440.4 million and ₱427.7 million as at December 31, 2015 and 2014, respectively. The



aggregate carrying values of receivables and notes receivables amounted to ₱1,315.5 million and ₱57.8 million as at December 31, 2015 and 2014, respectively (see Notes 10 and 11).

*Purchase Price Allocation in Acquisition of an Associate.* The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to determine the goodwill embedded in the acquisition. In 2014, the Parent Company acquired 34.50% interest in POSC. The acquisition in 2014 was accounted on provisional basis pending the fair value of POSC's net assets at that time. In 2015, the Parent Company has determined that its cost in acquiring POSC includes goodwill amounting to ₱932.1 million (see Note 15).

*Determination of Commencement of Amortization of Gaming License.* The Company's gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with PAGCOR congressional franchise set to expire in 2033, renewable for another 25 years by the Philippine Congress. The amortization of the License commenced on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR which replaced the provisional license.

The carrying value of license amounted to ₱10,231.3 million and ₱10,794.6 million as at December 31, 2015 and 2014, respectively (see Note 13).

*Evaluation of Impairment of AFS Financial Assets.* The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment loss was recognized in 2015, 2014 and 2013. As discussed in Note 14, the Company implemented the cancellation of the LIR-HK shares and therefore reversed the impairment loss recognized in prior years on the shares amounting to ₱1,501.5 million in 2014. Moreover, impairment loss on golf club shares amounting to ₱83.6 million was likewise reversed in 2014 as a result of sale. The aggregate carrying values of AFS financial assets amounted to ₱586.5 million and ₱489.8 million as at December 31, 2015 and 2014, respectively. Allowance for impairment on AFS financial asset amounted to ₱574.9 million as at December 31, 2015 and 2014, respectively (see Note 14).

*Estimating Impairment of Nonfinancial Assets.* The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Nonfinancial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such





nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

No provision for impairment loss on intangible asset, investment in an associate, property and equipment and noncurrent asset held for sale was recognized in 2015, 2014 and 2013.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2015 and 2014 are as follows:

	2015	2014
Noncurrent asset held for sale (see Note 17)	<b>₱285,510,452</b>	₱285,510,452
Intangible asset (see Note 13)	<b>10,231,313,891</b>	10,794,591,525
Investment in an associate (see Note 15)	–	1,552,566,238
Property and equipment (see Note 16)	<b>544,628,438</b>	383,800

*Estimating Realizability of Input VAT.* The carrying amount of input VAT is reviewed at each reporting date and reduced to the extent that such input VAT will not be realized as there will be no available output VAT to be applied.

The carrying value of input VAT is reduced through the use of an allowance account. The allowance, if any, is established by charges to income in the form of provision for probable loss on input VAT. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. An increase in the allowance for probable loss on input VAT would increase the Company's recorded expenses and decrease current assets.

Reversal of allowance for probable losses in 2015 amounted to ₱11.0 million. Provision for impairment of input VAT in 2015, 2014 and 2013 amounted to ₱8,419, ₱9.0 million and ₱0.3 million, respectively. The carrying values of input VAT recognized as part of "Other current assets" amounted to ₱28.0 million and ₱1,642 as at December 31, 2015 and 2014, respectively (see Note 12).

*Recognition of Deferred Tax Assets.* Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Unrecognized deferred tax assets amounted to ₱142.5 million and ₱147.4 million as at December 31, 2015 and 2014, respectively. Recognized deferred tax assets amounted to ₱42.3 million and nil as at December 31, 2015 and 2014, respectively (see Note 27).

*Determination and Computation of Retirement Expense.* The cost of retirement expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Retirement expense charged to profit and loss amounted to ₱5.3 million, ₱1.0 million and nil in 2015, 2014 and 2013, respectively. Remeasurement gain on retirement benefits amounted to ₱6.7 million and nil in 2015 and 2014, respectively. The carrying values of retirement asset as



amounted to ₱10.7 million and nil as at December 31, 2015 and 2014, respectively. The carrying values of retirement liability amounted to ₱18.6 million and ₱1.0 million as at December 31, 2015 and 2014, respectively (see Note 21).

*Estimating Impairment of Goodwill.* The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

There was no impairment loss of goodwill in 2015. The carrying values of goodwill amounted to ₱1,828.6 million as at December 31, 2015 (see Note 19).

*Estimation of Useful Lives of License and Property and Equipment.* The useful life of the Company's license (recognized as "Intangible asset" account in the consolidated statement of financial position) and each item of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded depreciation and amortization expense and decrease assets.

There were no changes in the estimated useful lives of license and property and equipment in 2015, 2014 and 2013. The aggregate carrying values of license and property and equipment amounted to ₱10,775.9 million and ₱10,795.0 million as at December 31, 2015 and 2014, respectively (see Notes 13 and 16).

*Evaluation of Legal Contingencies.* The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel.

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## 8. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	<b>₱287,251,110</b>	₱473,098,345
Short-term deposits	<b>900,305,393</b>	2,219,023,228
	<b>₱1,187,556,503</b>	₱2,692,121,573

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱12.0 million, ₱6.5 million and ₱1,043 in 2015, 2014 and 2013, respectively.



## 9. Investments held for trading

This account consists of investment in quoted shares that are held for trading. The movement in this account in 2015 is as follows:

Balance at beginning of year	₱-
Step acquisition (see Note 18)	249,541,292
Acquisitions	37,541,840
Disposals	(31,004,916)
Mark-to-market loss (see Note 26)	(29,331,526)
<b>Balance at end of year</b>	<b>₱226,746,690</b>

The fair values of these securities are based on the quoted prices on the last market day of the year. The Company determines the cost of investments sold using specific identification method.

Mark-to-market loss in 2015 amounting to ₱29.3 million was recognized in “Other expense - net” account in the consolidated statement of income (Note 26).

Realized gain from sale of investments held for trading in 2015 amounting to ₱11.4 million was recognized in “Other expense - net” account in the consolidated statement of income (Note 26).

## 10. Receivables

This account consists of:

	2015	2014
Trade receivables	<b>₱411,398,023</b>	₱38,809,095
Loan assets	<b>422,341,815</b>	422,341,815
Advances to:		
Customers	<b>79,549,490</b>	-
Contractors and suppliers	<b>10,773,717</b>	-
Officers and employees	<b>7,647,312</b>	-
Related parties (see Note 28)	<b>6,981,116</b>	16,824,700
Other receivables (see Note 28)	<b>11,297,195</b>	7,486,996
	<b>949,988,668</b>	485,462,606
Less allowance for doubtful accounts	<b>440,403,474</b>	427,690,938
	<b>₱509,585,194</b>	<b>₱57,771,668</b>

Trade receivables are generally on a 20 to 45 days credit term. These are mostly receivables arising from equipment lease agreement with PCSO, receivables from sale of instant scratch ticket and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

Loan assets pertain to the Parent Company’s receivable from Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as “Metroplex”) and LIR-HK amounting to ₱422.3 million as a result of the compensation to parties who were currently in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 14). The loan assets were fully provided with allowance as at December 31, 2015 and 2014.



Advances to customers, officers and employees and other receivables are noninterest-bearing and generally collected within the next financial year.

Advances to contractors and suppliers will be applied in future billings.

Refer to Note 28 for the terms and conditions of advances to related parties.

Movement in allowance for doubtful accounts is as follows:

	2015	2014
Balance at beginning of year	<b>₱427,690,938</b>	₱86,977,098
Step acquisition (see Note 18)	<b>13,154,293</b>	–
Provision for doubtful accounts (see Note 25)	<b>8,637,067</b>	340,713,840
Write-off during the year	<b>(9,078,824)</b>	–
Balance at end of year	<b>₱440,403,474</b>	₱427,690,938

## 11. Notes Receivable

Notes receivable, bearing annual interest of 4.1%, amounted to ₱805.9 million and nil as at December 31, 2015 and 2014, respectively (see Note 28).

Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱28.8 million in 2015 (see Note 28).

## 12. Other Current Assets

This account consists of:

	2015	2014
Instant scratch tickets, spare parts and supplies	<b>₱69,370,364</b>	₱–
Prepaid expenses	<b>29,873,197</b>	27,207
Input VAT	<b>28,023,701</b>	11,041,525
Creditable withholding taxes	<b>4,673,113</b>	–
	<b>131,940,375</b>	11,068,732
Less allowance for probable loss on input VAT	<b>55,387</b>	11,039,883
	<b>₱131,884,988</b>	₱28,849

Spare parts and supplies are carried at lower of cost or net realizable value. Prepaid expenses pertain to various prepayments which will be applied in the next financial year.

Movement of allowance for probable loss on input VAT is as follows:

	2015	2014
Balance at beginning of year	<b>₱11,039,883</b>	₱2,061,882
Provision for probable losses (see Note 25)	<b>8,419</b>	8,978,001
Reversal of allowance for probable loss on input VAT (see Note 26)	<b>(10,992,915)</b>	–
Balance at end of year	<b>₱55,387</b>	₱11,039,883



### 13. Intangible Asset

Intangible asset, which was part of the assets acquired from Belle in 2014 (see Note 2), pertains to the “License” granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. The License runs concurrent with PAGCOR’s Congressional Franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress.

The amortization of the intangible asset on the License started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. Movements in intangible asset in 2015 and 2014 are as follows:

	2015	2014
<b>Cost</b>		
Balance at beginning of year	<b>₱10,843,215,811</b>	<b>₱–</b>
Additions (see Note 2)	–	10,843,215,811
	<b>10,843,215,811</b>	<b>10,843,215,811</b>
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>48,624,286</b>	<b>–</b>
Amortization	<b>563,277,634</b>	48,624,286
Balance at end of year	<b>611,901,920</b>	48,624,286
	<b>₱10,231,313,891</b>	<b>₱10,794,591,525</b>

The unamortized life of the license as at December 31, 2015 is 17.5 years.

### 14. Available-for-Sale Financial Assets

AFS financial assets consist of the following:

	2015	2014
Quoted shares:		
Belle - common shares (see Note 28)	<b>₱584,562,793</b>	₱487,940,069
Golf club shares	<b>1,900,000</b>	1,780,000
	<b>586,462,793</b>	489,720,069
Unquoted shares -		
Others	<b>81,100</b>	81,100
	<b>₱586,543,893</b>	<b>₱489,801,169</b>

Movements of this account are as follows:

	2015	2014
Cost:		
Balance at beginning of year	<b>₱667,028,522</b>	₱3,366,556,838
Step acquisition (see Note 18)	<b>372,915,179</b>	–
Additions for the year	<b>14,546,522</b>	–
Cancellation of Swap Agreement	–	(1,501,528,316)
Redemption of preferred shares (see Notes 2 and 28)	–	(1,000,000,000)
Disposal during the year	–	(198,000,000)
Balance at end of year	<b>1,054,490,223</b>	667,028,522

(Forward)



	2015	2014
Cumulative unrealized mark-to-market gain on AFS financial assets:		
Balance at beginning of year	<b>₱397,691,122</b>	₱374,270,753
Reclassification due to step acquisition (see Note 18)	<b>(38,258,713)</b>	–
Mark-to-market gains (losses) during the year	<b>(252,460,264)</b>	81,739,357
Fair value change due to cancellation of swap agreement	–	(58,318,988)
Balance at end of year	<b>106,972,145</b>	397,691,122
Accumulated impairment loss:		
Balance at beginning of year	<b>(574,918,475)</b>	(2,160,006,791)
Fair value change due to recovery of previous impairment	–	1,585,088,316
Balance at end of year	<b>(574,918,475)</b>	(574,918,475)
	<b>₱586,543,893</b>	₱489,801,169

There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Dividend income earned from AFS financial assets amounted to ₱31.8 million and ₱2.0 million in 2015 and 2014, respectively.

#### Belle

The investment in common shares of Belle is based on the quoted price as at reporting date.

The Company's investment in Belle's preferred shares is entitled to 9.75% cumulative dividend per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between PLC and Belle on August 28, 2009, as amended in 2013 and 2014 (see Note 28).

As discussed in Note 2, Belle preferred shares were redeemed for ₱1.0 billion cash in 2014 (see Note 28).

#### Golf Club Shares

In accordance with the Settlement Agreement executed between PLC and Belle in 1997, PLC received 220 shares of TMGCI. In 2012, PLC recognized provision for impairment on the club shares amounting to ₱83.6 million in the consolidated statement of comprehensive income.

In 2014, PLC sold to Belle the 220 shares in TMGCI for a consideration of ₱198.0 million (see Note 2). Impairment loss recognized in 2012 amounting to ₱83.6 million was reversed accordingly.

#### LIR-HK

In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Metroplex whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among Belle, PLC, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated



therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

- a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of PLC to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.
- b. PLC shall surrender the LIR-HK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved PLC's application for the capital reduction and cancellation of the 1,870,000,000 PLC shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million (see Note 10). Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 22).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Note 34). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from



Evanston. Thus, PLC recognized full impairment loss on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

- (i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
- (ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

On June 20, 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 10 and 22).

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## **15. Investment in an Associate**

On July 22, 2014, PLC executed several deeds of sales of shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 POSC common shares at a subscription price of ₱15 per share equivalent to 34.5% ownership interest in POSC for a total consideration of ₱1,525.0 million (see Note 2).

On August 5, 2015, PLC acquired additional 47,851,315 common shares of POSC from Belle for a total consideration of ₱1,000.1 million. As a result of the step acquisition, the ownership interest of PLC in POSC increased to 50.1% and accounted for as a subsidiary starting August 5, 2015 (see Note 18).





Investment in POSC is accounted for under the equity method until August 4, 2015. Details of this account are as follows:

	2015	2014
Acquisition costs	<b>₱1,525,034,310</b>	₱1,525,034,310
Accumulated equity in net earnings:		
Balance at beginning of the year	<b>27,531,928</b>	—
Equity in net earnings for the year	<b>75,525,743</b>	31,521,474
Share in the other comprehensive loss of an associate	<b>(38,258,713)</b>	(3,989,546)
Balance at end of year	<b>64,798,958</b>	27,531,928
Dividend income	<b>(30,500,687)</b>	—
Step acquisition (see Note 18)	<b>(1,559,332,581)</b>	—
	<b>₱—</b>	₱1,552,566,238

The condensed financial information of POSC as at December 31, 2014 follows:

*Consolidated statement of comprehensive income\*:*

Revenues	₱1,731,092,039
Cost and expenses	1,202,281,122
Other income	7,784,417
Net income	366,530,090
Total comprehensive income	354,966,190

*Consolidated statement of financial position:*

Current assets	1,771,168,578
Noncurrent assets	580,392,447
Current liabilities**	458,632,193
Noncurrent liabilities	94,430,944
Net assets attributable to shareholders of POSC	1,798,497,888
PLC's ownership in POSC	34.5%
PLC's share in net assets of POSC	620,481,771
Goodwill	932,084,467
Carrying amount of PLC's investment in POSC	<b>₱1,552,566,238</b>

\*Based on full year operations of POSC.

\*\*Excluding statutory payables amounting to ₱62,287,080.

PLC has determined that the acquisition cost of POSC in 2014 includes goodwill amounting to ₱932.1 million which was recognized starting July 22, 2014.



## 16. Property and Equipment

The movements in this account follow:

2015					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	P–	P–	P375,918	P1,248,214	P1,624,132
Step acquisition (see Note 18)	1,125,454,532	68,987,580	170,550,478	75,711,607	1,440,704,197
Additions	209,054,750	4,200,013	8,206,856	1,948,315	223,409,934
Disposals	–	–	(73,529)	(6,566,929)	(6,640,458)
Balance at end of year	1,334,509,282	73,187,593	179,059,723	72,341,207	1,659,097,805
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	–	–	304,170	936,162	1,240,332
Step acquisition (see Note 18)	824,225,210	51,217,690	131,769,543	45,894,882	1,053,107,325
Depreciation and amortization (see Notes 24 and 25)	49,171,616	2,974,784	7,801,098	5,354,473	65,301,971
Disposals	–	–	(68,933)	(5,111,328)	(5,180,261)
Balance at end of year	873,396,826	54,192,474	139,805,878	47,074,189	1,114,469,367
<b>Net Book Value</b>	<b>P461,112,456</b>	<b>P18,995,119</b>	<b>P39,253,845</b>	<b>P25,267,018</b>	<b>P544,628,438</b>

2014					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	P–	P–	P–	P–	P–
Acquisition of a subsidiary	–	–	375,918	1,248,214	1,624,132
Balance at end of year	–	–	375,918	1,248,214	1,624,132
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	–	–	–	–	–
Acquisition of a subsidiary	–	–	253,328	783,636	1,036,964
Depreciation and amortization (see Note 25)	–	–	50,842	152,526	203,368
Balance at end of year	–	–	304,170	936,162	1,240,332
<b>Net Book Value</b>	<b>P–</b>	<b>P–</b>	<b>P71,748</b>	<b>P312,052</b>	<b>P383,800</b>

Certain lottery equipment was acquired under finance lease agreements. The carrying amount of the equipment under finance lease agreements amounted to P128.4 million as at December 31, 2015 (see Note 29).

The cost of fully depreciated property and equipment still in use as at December 31, 2015 and 2014 amounted to P688.0 million and nil, respectively.



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**17. Noncurrent Asset Held for Sale**

As at December 31, 2015 and 2014, this account pertains to land amounting to ₱285.5 million.

In 2015, the Company reclassified its land from “Investment properties” account to “Noncurrent asset held for sale” account with carrying value of ₱285.5 million as at December 31, 2014. This land will be sold to Belle in relation to the Investment Plan, as approved by PLC’s BOD on June 2, 2014 (see Note 2).

The December 31, 2014 consolidated statement of financial position was restated to be consistent with the current year presentation. This resulted to increase in total current assets and decrease in total noncurrent assets as at December 31, 2014 by ₱285.5 million. The restatement has no impact to the total assets. The restatement also has no impact on the consolidated statement of financial position as at January 1, 2014 and the consolidated statements of comprehensive income and statements of cash flows for the year ended December 31, 2014 and 2013.

As at February 23, 2016, PLC is still in the process of completing the administrative requirements for the transfer.

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**18. Business Combination**

The Company’s ownership interest in POSC increased from 34.5% in 2014 to 50.1% in 2015 as a result of 2015 step acquisition.

On August 5, 2015, PLC acquired additional 47,851,315 common shares of POSC for a total consideration of ₱1,000.1 million. Based on Management’s judgment, PLC’s investment in POSC gives PLC control over POSC as evidenced by holding more than 50% voting rights. Thus, starting August 5, 2015, POSC was accounted for as a subsidiary.

The step acquisition was accounted for as a business combination under common control using pooling of interest method. As at August 5, 2015, the assets and liabilities of POSC were reflected in PLC at their carrying amounts. No adjustments were made to reflect the fair values, or to recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments made were to align accounting policies of POSC with that of the Company.

There was no new goodwill recognized as a result of the business combination. The only goodwill that was recognized is the existing goodwill that was previously recorded in Belle with total amount of ₱1,828.6 million (refer to Note 19).

The difference between the consideration paid/transferred and the net assets acquired amounting to ₱297.1 million was reflected as part of additional paid-in capital in the equity portion of the consolidated statement of financial position (see Note 22).

Further, there was no restatement of financial information in the consolidated financial statements for the periods prior to the business combination under common control.



The carrying values of the assets and liabilities of POSC, total consideration and equity reserve recognized in the consolidated financial statements as at August 5, 2015 are as follows:

Total assets:		
Cash	₱179,986,807	
Investments held for trading (see Note 9)	249,541,292	
Receivables (net of allowance for doubtful accounts amounting to ₱13.2 million) (see Note 10)	583,875,018	
Prepaid expenses and other current assets	104,381,651	
Property and equipment (see Note 16)	387,596,872	
AFS financial assets (see Note 14)	334,656,466	
Goodwill (see Note 19)	110,933,996	
Deferred tax asset	42,351,586	
Other noncurrent assets	41,185,707	2,034,509,395
Less liabilities acquired:		
Trade and other current liabilities	220,779,177	
Obligations under finance lease	92,853,582	
Retirement liability (see Note 21)	19,338,567	332,971,326
Carrying value of net assets of POSC as at August 5, 2015		1,701,538,069
Goodwill in POSC from Belle (see Note 19)		1,717,643,956
Total carrying values of net assets acquired		3,419,182,025
Less total consideration:		
Carrying value of investment in associate (see Note 15)	1,559,332,581	
Cost of additional interest acquired	1,000,092,484	
Cost of PLC shares held by POSC	(286,398,070)	
Non-controlling interest	849,067,497	3,122,094,492
Additional Paid-in Capital (see Note 22)		₱297,087,533

## 19. Goodwill

Goodwill acquired from the business combination in 2015 has been allocated to the cash-generating units consisting of the operations of POSC and FRI as follows:

POSC (see Note 18)	₱1,717,643,956
FRI (see Note 18)	110,933,996
	₱1,828,577,952

Goodwill is subject to annual impairment testing. The recoverable amounts of the operations of POSC and FRI has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management.

### Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating units are most sensitive to the following assumptions explained as follows:

#### POSC

*Discount Rate.* Discount rate reflect management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 7.56% was used in 2015 based on the weighted average cost of capital of POSC.



*Terminal Values and Growth Rate.* Terminal values included in the value in use computations as at December 31, 2015 amounted to ₱7,753.0 million. The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 0%.

## FRI

*Discount Rate.* Discount rate reflect management's estimate of the risks specific to the cash-generating unit by applying a suitable weighted average cost of capital. The pre-tax discount rate used for the cash-generating unit is 12.64%.

*Growth Rate.* Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. The range of terminal growth rate applied was 8.55%-8.59%.

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## 20. Trade Payables and Other Current Liabilities

This account consists of:

	2015	2014
Trade payables	₱202,260,441	₱—
Service, professional and management fee (see Note 28)	46,048,204	14,136,628
Accrued expenses	41,167,043	48,727,487
Consultancy, software and license fees payable	37,484,428	—
Withholding taxes payable	13,211,119	1,460,051
Communication, rental and utilities	8,801,706	—
Advances from Belle (see Note 28)	—	14,501,177
Other payables	16,799,765	316,164
	<b>₱365,772,706</b>	<b>₱79,141,507</b>

Trade payables are generally on a 30-60 days credit term.

Accrued expenses mainly represent accrual for service and professional fees and other general and administrative expenses. These are payable on demand.

Consultancy, software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system.

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## 21. Retirement Benefits

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



The following tables summarize the components of net retirement costs recognized in the consolidated statements of income and consolidated statements of comprehensive income and the retirement benefits recognized in the consolidated statement of financial position:

Changes in the retirement benefits of the Company in 2015 are as follows:

	<b>Fair Value of Plan Assets</b>	<b>Present Value of Defined Benefit Obligation</b>	<b>Retirement Benefits</b>
At January 1, 2015	<b>₱–</b>	<b>(₱1,047,500)</b>	<b>(₱1,047,500)</b>
Step acquisition (see Note 18)	<b>55,751,770</b>	<b>(75,090,337)</b>	<b>(19,338,567)</b>
Net retirement income (costs) in profit or loss:			
Current service cost	–	<b>(4,550,023)</b>	<b>(4,550,023)</b>
Net interest	<b>2,487,919</b>	<b>(3,201,692)</b>	<b>(713,773)</b>
	<b>2,487,919</b>	<b>(7,751,715)</b>	<b>(5,263,796)</b>
Benefits paid	<b>(8,777,863)</b>	<b>8,777,863</b>	–
Contributions	<b>11,000,000</b>	–	<b>11,000,000</b>
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	–	<b>7,473,790</b>	<b>7,473,790</b>
Actuarial changes arising from changes in financial assumptions	–	<b>4,006,038</b>	<b>4,006,038</b>
Actual return excluding amount included in net interest cost	<b>(2,177,137)</b>	–	<b>(2,177,137)</b>
Actuarial changes due to changes in demographic assumptions	–	<b>265,776</b>	<b>265,776</b>
Effect of asset ceiling	<b>(2,824,953)</b>	–	<b>(2,824,953)</b>
	<b>(5,002,090)</b>	<b>11,745,604</b>	<b>6,743,514</b>
At December 31, 2015	<b>₱55,459,736</b>	<b>(₱63,366,085)</b>	<b>(₱7,906,349)</b>

The 2015 retirement benefits are presented in the consolidated statement of financial position as follows:

Retirement asset (recognized as part of “Other noncurrent asset” account in the consolidated statement of financial position)	<b>₱10,731,917</b>
Retirement liability	<b>(18,638,266)</b>
Net retirement liability	<b>(₱7,906,349)</b>

Changes in the retirement liability of the Company in 2014 are as follows:

Balance at beginning of year	<b>₱–</b>
Retirement cost charged to profit and loss - Current service cost	<b>(1,047,500)</b>
Balance at end of year	<b>(₱1,047,500)</b>



The latest actuarial valuation of the Company is as at December 31, 2015.

The following table presents the fair values of the plan assets of the Company as at December 31, 2015:

Cash and cash equivalents	₱25,759,950
Debt instruments - government bonds	21,916,794
Debt instruments - other bonds	1,200,448
Unit investment trust funds	6,582,544
	<b>₱55,459,736</b>

The Company's plan assets is administered by a Trustee. The Company and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	<b>2015</b>	2014
Discount rate	<b>4.89-5.68%</b>	5.68%
Rate of compensation increase	<b>6.00-10.00%</b>	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015 assuming if all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	1.00%	(₱9,010,431)
	(1.00%)	11,302,206
Salary increase rate	1.00%	10,223,797
	(1.00%)	(8,409,567)

The average duration of the defined benefit obligation is 14 to 16 years in 2015.

The maturity analysis of the undiscounted benefit payments in 2015 follows:

Less than 1 year	₱4,689,405
More than 1 year to 5 years	16,006,044
More than 5 years to 10 years	10,863,033

## 22. Equity

### Preferred Stock

As at December 31, 2015 and 2014, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. Under the provision of the Parent Company's Articles of Incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.



## Common Stock

	Number of Shares	
	2015	2014
Authorized - ₱0.25 par value per share	<b>37,630,000,000</b>	37,630,000,000
Issued:		
Balance at beginning of year	<b>31,440,564,700</b>	3,096,990,785
Cancellation of Swap Agreement (see Note 14)	–	(1,000,000,000)
Issuances	<b>186,745,300</b>	29,343,573,915
Balance at end of year	<b>31,627,310,000</b>	31,440,564,700
Subscribed	–	186,745,300
	<b>31,627,310,000</b>	31,627,310,000

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
<b>Common stock</b>			
1995	100,000,000,000	1,000,000,000	0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
1997	(198,000,000,000)	–	–
1997	12,000,000,000	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
<b>Total – Common stock</b>	<b>37,630,000,000</b>	<b>31,627,310,000</b>	
<b>Preferred stock</b>			
1997	6,000,000,000	–	1.00*
<b>Total – Preferred stock</b>	<b>6,000,000,000</b>	–	

\*On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 14).





On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 14).

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 14).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 14).

As discussed in Note 14, on April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the MOA rescinding the Swap Agreement with Metroplex and LIR-HK.

#### Additional Paid-in Capital

Additional paid-in capital as at December 31, 2015 and 2014 consists of the following:

	2015	2014
Subscription and/or issuance of shares:		
Balance at beginning of year	<b>₱6,946,201,779</b>	₱2,039,727,799
Subscriptions during the year, net of listing fees	<b>(4,567,388)</b>	2,885,311,795
Quasi re-organization	—	2,581,009,489
Cancellation of swap agreement (see Note 14)	—	(559,847,304)
Balance at end of year	<b>6,941,634,391</b>	6,946,201,779
Business combination during the year (see Note 18)	<b>297,087,533</b>	—
	<b>₱7,238,721,924</b>	₱6,946,201,779

Additional paid-in capital arising from business combination pertains to the excess of consideration from the carrying values of net assets acquired from the business combination under common control using pooling of interest method (see Note 18).

#### Equity Restructuring

On May 29, 2014, the SEC approved the PLC's application for equity restructuring.

- Reduction in par value per share from ₱16,130.0 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share, to ₱4,032.5 million, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.
- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Parent Company's deficit of ₱3,543.4 million as at December 31, 2013.

On June 20, 2014, Belle and PLC entered into a Subscription Agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114,300,000 thereby increasing Belle's ownership interest in PLC to 90%. Subscription payments were received in July 2014.



On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the Articles of Incorporation for the increase in authorized capital stock from ₱4,032,500,000, divided into 10,130,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000, divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

#### Subscription Receivable

On October 27, 2014 the BOD of the Company approved the call for the payment in full of the unpaid subscription of its capital stock on or before December 11, 2014. The Company was able to collect ₱4,777.1 million for 4,643,573,915 common shares. The BOD also approved that unpaid subscription after December 11, 2014 shall be subject to interest of 12% per annum.

Interest income in 2015 arising from delinquent shares amounted to ₱1.2 million.

On January 13, 2015, the BOD approved that under Section 67 of the Corporation Code, all Common shares subscribed which shall remain unpaid after 30 days (January 10, 2015) shall become automatically delinquent and shall be made subject of a delinquency sale. Delinquency sale was scheduled in accordance with Section 68 of the Corporation Code on March 2, 2015 unless the delinquent shareholders shall pay the full amount due from their subscriptions, plus interest and their proportionate share in the cost of the sale. On March 2, 2015, all delinquent shares have been sold. In 2015, the additional proceeds received from the sale of delinquent shares was recognized as part of "additional paid-in capital" account amounting to ₱6.2 million.

Further, listing fees pertaining to the 2015 issuance of shares were charged to "Additional paid-in-capital" account amounting to ₱10.7 million.

Subscription receivable amounted to nil and ₱185.5 million as at December 31, 2015 and 2014, respectively.

#### Parent Company Shares Held by a Subsidiary

POSC holds 291,770,000 common shares of the Parent Company with a cost of ₱422.2 million as at December 31, 2015. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2013. In 2014, FCRI sold all the 156,530,000 common shares of PLC at ₱1.65 per share resulting in a loss of ₱219.0 million recognized as part of "Other Reserves" in the equity section of the 2014 consolidated statement of financial position.

#### Retained Earnings

On March 5, 2015, the BOD approved declaration of cash dividends amounting to ₱695.8 million or ₱0.022 per share in favor of stockholders as at March 20, 2015.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries and an associate amounting to ₱241.2 million as at December 31, 2014. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries and associate.



### 23. Gaming Revenue Share

PLAI started to realize its gaming revenue share following the soft opening of the City of Dreams Manila integrated resort and casino operations on December 14, 2014. Gaming revenue share is determined in accordance with PLAI's operating agreement with Melco as follows:

	2015	2014
Gaming revenue share (Gross)	<b>₱1,008,317,252</b>	₱45,674,116
Less PAGCOR license fee	<b>252,079,313</b>	6,865,021
Gaming revenue share (Net)	<b>₱756,237,939</b>	₱38,809,095

### 24. Cost of Services

This account consists of:

	2015	2014	2013
Software and license fees (see Note 29)	<b>₱90,412,003</b>	₱—	₱—
Service fees (see Notes 28 and 33)	<b>89,442,902</b>	12,075,317	—
Depreciation and amortization (see Note 16)	<b>49,171,616</b>	—	—
Repairs and maintenance	<b>34,506,867</b>	—	—
Communication	<b>33,920,408</b>	—	—
Consultancy fees	<b>24,623,420</b>	—	—
Payroll and related expenses	<b>9,810,651</b>	—	—
Operating supplies	<b>7,712,320</b>	—	—
Others	<b>16,998,037</b>	—	—
	<b>₱356,598,224</b>	₱12,075,317	₱—

### 25. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Salaries, wages and benefits	<b>₱94,553,016</b>	₱4,501,906	₱1,355,472
Professional, service and management fees (see Note 28)	<b>34,440,914</b>	11,757,694	2,236,832
Transportation and travel	<b>33,813,725</b>	4,907,707	—
Taxes and licenses	<b>19,944,895</b>	26,676,818	3,061,835
Rent (see Note 29)	<b>19,249,926</b>	—	—
Depreciation and amortization (see Note 16)	<b>16,130,355</b>	203,368	—
Utilities	<b>13,369,817</b>	113,484	—
Representation and entertainment	<b>12,536,329</b>	5,245,618	580,919
Communication	<b>11,233,857</b>	—	—
Provision for doubtful accounts and probable loss on input VAT (see Notes 10 and 12)	<b>8,645,486</b>	349,691,841	256,937
Marketing, advertising and promotion	<b>6,511,674</b>	—	—

(Forward)



	2015	2014	2013
Repairs and maintenance	<b>₱5,835,795</b>	<b>₱—</b>	<b>₱—</b>
Placement and listing fee	<b>1,750,056</b>	736,336	—
Commission expense	<b>1,250,116</b>	1,525,034	—
Outside services	<b>790,950</b>	1,022,032	—
Insurance	<b>755,601</b>	284,279	389,855
Association dues	—	640,565	773,943
Miscellaneous	<b>8,937,032</b>	985,508	79,917
	<b>₱289,749,544</b>	<b>₱408,292,190</b>	<b>₱8,735,710</b>

## 26. Other Expense - net

In 2015, this account consists of:

Mark-to-market loss of investments held for trading (see Note 9)	<b>₱29,331,526</b>
Gain on sale of investments held for trading (see Note 9)	(11,363,516)
Reversal of allowance for probable loss on input VAT (see Note 12)	(10,992,915)
Foreign exchange loss	698,585
Loss on sale of property and equipment	446,948
Other income	(5,764,923)
	<b>₱2,355,705</b>

## 27. Income Taxes

The components of income tax expense for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Current income tax	<b>₱186,833,985</b>	₱5,117,366	<b>₱—</b>
Deferred income tax relating to origination and reversal of temporary difference	<b>(2,070,488)</b>	—	—
	<b>₱184,763,497</b>	<b>₱5,117,366</b>	<b>₱—</b>

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who elected to use Optional Standard Deduction (OSD).

The components of the Company's deferred tax assets as at December 31, 2015 are as follows:

Deferred income tax assets on temporary differences arising from:	
Accrued expenses	<b>₱32,011,157</b>
Retirement liability	1,420,032
Unamortized past service costs	5,331,586
Allowance for doubtful accounts on receivables	3,241,935
Unrealized foreign exchange gain	256,423
	<b>₱42,261,133</b>



The components of the Company's temporary differences and carryforward benefits of NOLCO and minimum corporate income tax (MCIT) for which no deferred tax assets were recognized are as follows:

	2015	2014
Allowance for doubtful accounts on receivables and others	<b>₱427,690,938</b>	₱427,696,767
NOLCO	<b>24,860,713</b>	43,224,980
Allowance for deferred oil exploration and development costs	<b>18,377,841</b>	18,377,841
Allowance for impairment of AFS investments	<b>2,000,000</b>	2,000,000
Excess MCIT over regular corporate income tax	<b>600,723</b>	–
	<b>₱473,530,215</b>	₱491,299,588

Deferred tax assets amounting to ₱142.5 million and ₱147.4 million as at December 31, 2015 and 2014, respectively, were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

As at December 31, 2015, the carryforward benefits of NOLCO and MCIT that can be claimed as deductions from regular taxable income and regular corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Expiry Date	NOLCO	MCIT
2013	December 31, 2016	₱135,300	₱–
2014	December 31, 2017	24,625,109	–
2015	December 31, 2018	100,304	600,723
		<b>₱24,860,713</b>	<b>₱600,723</b>

The movements in NOLCO follow:

	2015	2014
NOLCO:		
Balance at beginning of year	<b>₱43,224,980</b>	₱7,795,341
Additions	<b>109,805</b>	35,534,004
Applications	<b>(18,394,200)</b>	–
Expirations	<b>(79,872)</b>	(104,365)
Balance at end of year	<b>₱24,860,713</b>	₱43,224,980

The reconciliation of the provision for income tax computed at statutory income tax rate on income (loss) before income tax to the provision for income tax as shown in the consolidated statements of income is as follows:

	2015	2014	2013
Income tax computed at statutory tax rate	<b>₱122,375,354</b>	₱403,218,705	(₱2,620,400)
Income tax effect of:			
Nondeductible expenses	<b>182,338,123</b>	19,253,281	337,382
Excess of itemized deduction over OSD	<b>(72,567,213)</b>	2,040,905	–

(Forward)



	2015	2014	2013
Equity share in net earnings of an associate	(P22,657,723)	(P9,456,442)	P-
Income not subject to income tax	(16,238,084)	(45,350,972)	-
Change in unrecognized deferred tax assets	(4,911,407)	(362,679,816)	2,256,650
Interest subject to final tax	(3,599,515)	(1,939,605)	(313)
Expired NOLCO	23,962	31,310	26,681
	<b>P184,763,497</b>	<b>P5,117,366</b>	<b>P-</b>

## 28. Related Party Disclosures

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

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

### Settlement Agreement with Belle

On October 7, 1997, PLC subscribed to 1,000,000,000 preferred shares from Belle at P1.00 per share, with a coupon rate of 9.75% per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between PLC and Belle on August 29, 2009, as amended in 2013.

On August 28, 2009, a Settlement Agreement (Agreement) was executed between Belle and PLC to settle the unpaid accrued dividends and to eventually cancel the preferred shares, subject to the transfer by Belle to PLC: (1) 220 shares in TMGCI and (2) 235,583 square meters of developed Rancho Montana land located in Tanauan, Batangas, completion of which is expected within five years from the date of the Agreement. The developed Rancho Montana land together with the 220 TMGCI shares shall be transferred to PLC at an aggregate value of at least P1,092.3 million.

Immediately after the execution of the Agreement, Belle transferred the 220 TMGCI shares and executed a Deed of Assignment over the said TMGCI shares to PLC. PLC, on the other hand, executed a Release, Waiver and Quitclaim (1) accepting the payment of dividends in the form of 220 shares in TMGCI; (2) renouncing its rights to all past, present and future dividends; (3) agreeing to the revocation of the coupon rate originally provided for the preferred shares; and, (4) agreeing to the cancellation of all its preferred shares in Belle upon receipt of the developed Rancho Montana land.

The TMGCI shares amounting to P154.0 million (net of P44.0 million decline in fair value as at December 31, 2009) was recorded as "AFS financial assets" in 2009. The related outstanding payable (after offsetting the outstanding receivable of P92.3 million) as at December 31, 2013 amounting to P105.7 million, presented under "Due to Belle Corporation" account in the 2013 consolidated statement of financial position, has been fully settled in 2014.



In March 2013, Belle delivered developed lots with an estimated value of ₱65.5 million recognized as “Other current asset” with corresponding “Due to Belle Corporation” in the 2013 consolidated statement of financial position pending transfer of title of the developed lots to PLC. Under the Settlement Agreement, the cancellation of the preferred shares shall be effective only upon completion of the transfer of the title of the developed properties to PLC.

#### Amendment to Settlement Agreement with Belle

On April 5, 2013, an Amendment to the Settlement Agreement was executed between Belle and PLC to modify the composition of its settlement offer for the Preferred Shares. The parties have agreed on the following amendments:

- (a) replacement of the real estate component of the settlement agreement. In lieu of the delivery of 220 saleable lots in Rancho Montana, Belle undertakes to (a) to pay on or before August 28, 2014, approximately ₱100.0 million of the Preferred Obligation by way of:
  - (i) delivery of developed lots within the Tagaytay Highlands-Midlands Complex, with an aggregate valuation of approximately ₱75.0 million inclusive of 12% VAT and registration costs.
  - (ii) payment of all costs and expenses estimated at approximately ₱25.0 million for the conversion and titling of PLC’s properties located at or near Rancho Montana totaling 36 hectares; (b) delivery on or before August 28, 2019, of such number of developed lots in Rancho Montana having an aggregate value of approximately ₱794.0 million based on agreed valuation of ₱2,000 per square meter, exclusive of VAT.
- (b) modification of penalty for delay in delivery of Rancho Montana lots.

On July 22, 2014, Belle and PLC entered into a second Amendment to the Settlement Agreement terminating the obligation under the Settlement Agreement and the related Amendment to the Settlement Agreement and allowing sale of PLC’s nongaming assets consisting of TMGCI shares and developed lots, and redemption of the 1,000,000,000 preferred shares by Belle by way of cash consideration.

Gain on sale of developed lots amounted to ₱149.2 million in 2014.

#### Transactions with Related Parties

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables.

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Receivables (Payables)	Terms	Condition
Belle	Parent	Advances	2015	₱6,261,135	₱6,981,116	Noninterest- bearing, due and demandable	Unsecured, no impairment
		(see Notes 10 and 20)	2014	(22,393,756)	1,556,639		
			2013	(12,008,133)			
		Notes receivable	2015	1,805,925,000	805,925,000	4.1 % interest bearing, one year term, renewable	Unsecured, no impairment
		(see Note 11)	2014	—	—		
			2013	—			

(Forward)



Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Receivables (Payables)	Terms	Condition
		Available-for-sale financial assets (see Note 14)	2015	<b>₱387,461,701</b>	<b>₱584,562,793</b>	Noninterest-bearing	Unsecured, with allowance for impairment amounting to ₱569.9 million as at December 31, 2015 and 2014
			2014	–	487,940,069		
			2013	–			
		Interest income (see Note 10 and 11)	2015	<b>28,776,131</b>	<b>2,406,953</b>	Noninterest-bearing, 30 days	Unsecured, no impairment
			2014	–	–		
			2013	–	–		
		Service and management fee (see Note 20)	2015	<b>20,160,000</b>	–	Noninterest-bearing, 30 days	Unsecured
			2014	7,500,000	(7,025,000)		
			2013	–	–		
		Redemption of preferred shares	2015	–	–	Noninterest-bearing	Unsecured
			2014	1,000,000,000	–		
			2013	–	–		
		Sale of non-gaming assets (see Note 2)	2015	–	–	Noninterest-bearing	Unsecured
			2014	521,371,434	–		
			2013	–	–		
Parallax Resources, Inc.	Stockholder	Advances (see Note 10)	2015	–	–	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2014	–	766,884		
			2013	–	–		
Officers	Key management personnel	Salaries and wages	2015	<b>₱13,207,004</b>			
			2014	3,454,406			
			2013	1,341,485			

On September 15, 2014, PLAI and Belle entered into a Service Agreement wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to ₱20.2 million and ₱7.5 million in 2015 and 2014, respectively were presented as part of “Services fees” included under costs of services and “Professional, service and management fees” under general and administrative expenses in the consolidated statements of income (see Notes 24 and 25).

## 29. Leases

### a. Finance Lease

*Lottery Equipment.* The contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is classified as finance lease. These related equipment are included as part of Lottery equipment under “Property and Equipment” in the consolidated statements of financial position. The details in 2015 are as follows:

Property and equipment under finance lease	₱693,707,891
Less accumulated depreciation	565,345,083
	<b>₱128,362,808</b>

The additions in 2015 amounted to ₱31.6 million.





As at December 31, 2015, future minimum lease payments under these finance leases together with present value of the minimum lease payments are as follows:

Within one year	₱27,056,368
After one year but not more than five years	89,068,314
More than five years	12,766,463
Total future minimum lease payments	128,891,145
Less amount representing interest	10,335,408
Present value of lease payments	118,555,737
Less current portion of obligations under finance lease	25,028,462
Noncurrent portion of obligation under finance lease	₱93,527,275

The contracts of POSC remain effective until July 31, 2018, the expiration of Equipment Lease Agreement (ELA). Payment to Scientific Games is based on a pre-agreed percentage of POSC's revenue from PCSO's conduct of online lottery games running under the system provided by Scientific games. Payment to Intralot is based on pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the hardware, operating system software and terminals (collectively referred to as the "System"), including without limitation, the revenue from the ELA contract or a fixed amounting US\$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" under 'Cost and expenses' in the consolidated statements of income (see Note 24).

The contract of TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System.

The Company initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

*Transportation Equipment.* POSC and LCC has finance leases covering its transportation equipment subject to two-year term. As at December 31, 2015, future minimum lease payments under these finance leases together with the present value of the minimum lease payments are as follows:

Future minimum lease payments within one year	₱181,489
Less amount representing interest	8,642
Current portion of obligations under finance lease	₱172,847

b. Operating Lease

As Lessor

POSC leases to PCSO online lottery equipment and accessories for a period of 3 years until July 31, 2018 as provided in the 2015 Amended ELA (see Note 33). Rental payments is based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to



₱395.5 million in 2015. Future minimum rental income as at December 31, 2015 for the remaining lease term is as follows:

Within one year	₱143,080,000
After one year but not more than five years	226,543,333
	<u>₱369,623,333</u>

TGTI leases to PCSO online KENO games for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱235.4 million in 2015. As at December 31, 2015, future minimum rental income for the remaining lease terms is as follows:

Within one year	₱70,800,000
After one year but not more than five years	189,900,000
	<u>₱260,700,000</u>

As Lessee

- a. POSC leases certain office spaces for periods of one to three years up to 2016. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5%. Rent expense recognized in the consolidated statement of income amounted to ₱6.2 million in 2015.
- b. LotoPac and LCC lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the consolidated statement of income amounted to ₱11.4 million in 2015.
- c. TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years commencing on February 1, 2011 expiring on January 31, 2016, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expiring on July 31, 2017, and (3) Geroge W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱1.6 million in 2015.

The above operating leases have no restrictions and contingent rentals.

As at December 31, 2015, future minimum rental expense for the remaining lease terms are as follows:

Within one year	₱14,472,951
After one year but not more than five years	7,976,663
	<u>₱22,449,614</u>



### 30. Basic/Diluted Earnings (Loss) Per Common Share

As at December 31, 2015 and 2014, basic/diluted losses per share were computed as follows:

	2015	2014	2013
Net income attributable to the equity holders of the Parent (a)	<b>₱155,232,754</b>	₱1,338,944,984	(₱8,734,667)
Weighted average common shares, beginning	<b>31,440,564,700</b>	7,770,780,000	7,770,780,000
Cancellation of Swap Agreement	—	(583,333,333)	—
Re-issuance of Parent Company's shares	—	39,132,500	—
Issuance of common shares	<b>155,621,083</b>	8,233,333,333	—
Weighted average common shares, end (b)	<b>31,596,185,783</b>	15,459,912,500	7,770,780,000
Earnings (loss) per common share (a/b)	<b>₱0.004913</b>	₱0.086607	(₱0.00112)

### 31. Financial Assets and Financial Liabilities

#### Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments comprise cash and cash equivalents, receivables, and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Company's operations and capital expenditures. The Company has other financial assets and liabilities such as investments held for trading, AFS financial assets, trade and other receivables, trade and other current liabilities and accrued expenses which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk.

The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, trade receivables and others and AFS financial assets.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, other receivables, investments held for trading and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



The table below shows the aging analysis of the Company's financial assets.

2015							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Cash and cash equivalents*	₱1,179,595,088	₱-	₱-	₱-	₱-	₱-	₱1,179,595,088
Investment held for trading	226,746,690	-	-	-	-	-	226,746,690
Receivables**	435,542,636	56,275,505	-	6,993,336	-	440,403,474	939,214,951
Notes receivable	805,925,000	-	-	-	-	-	805,925,000
AFS financial assets	586,543,893	-	-	-	-	574,918,475	1,161,462,368
	₱3,234,353,307	₱56,275,505	₱-	₱6,993,336	₱-	₱1,015,321,949	₱4,312,944,097

\*Excluding cash on hand amounting to ₱8.0 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱10.8 million.

2014							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Cash and cash equivalents*	₱2,692,117,659	₱-	₱-	₱-	₱-	₱-	₱2,692,117,659
Receivables	57,748,413	-	-	-	23,255	427,690,938	485,462,606
AFS financial assets	489,801,169	-	-	-	-	574,918,475	1,064,719,644
	₱3,239,667,241	₱-	₱-	₱-	₱23,255	₱1,002,609,413	₱4,242,299,909

\*Excluding cash on hand amounting to ₱3,914.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

2015			
	High Grade	Medium Grade	Total
Cash and cash equivalents*	₱1,179,595,088	₱-	₱1,179,595,088
Investment held for trading	226,746,690	-	226,746,690
Receivables**	435,542,636	-	435,542,636
Notes receivable	805,925,000	-	805,925,000
AFS financial assets	584,562,793	1,981,100	586,543,893
	₱3,232,372,207	₱1,981,100	₱3,234,353,307

\*Excluding cash on hand amounting to ₱8.0 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱10.8 million.

2014			
	High Grade	Medium Grade	Total
Cash and cash equivalents	₱2,692,117,659	₱-	₱2,692,117,659
Receivables	57,748,413	-	57,748,413
AFS financial assets	487,940,069	1,861,100	489,801,169
	₱3,237,806,141	₱1,861,100	₱3,239,667,241

\*Excluding cash on hand amounting to ₱3,914.

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.

The Company assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.

**Liquidity Risk.** Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures



that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at December 31, 2015 and 2014 as the total current assets can cover the total current liabilities as they fall due.

The maturity profile of the Company's financial assets and liabilities follow:

	2015				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents*	₱1,179,595,088	₱—	₱—	₱—	₱1,179,595,088
Investments held for trading	226,746,690	—	—	—	226,746,690
Receivables**	503,672,315	435,542,636	—	—	939,214,951
Notes receivable	—	250,000,000	555,925,000	—	805,925,000
AFS financial assets	—	—	—	1,161,462,368	1,161,462,368
	₱1,910,014,093	₱685,542,636	₱555,925,000	₱1,161,462,368	₱4,312,944,097
<b>Financial Liabilities</b>					
Trade payables and other current liabilities***	₱41,167,043	₱202,260,441	₱109,134,103	₱—	₱352,561,587
Obligations under finance lease****	—	—	27,237,857	101,834,777	129,072,634
	₱41,167,043	₱202,260,441	₱136,371,960	₱101,834,777	₱481,634,221

\*Excluding cash on hand amounting to ₱8.0 million.

\*\*Excluding advances to contractors and suppliers amounting to ₱10.8 million.

\*\*\*Excluding statutory liabilities amounting to ₱13.2 million.

\*\*\*\*Based on undiscounted future payments.

	2014				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents*	₱2,692,117,659	₱—	₱—	₱—	₱2,692,117,659
Receivables	427,714,193	57,748,413	—	—	485,462,606
AFS financial assets	—	—	—	1,064,719,644	1,064,719,644
	₱3,119,831,852	₱57,748,413	₱—	1,064,719,644	₱4,242,299,909
<b>Financial Liabilities</b>					
Trade payables and other current liabilities**	₱48,727,487	₱21,526,177	₱7,427,792	₱—	₱77,681,456

\*Excluding cash on hand amounting to ₱3,914.

\*\*Excluding statutory liabilities amounting to ₱1.5 million.

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual stocks. The Company's exposure to equity price risk relates primarily to the Company's quoted investments held for trading and AFS financial assets.



#### AFS financial assets

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The impact on the Company's equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

	2015		2014	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	5%	(5%)	4%	(4%)
Effect on equity	₱38,747,781	(₱38,747,781)	₱2,461,236	(₱2,461,236)

#### Investments held for trading

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2015 consolidated income before income tax.

	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	5%	(5%)
Effect on consolidated income before income tax	₱11,239,000	(₱11,239,000)

*Foreign Currency Risk.* The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was ₱47.12 to US\$1, the Php to US\$ exchange rates as at December 31, 2015.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2015. There is no other impact on the Company's equity other than those already affecting profit or loss.

Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax
5%	(₱3,363,146)
(5%)	3,363,146

#### Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the



dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2015 and 2014.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱15,042.2 million and ₱15,787.9 million as at December 31, 2015 and 2014, respectively.

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of cash and cash equivalents, receivables and others (excluding prepayments and input VAT), and trade payables and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

The estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using PDST-R2 rates ranging from 2.4% to 3.9%.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at December 31, 2015 and 2014:

2015					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2015	₱226,746,690	₱—	₱—	₱226,746,690
AFS investments	December 31, 2015	586,462,793	—	81,100	586,543,893
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Obligations under finance lease		—	—	120,128,561	120,128,561
2014					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value -					
AFS investments	December 31, 2014	₱489,720,069	₱—	₱81,100	₱489,801,169

There were no transfers between fair value measurements in 2015 and 2014.



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### 32. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As at December 31, 2015, the Company is organized into five business segments, namely: investment holding, real estate, public amusement recreation, gaming business and online gaming.

As at December 31, 2014, the Company is organized into four business segments, namely: investment holding, real estate, public amusement recreation and gaming business.





Financial information about the Company's business segments are shown below:

	2015						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Online Gaming	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P—	P—	P—	P756,237,939	P719,326,926	P—	P1,475,564,865
Internal	575,356,767	—	—	—	—	(575,356,767)	—
Cost and expenses	(13,009,757)	(62,926)	(37,378)	(130,355,416)	(502,882,291)	(563,277,634)	(1,209,625,402)
Interest income	40,704,963	38,788	—	760,585	530,204	—	42,034,540
Finance charges	—	—	—	—	(4,996,708)	—	(4,996,708)
Dividend income	27,496,623	—	—	—	4,273,890	—	31,770,513
Equity in net earnings of an associate	—	—	—	—	—	75,525,743	75,525,743
Depreciation and amortization	—	—	—	(341,660)	(64,960,311)	(563,277,634)	(628,579,605)
Provision for income tax	600,723	—	—	115,197,543	68,965,231	—	184,763,497
Net income for the year	640,940,787	(24,138)	(37,378)	511,445,565	133,938,171	(1,063,108,658)	223,154,349
<b>Other Information</b>							
Investments and AFS financial assets	292,945,362	—	—	—	706,367,720	(186,022,499)	813,290,583
Segment assets	15,608,466,624	856,011	30,820,792	317,468,350	1,515,226,053	(1,844,130,610)	15,628,707,220
Segment liabilities	167,279,987	260,425,647	1,068,988	297,749,933	462,639,425	(636,424,102)	552,739,878
Consolidated total assets	15,901,411,986	856,011	30,820,792	317,468,350	2,221,593,773	(2,030,153,109)	16,441,997,803
Consolidated total liabilities	167,279,987	260,425,647	1,068,988	297,749,933	462,639,425	(636,424,102)	552,739,878
Capital expenditure	—	—	—	65,480	223,344,454	—	223,409,934
Goodwill	—	—	—	—	1,828,577,952	—	1,828,577,952



2014						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>						
Revenue – external	P–	P–	P–	P38,809,095	P–	P38,809,095
Interest income	6,332,013	124,937	–	8,400	–	6,465,350
Dividend income	1,999,754	–	–	–	–	1,999,754
Fair value change due to cancellation of Swap Agreement and sale of golf club shares	1,643,407,304	–	–	–	–	1,643,407,304
Reversal of allowance for doubtful accounts	253,375,000	–	–	–	(253,375,000)	–
Gain on sale of land	149,170,154	–	–	–	–	149,170,154
Equity in net earnings of an associate	–	–	–	–	31,521,474	31,521,474
Costs and expenses	(385,689,441)	(5,068,451)	(37,769)	(29,571,846)	(48,624,286)	(468,991,793)
Depreciation and amortization	–	–	–	(203,368)	(48,624,286)	(48,827,654)
Provision for income tax	–	–	–	5,117,366	–	5,117,366
Provision for probable losses	(349,686,009)	(3,216)	(2,616)	–	–	(349,691,841)
Loss from sale of shares of Parent Company	–	(218,982,325)	–	–	218,982,325	–
Net income (loss) for the year	1,668,594,787	(223,925,840)	(37,769)	4,128,283	(109,814,477)	1,338,944,984
<b>Other Information</b>						
Investments and AFS financial assets	13,248,803,585	–	14,762,976	–	(11,221,199,155)	2,042,367,406
Segment assets	2,722,918,315	254,192,862	16,057,816	42,735,153	10,794,589,220	13,830,493,366
Segment liabilities	166,787,648	513,738,361	1,031,610	34,002,682	(630,559,214)	85,001,087
Consolidated total assets	15,971,721,900	254,192,862	30,820,792	42,735,153	(426,609,935)	15,872,860,772
Consolidated total liabilities	166,787,648	513,738,361	1,031,610	34,002,682	(630,559,214)	85,001,087
2013						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>						
Interest income	P1,043	P–	P–	P–	P–	P1,043
Costs and expenses	(8,590,138)	(20,845)	(124,727)	–	–	(8,735,710)
Net loss for the year	(8,589,095)	(20,845)	(124,727)	–	–	(8,734,667)
<b>Other Information</b>						
AFS financial assets	1,713,501,913	42,263,100	11,768,917	–	(186,713,130)	1,580,820,800
Segment assets	469,146,291	766,884	19,086,544	–	(2,161,149)	486,838,570
Segment liabilities	347,293,210	513,643,369	1,028,510	–	(629,632,007)	232,333,082
Consolidated total assets	2,182,648,204	43,029,984	30,855,461	–	(188,874,279)	2,067,659,370
Consolidated total liabilities	347,293,210	513,643,369	1,028,510	–	(629,632,007)	232,333,082



Revenue from gaming business segment amounting to ₱756.2 million and revenue from online gaming business segment amounting to ₱699.3 million in 2015 are solely collectible from its external customers, Melco and PCSO, respectively.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2015	2014	2013
<b>Net Profit for the Year</b>			
Total profit for reportable segments	<b>₱1,286,263,007</b>	₱1,448,759,461	(₱8,734,667)
Elimination for intercompany profits	<b>(1,063,108,658)</b>	(109,814,477)	–
Consolidated net profit	<b>₱223,154,349</b>	₱1,338,944,984	(₱8,734,667)
<b>Assets</b>			
Total assets for reportable segments	<b>₱17,472,837,830</b>	₱3,035,904,146	₱488,999,719
Investments and advances	<b>999,313,082</b>	13,263,566,561	1,767,533,930
Elimination for intercompany advances and investments	<b>(2,030,153,109)</b>	(426,609,935)	(188,874,279)
Consolidated assets	<b>₱16,441,997,803</b>	₱15,872,860,772	₱2,067,659,370

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments.

### 33. Significant Contracts and Commitments

#### Investment Commitment with PAGCOR

The Company and its casino operator is required to have an "Investment Commitment" based on PAGCOR guidelines of US\$1.0 billion, of which US\$650.0 million shall be invested upon the opening of the casino and the other US\$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project.

The other salient provisions of the License are: (i) creation of an escrow account of at least US\$100.0 million to be used exclusively for the project, with a maintaining balance of US\$50.0 million; (ii) issuance of performance bond of US\$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US\$100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted.

Compliance with the Investment Commitment is managed by Belle, except for the maintenance of an escrow account which was assumed by the casino operator effective May 2013.

#### Operating Agreement with Melco

On March 13, 2013, the Company, together with Belle, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and



Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, the Company shares from the performance of the casino gaming operations. Gaming revenue share in 2015 and 2014 amounted to ₱756.2 million and ₱38.8 million, respectively (see Note 23).

Advisory Services by AB Leisure Global, Inc. (ABLGI)

ABLGI agreed to act in an advisory capacity to the Company and Belle subject to certain limitations for a consideration equivalent to percentage of the Company's income from gaming revenue share.

Professional fee amounted to ₱76.0 million and ₱7.1 million in 2015 and 2014, respectively, presented as part of "Service fees" account under cost of services expenses in the consolidated statements of income (see Note 24).

Equipment Lease Agreement (ELA) between POSC and PCSO

*ELA.* POSC has an ELA with the PCSO for the lease of not less than 800 lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment of PCSO for its Visayas-Mindanao (VISMIN) operations for a period of eight years from April 1, 2005 to March 31, 2013.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. It also undertakes other activities to enhance and expand such fund-generating operations as well as strengthen the agency's fund-management capabilities.

*2012 Amended ELA.* On May 22, 2012, the POSC and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIN operations and included the lease of lotto terminals and supply of betting slips and ticket paper rolls in some of PCSO's Luzon operations for additional lease fee effective June 1, 2012 until March 31, 2013, which is concurrent with the ELA expiry. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIN operations at the end of the lease period for ₱15.0 million.

*2013 Amended ELA.* On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIN operations, the Company agreed to reduce the rental fee on the lotto terminals for the VISMIN operations and the Company to shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIN operations. The amendment also incorporated the fee for the supply of betting slips and ticket paper rolls for the PCSO's Luzon operations as part of the rental fee.



*2015 Amended ELA.* In 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under “Other noncurrent assets” in the consolidated statements of financial position.

The rental fee, presented as “Equipment lease rentals” in the consolidated statements of income, is based on a percentage of gross sales of lotto tickets from PCSO’s VISMIN and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. This covers the equipment rental of lotto terminals, central computer and communications equipment including the accessories and right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as the supply of betting slips and ticket paper rolls, and maintenance and repair services. The number of installed lotto terminals totaled 4,088 as at December 31, 2015.

*Instant Scratch Tickets.* On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA’s effectivity.

The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱20.0 million cash bond is recognized under “Other noncurrent assets” account in the consolidated statements of financial position.

On March 31, 2015 the POSC entered into an Outsourcing Memorandum of Agreement (OMOA) with Powerball Gaming and Entertainment Corporation (PGEC) for the authorization of PGEC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume POSC’s commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PGEC agreed to pay the POSC a guaranteed fixed monthly fee of ₱4 million starting April 2015. This fee is included as part of “Commission and instant scratch tickets” under “Revenues” in the consolidated statements of income.

#### TGTI Equipment Rental

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO’s “Online KENO” games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 200 “Online KENO” outlets. The rental fee, presented as “Equipment lease rentals” in the consolidated statements of income, is based on a percentage of the gross sales of the “Online KENO” terminals or a fixed annual rental of ₱40,000 per terminal in



commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure supplies for the “Online KENO” operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all “Online KENO” terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2015, there are 1,770 “Online KENO” terminals in operation.

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#### **34. Contingency**

The Parent Company is a party to a civil case filed by Metroplex before the Court of Appeals (CA) to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 14). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the Supreme Court. As at February 23, 2016, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 14, the cancellation of the Swap Agreement was implemented following the Parent Company’s filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

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#### **35. Events after the Reporting Period**

On February 23, 2016, the Parent Company’s BOD approved the declaration of cash dividends of ₱0.0215 per share amounting to approximately ₱680.0 million to shareholders of record as at March 10, 2016. Payments will be made on March 23, 2016.

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#### **36. Supplemental Disclosure of Cash Flow Information**

The following are the noncash activities in 2015:

- a. Application of notes receivable principal amount of ₱1,000.0 million as partial payment of PLC on its purchase of POSC shares from Belle.
- b. Net assets acquired from step acquisition of POSC (see Note 18).

Noncash activity in 2013 includes the transfer of developed lots from Belle on account amounting to ₱65.5 million (see Note 28).

The Company has no significant noncash activity in 2014.

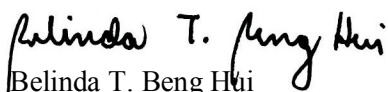


## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premium Leisure Corp. (formerly Sinophil Corporation) and Subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 23, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui  
Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-1 (Group A),  
March 25, 2013, valid until March 24, 2016

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2015,  
June 26, 2015, valid until June 25, 2018

PTR No. 5321613, January 4, 2016, Makati City

February 23, 2016



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Index to the Consolidated Financial Statements and**  
**Supplementary Schedules**  
**December 31, 2015**

- Schedule I: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule II: List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective December 31, 2015
- Schedule III. Map of the Relationships of the Companies Within the Group
- Schedule IV. Financial Soundness Indicators
- Schedule V. Supplementary Schedules Required by Paragraph 6D, Part II Under SRC Rule 68, As Amended (2011)



**SCHEDULE I**

**PREMIUM LEISURE CORP.**  
**Reconciliation of Retained Earnings**  
**Available for Dividend Declaration**  
**As at December 31, 2015**

Unappropriated retained earnings, as adjusted to available for dividend distribution, at December 31, 2014	P739,694,826
Net income during the year closed to retained earnings	640,940,787
Less: Dividend declarations during the year	695,800,820
Unappropriated retained earnings as at December 31, 2015	
available for dividend declaration	P684,834,793

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**List of Philippine Financial Reporting Standards (PFRSs) and**  
**Interpretations Effective as at December 31, 2015**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

## SCHEDULE II

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
<b>PFRS 8</b>	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
<b>PFRS 9</b>	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Investment Entities – Applying the Consolidation Exception*	Not Early Adopted		

## SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts*	Not Early Adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		

## SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Investment Entities – Applying the Consolidation Exception*	Not Early Adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

## SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

## SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*	Not Early Adopted		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓

## SCHEDULE II

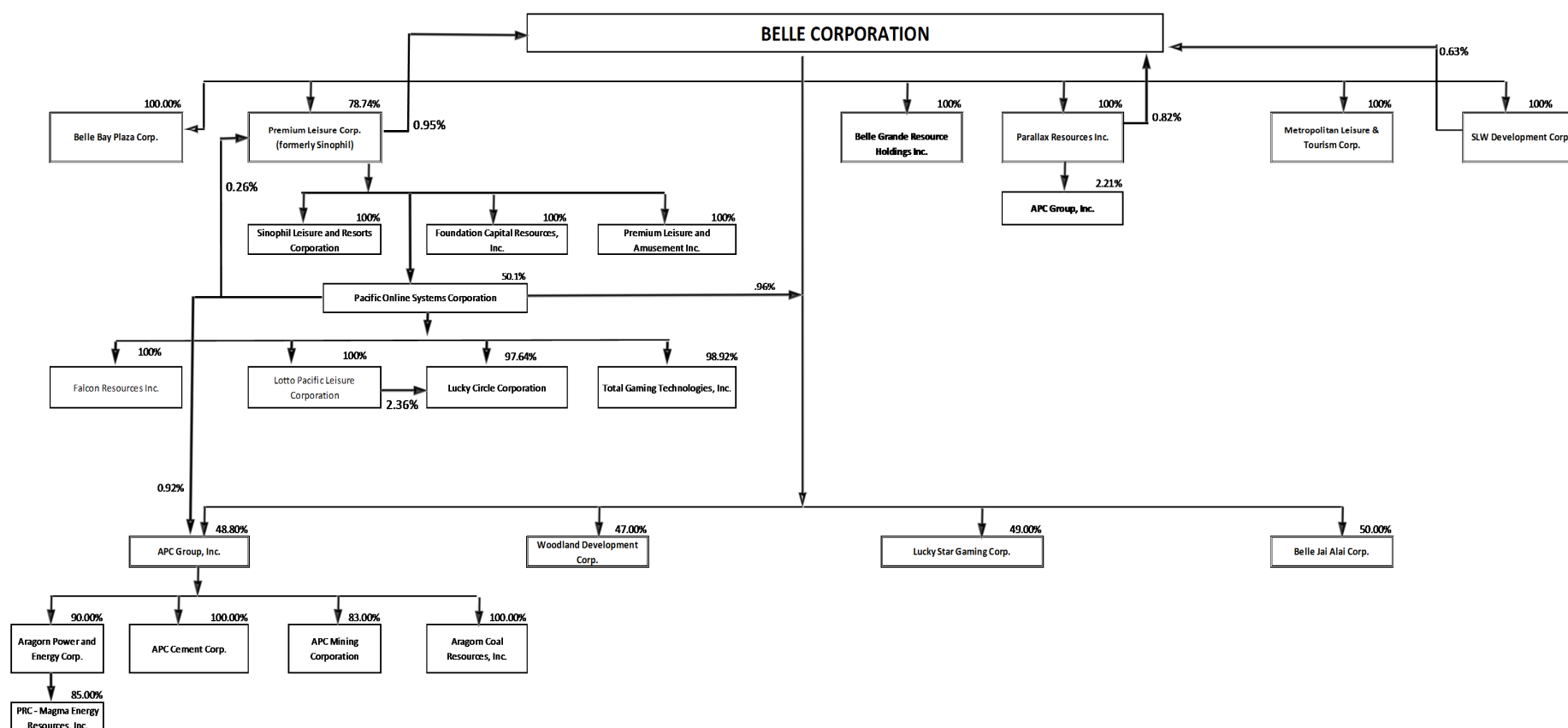
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 21</b>	Levies	✓		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance – No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation – Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities – Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases – Incentives			✓
<b>SIC-25</b>	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue – Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets – Web Site Costs			✓

*\* Standards and interpretations which will become effective subsequent to December 31, 2015.*

*Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Map of the Relationship of the Companies within the Group**  
**December 31, 2015**



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Financial Soundness Indicators**  
**December 31, 2015**

Ratios	Formula	2015	2014
<b>Current Ratio</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>7.14%</b>	36.16%
<b>Asset-to-equity ratio</b>	$\frac{\text{Total assets}}{\text{Total stockholders' equity}}$	<b>1.03</b>	1.01
<b>Return on asset</b>	$\frac{\text{Net income}}{\text{Ave. Total assets}}$	<b>1.38</b>	14.93
<b>Return on equity</b>	$\frac{\text{Net income}}{\text{Ave. Total stockholders' equity}}$	<b>1.41</b>	15.20
<b>Debt-to-equity ratio</b>	$\frac{\text{Total liabilities}}{\text{Total stockholders' equity}}$	<b>Not applicable</b>	Not applicable
<b>Interest rate coverage ratio</b>	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$	<b>Not applicable</b>	Not applicable

**SCHEDULE V**

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Supplementary Schedules Required by Paragraph 6D, Part II**  
**Under SRC Rule 68, As Amended (2011)**  
**December 31, 2015**

**Schedule A. Financial Assets**

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	Valued based on market quotations at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	₱1,187,556,503	N/A	₱11,998,383
Investments held for trading:				
APC Group Inc.	58,892,000	26,501,400	26,501,400	—
DFNN, Inc.	4,983,100	26,426,330	26,426,330	—
Leisure & Resorts World Corp.	5,748,792	43,863,283	43,863,283	—
Vantage Equities, Inc.	21,750,375	68,296,177	68,296,177	—
PLDT	N/A	159,500	N/A	—
LRWC Preferred Shares	50,000,000	55,500,000	55,500,000	—
LRWC Warrants	2,500,000	6,000,000	6,000,000	—
		226,746,690		—
Notes receivable	N/A	805,925,000	N/A	28,776,131
Receivables	N/A	498,811,477	N/A	—
Available-for-sale financial assets:				
Belle Corporation	200,685,719	584,562,793	584,562,793	31,770,513
Tagaytay Highlands Int'l Golf Club	2	1,000,000	1,000,000	—
Tagaytay Midlands Golf Club	2	900,000	900,000	—
Asian Petroleum	N/A	11,100	N/A	—
PLDT	N/A	70,000	N/A	—
		586,543,893		31,770,513
		₱3,305,583,563		₱72,545,027

**Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)**

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱—	₱7,647,312	₱—	₱—	₱7,647,312	₱—	₱7,647,312

## SCHEDULE V

### Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱520,282,424	₱–	₱253,312,714	₱260,145,827	₱6,823,883	₱–	₱6,823,883
Sinophil Leisure and Resorts Corporation (Subsidiary)	1,011,510	37,378	–	–	1,048,888	–	1,048,888
Premium Leisure and Amusement, Inc. (Subsidiary)	2,304	500,063,426	250,000,000	–	250,065,730	–	250,065,730
Pacific Online Systems Corporation (Subsidiary)	–	44,856,081	44,856,081	–	–	–	–
Premium Leisure Corp. (Parent)	–	14,762,976	–	–	14,762,976	–	14,762,976

### Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
License	₱10,794,591,525	₱–	₱563,277,634	₱–	₱–	₱10,231,313,891
Goodwill	–	1,828,577,952	–	–	–	1,828,577,952

### Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption " Long Term Debt" in related balance sheet"
Obligations under finance lease	₱–	₱25,201,309	₱93,527,275

### Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
NONE	–	–

## SCHEDULE V

### Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
NONE	—	—	—	—

### Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,627,310,000	—	24,904,904,324	17,408,008	6,704,997,668
Preferred stock	6,000,000,000	—	—	—	—	—