HISTORY OF THE COMPANY

Premium Leisure Corp. (the **Company**), formerly Sinophil Corporation, was originally incorporated as Sinophil Oil Exploration Co., Inc. on November 26, 1993, primarily for the purpose of engaging in oil and gas exploration and development. The Company changed its name to Sinophil Corporation, and its primary purpose to being an investment holding company, on June 3, 1997.

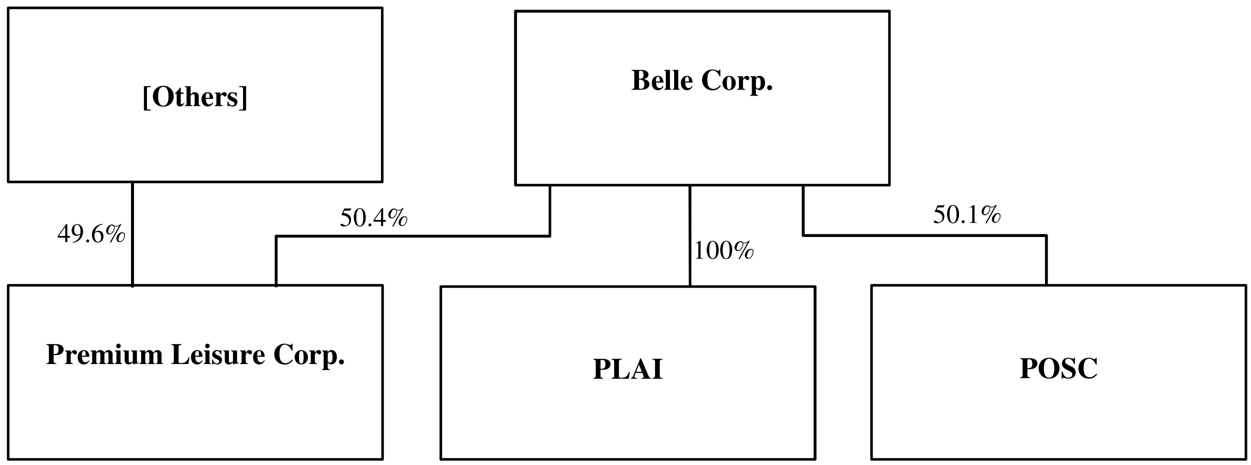
The Company holds a 100% interest in PremiumLeisure and Amusement Inc. (**PLAI**), along with a 34.5% interest in Pacific Online Systems Corporation (**POSC**). On December 12, 2008, PLAI, along with SM Investments Corporation (**SMIC**), SM Land, Inc. (**SM Land**), SM Hotels Corporation, SM Commercial Properties, Inc. and SM Development Corporation (PLAI, Belle Corporation and SMIC on behalf of SM Land, SM Hotels Corporation, SM Commercial Properties, Inc. and SM Development Corporation, the **Philippine Parties**), was awarded a provisional gaming license (the **Provisional License**) by the Philippine Amusement and Gaming Corporation (**PAGCOR**) for the development of an integrated tourism resort in Entertainment City, Metro Manila (the **Project**). On April 14, 2011, Belle Corp. (**Belle**) acquired a 100% stake in PLAI and on November 23, 2011, Belle became a party to the Provisional License.

On January 14, 2011, PLAI and Belle entered into agreements with AB Leisure Global, Inc. (**AB Leisure**) and Leisure and Resorts World Corporation (**LRWC**), well as certain other third-party contractors, for the fit-out and other design work of the Project (the **AB Leisure Contracts**). In an effort to enhance the value of the Project, on October 25, 2012, Belle and PLAI (along with the other Philippine Parties) entered a cooperation agreement (the **Cooperation Agreement**) with MCE Leisure (Philippines) Corporation (**MCE Leisure**), a subsidiary of Melco Crown (Philippines) Resorts Corporation (**Melco**), and certain of its affiliates (the **MCE Parties**) to develop the Project. On March 13, 2013, AB Leisure and LRWC agreed under a termination agreement (the **Termination and Release Agreement**) to terminate the AB Leisure Contracts. As part of the Termination and Release Agreement, AB Leisure agreed to serve as an advisor to the Project in exchange for a share of the fee to be received by PLAI under the terms of an operating agreement between the Philippines Parties and the MCE Parties (the **Operating Agreement**) less a royalty based on the Project's gaming revenues.

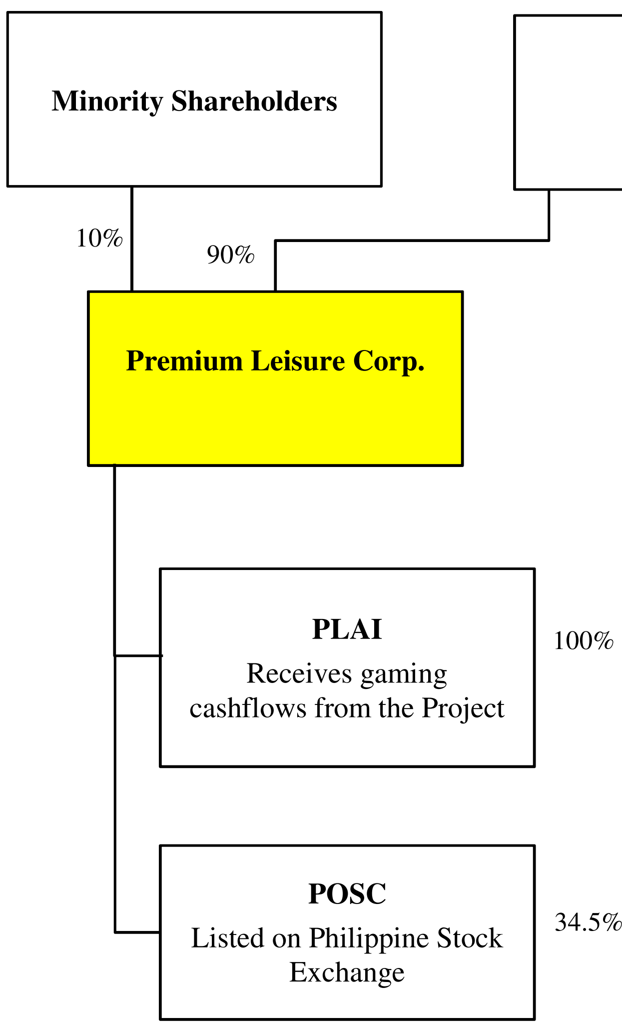
On July 24, 2014, Belle completed a transfer to the Company of its 100% stake in PLAI and its 34.5% stake in Pacific Online Systems Corporation (**POSC**). In consideration for this transaction, the Company transferred to Belle various non-gaming assets (comprising primarily real properties and corporate club membership shares) in the aggregate amount of ₱806.9 million. The Company also 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%.

On July 18, 2014, the stockholders of the Company approved (i) the increase in its authorized capital stock, and (ii) the change of its name to "Premium Leisure Corp." The increase in capital and change of name are awaiting approval by the Philippine SEC.

The corporate structure of the Company prior to the reorganization described above is set out below.



The corporate structure of the Company after reorganization is set out below.



As a result of the transactions described above, the Company directly owns 100% of PLAI and 34.5% of POSC. In turn, after SEC approval of the increase in capital, the Company will be approximately 90%

owned and controlled by Belle together with its affiliates/subsidiaries, APC Group, Inc., Foundation Capital Resources, Inc. and Parallax Resources, Inc.

OVERVIEW OF THE COMPANY

The Company's business consists exclusively of its 100% ownership of PLAI, which receives a monthly payment based on the Project's mass market and VIP gaming revenues, and 34.5% ownership interest in POSC, a publicly listed company engaged in the development, design and management of online computer systems, terminals and software for the Philippine gaming industry.

PLAI has no active business operations—its revenues are expected to be generated entirely from payments owed to it under the terms of the Operating Agreement between itself, Belle and MCE Leisure. As a result of such agreement, and in return for the contributions of land and buildings owed from Belle to the Project under the terms of the Cooperation Agreement, MCE Leisure is obligated to pay PLAI an agreed upon monthly payment based on the Project's mass market and VIP gaming revenues. In addition, MCE Leisure may be required to make a further payment to PLAI at the end of every 24 month period if revenues from the Project's net VIP gaming revenues (after certain deductions) are greater than 5.0% of the VIP EBITDA payments being made to PLAI. PLAI is obligated to pay AB Leisure a fee equivalent to 30% of any monthly payment received from MCE Leisure, less a royalty based on the Project's gaming revenues. As PLAI's 100% parent, the Company is entitled to receive all of the economic benefit of payments that PLAI receives once gaming operations begin at the Project. However, the Company and PLAI have limited control and influence on the operations of Melco and the Project.

COMPETITIVE STRENGTHS

Unique pure play gaming business with a high dividend payout policy

The Company believes it is a direct beneficiary of the Philippine gaming industry from its arrangements with Melco regarding its share in the profits from the operations of the Project, as well as its dividends received from its interest in POSC.

The Company, through its wholly owned subsidiary PLAI, expects to receive a regular monthly payment based on the mass market and VIP revenues from the Project. The Project is located on an approximately 6.2-hectare site in Entertainment City, which is close to Metro Manila's international airport, central business districts and the Mall of Asia, one of the world's largest shopping malls. Upon its planned completion in late 2014, the Project is expected to be a world-class facility comprised of an integrated tourism resort and gaming complex which the Company believes will offer a premium gaming experience with differentiated non-gaming facilities and entertainment offerings.

The Company also has a 34.5% interest in POSC, a company engaged in the development, design and management of on-line computer terminals and software for the Philippine gaming industry. POSC services various requirements for the PCSO's lottery, scratch tickets and other gaming operations. POSC leases online lottery technology for the Philippine Charity Sweepstakes Office (**PCSO**) operations in the Visayas and Mindanao regions (the **VisMin region**) and provides the PCSO with technical support for the equipment it leases from POSC. POSC also provides instant scratch ticket printing, distribution and sale services. In addition to its core gaming operations, POSC, through its subsidiary Total Gaming Technologies, Inc. (**TGTI**), is engaged in the development of new games for the Philippine gaming industry and provision of consultancy services and equipment to local gaming operators. TGTI is likewise the lessor to PCSO of the online lottery equipment used throughout the Philippines for the latter's Keno game.

From its arrangements with PLAI and POSC, the Company expects to derive significant and steady revenues, while having minimal capital expenditure requirements and currently carrying no debt on its balance sheet. Thus, the Company has adopted a dividend policy of paying at least 80% of previous year's unrestricted retained earnings, taking into account various business related factors.

Strong cash flows with significant downside protection

The Company believes that PLAI's contractual arrangement with Melco provides it with the opportunity to receive strong cash flows with significant downside protection. Under the Operating Agreement, the Company, through its wholly owned subsidiary PLAI, will be entitled to receive a regular monthly payment based on a certain percentage of the Project's Mass Market and VIP net win or casino gaming EBITDA (whichever is higher), as well as the potential for an additional biennial payment based on a review of the Project's VIP gaming revenues. The Company believes such gaming revenues from the Project will benefit from the expected continued growth in the gaming market in the Philippines and Asia.

Under the Operating Agreement, the Company is not obligated to make any cash payments to Melco, including in the event of cost overruns or losses by the Project. At the same time, PLAI's contractual arrangement with Melco offers the potential upside of receiving higher fees benefiting from improvements in the Project's operating efficiency and gaming EBITDA, with no upper limit placed on such fees under the Operating Agreement. As a result, the Company expects to be able to pay cash dividends on a regular basis, in amounts consistent with its dividend policy.

Strong alliance with Melco and its parent Melco Crown Entertainment, a best-in-class casino operator with a positive execution track record in Macau and a well-established international customer base

The Company has a strong business alliance with Melco and its ultimate parent Melco Crown Entertainment, with Melco being the only operator in the Philippines backed by an established Macau gaming market operator. Under the agreements between the Company and Melco, the Company will generate revenues comprising monthly payments arising from the Project's gaming EBITDA.

The Company believes that Melco has the ability to leverage the extensive gaming and integrated resort experience of its affiliates and controlling shareholders in the Asia–Pacific region to ensure the success of the Project. In particular, the Company believes that Melco Crown Entertainment's gaming experience since 2003 in Macau, the largest gaming market in the world as measured by gross gaming revenue, will be invaluable in allowing the Project to compete effectively against existing and future gaming developments in and around Entertainment City. The Company believes that all of these factors, combined with the Company's and its affiliates' long-standing reputation in the Philippines, will help make the Project an attractive proposition for both local and regional patrons.

Melco Crown Entertainment has a sizeable international customer base, including established strong brand recognition among Chinese and other Asian customers through its high quality portfolio of diverse gaming properties, including City of Dreams, a premium mass market-focused property in Macau, Altira Macau, an established VIP focused gaming property, and Mocha Clubs, the largest non-casino based operator of electronic gaming machines in Macau. Through its City of Dreams property, Melco Crown Entertainment expanded the market's premium mass market customer segment. The Company believes this strong brand recognition among both mass market and VIP customer segments will help drive visitation to the Project by brand-conscious regional customers. Melco Crown Entertainment also has a strong relationship with 107 gaming promoters in Macau and throughout Asia, which the Company believes Melco can leverage to further promote the Project and increase visitation, particularly by VIP customers.

World class facility with innovative gaming and entertainment offerings

The Company expects the Project to have one of the best-designed gaming areas in the Philippines, including approximately 375 tables and 1,699 slot machines and 1,699 electronic gaming machines. The VIP gaming areas, primarily located on the second floor and the "sky tower" penthouse, are expected to provide a high degree of privacy and exclusivity in addition to customized concierge-like service levels. The mass market gaming areas, primarily located on the ground floor, are expected to offer continuous live entertainment at the central performing lounge and convenient access to food and beverage (**F&B**) outlets. The Project is expected to include six hotel towers with an aggregate of approximately 950 rooms and suites, including an approximately 260-room VIP premium brand hotel, an approximately 360-room international brand full-service hotel and a high-end boutique hotel.

The Project will also feature the "Fortune Egg," a dome-like structure accented with creative external light treatments, with a contemporary night club within the structure. The Company believes this feature will distinguish the Project within Entertainment City and the Manila skyline, and is intended to generate significant interest and word of mouth. The Project also is also expected to provide a movie-themed Family Entertainment Center (**FEC**) catering to children, which is expected to be the first of its kind in Manila. The Company also expects the Project to feature a wide selection of regional and international F&B offerings including five key themed restaurants, and three different resort-branded hotels catering to specific customer segments. The Company believes that the Project will deliver a comprehensive and attractive gaming and non-gaming experience that will generate steady visitation to the Project and drive revenues.

Growing gaming market in the Philippines and Asia

The Company believes that the opening of the Project positions the Company to take advantage of the strong growth opportunities for gaming in the Philippines and Asia.

The Company believes that the Philippine domestic gaming market will continue to grow with the opening of the Project, supported by increasing GDP (which grew 7.2% in 2013, one of the highest in Asia), per capita incomes and OFW remittance levels, while growth in casino revenues from foreign players will be driven by increasing foreign tourist arrivals (which increased 9.6% from 2012 to approximately 4.7 million visitors in 2013 according to the Philippine Department of Tourism). The Philippine gaming market is also characterized by generally lower wage costs as compared to other regional gaming destinations, as well as growing Government support in terms of infrastructure, such as the ongoing construction of an expressway from Manila's international airport to Entertainment City.

Strong affiliate network as part of the SM Group, one of the leading business groups in the Philippines

The Company is a part of the SM Group, one of the longest-standing established conglomerates in the Philippines and Southeast Asia, with its flagship SMIC currently ranked as the second largest company in the Philippines by market capitalization based on data from the Philippine Stock Exchange (**PSE**). Belle is an affiliate of the SM Group and the Company is owned approximately 90% by Belle.
The SM Group has a deep understanding of the Philippine market and local consumer behavior, with over 50 years of track record and diverse interests in property, mall operations, hotels, retail stores, tourism, banking and financial services, among others. The considerable scale of the SM Group's operations

within the Philippines is expected to provide a substantive base of customers as well as a comprehensive knowledge base relating to the Philippine leisure industry, which the Company believes the Project can capitalize on with respect to marketing and other initiatives to increase customer visitation.

BUSINESS STRATEGIES

Maximize dividend payments to its investors

Given the Company's unique structure and a dividend policy which allows for the majority of its unrestricted retained earnings to be paid as dividends, the Company intends to maximize potential dividends paid to investors. The Company is committed to its dividend policy which it believes will provide maximum value to its investor base.

Capitalize on opportunities in the Philippine gaming industry

The Company believes that its various gaming assets in the casino and non-casino spaces of the Philippine gaming industry gives it a unique advantage in generating cash flows from a broad segment of the Philippine gaming market. The Company will therefore aim to capitalize on this advantage through the following.

Utilize its gaming license to maximize business and revenue potential of the Project. The Company, together with Melco and the other Philippine Parties, intends to examine additional options for expansion in the gaming space, which could take the form of future expansions of the Project, or the development of an additional project.

Develop synergies across gaming platforms. The Company believes that there are a wide range of synergies that are realizable though their various gaming assets. Its alliance with Melco will allow the Company to learn global best practices in the gaming industry and apply these to its various other Philippine gaming businesses, such as with respect to POSC. In addition, the Company benefits from the extensive domestic client base and local knowledge as being a part of the wider SM Group, and will seek to leverage these factors in growing its non-casino gaming businesses.

Optimize profitability through opportunistic investments

Taking advantage of its expected steady cashflows from the operations of the Project and the operations of POSC, the Company will also opportunistically examine potential investments presented to it. The Company believes that the favorable economic backdrop in the medium term will continue to present attractive opportunities for the Company to potentially expand or diversify its holdings and business interests with a view to maximizing its profitability.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary pro forma condensed consolidated financial information for the Company based on the historical consolidated financial statements of the Company, adjusted to give pro forma effect to the reorganization of the Company (including the acquisition of a 100% interest in PLAI and a 34.5% interest in POSC), as if these occurred as of January 1, 2013.

Pro-Forma Consolidated Statements of Total Comprehensive Income
For the six months ended June 30, 2014

	Sinophil Corporation Consolidated (Unaudited)	Pro Forma Adjustments (Unaudited) Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	Pro forma Balances (Unaudited)
INCOME							
Reversal of impairment loss on available for sale financial assets	₱1,559,847,304	₱–	₱–	₱–	₱–	₱–	₱1,559,847,304
Equity in net earnings of an associate	1,999,754	–	–	–	–	–	1,999,754
Dividend income	–	–	–	92,459,435	–	–	92,459,435
Interest income from cash in bank	496	–	9,738	–	–	–	10,234
	1,561,847,554	–	9,738	92,459,435	–	–	1,654,316,727
GENERAL AND ADMINISTRATIVE EXPENSES	(344,484,561)	–	(1,357,533)	–	–	–	(345,842,094
SHARE IN CUMULATIVE TRANSLATION LOSS OF AVAILABLE-FOR-SALE FINANCIAL ASSET	(58,318,988)	–	–	–	–	–	(58,318,988
INCOME (LOSS) BEFORE INCOME TAX	1,159,044,005	–	(1,347,795)	92,459,435			1,250,155,645
BENEFIT FROM DEFERRED INCOME TAX	–	–	305,286	–	–	–	305,286
NET INCOME (LOSS)	1,159,044,005	–	(1,042,509)	92,459,435	–	–	1,250,460,931
OTHER COMPREHENSIVE INCOME							
Mark-to-market gains on available-for-sale financial assets during the period	31,737,176	–	–	–	–	–	31,737,176
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	₱1,190,781,181	₱–	(₱1,042,509)	₱92,459,435	₱–	₱–	₱1,282,198,107

Notes:

(1) Consolidation of PLAI's net loss of ₱1,042,509 as a result of acquisition of 100% ownership interest; and
(2) Recognition of equity in net earnings of POSC proportionate to 34.5% ownership interest acquired amounting to ₱92,459,435.

Pro-Forma Consolidated Statement of Financial Position
For the six months ended June 30, 2014

	Sinophil Corporation Consolidated (Unaudited)	Pro Forma Adjustments (Unaudited) Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	Pro forma Balances (Unaudited)
ASSETS							
Current Assets							
Cash in bank	₱3,581,765	₱9,114,300,000	(₱10,840,082,454)	(₱1,525,034,295)	₱1,448,010,000	₱3,167,322,216	₱1,368,097,232
Receivables and others	22,908,894	–	–	–	–	(2,230,590)	20,678,304
Other asset	65,501,280	–	19,059	–	(65,501,280)	–	19,059
Total Current Assets	91,991,939	9,114,300,000	(10,840,063,395)	(1,525,034,295)	1,382,508,720	3,165,091,626	1,388,794,595
Noncurrent Assets							
Investment in an associate	–	–	–	1,525,034,295	–	–	1,525,034,295
Available-for-sale financial assets	1,612,557,976	–	–	–	(1,096,940,000)	–	515,617,976
Intangible asset	–	–	10,843,215,811	–	–	–	10,843,215,811
Investment properties	394,210,452	–	–	–	(108,700,000)	–	285,510,452
Property and equipment	–	–	519,688	–	–	–	519,688
Deferred tax asset	–	–	305,286	–	–	–	305,286
Total Noncurrent assets	2,006,768,428	–	10,844,040,785	1,525,034,295	(1,205,640,000)	–	13,170,203,508
Balance at June 30, 2014	₱2,098,760,367	₱9,114,300,000	₱3,977,390	₱–	₱176,868,720	₱3,165,091,626	₱14,558,998,103
LIABILITIES AND EQUITY							
Current Liabilities							
Accrued expenses and other current liabilities	₱394,329,633	₱–	₱3,977,390	₱–	₱–	(₱340,713,840)	₱57,593,183
Noncurrent Liability							
Due to Belle Corporation	179,011,579	–	–	–	(73,361,434)	(105,650,145)	–
Total Liabilities	573,341,212	–	3,977,390	–	(73,361,434)	(446,363,985)	57,593,183
Equity							
Capital stock	₱1,731,827,500	₱6,175,000,000	₱–	₱–	₱–	₱–	₱7,906,827,500
Additional paid-in capital	4,060,889,984	2,939,300,000	–	–	–	–	7,000,189,984
Subscription receivable	(4,961,740,586)	–	–	–	–	3,611,455,611	(1,350,284,975)
Cost of Parent Company shares held by a subsidiary	(512,594,197)	–	–	–	–	–	(512,594,197)
Other reserves	406,007,929	–	–	–	17,500,000	–	423,507,929
Retained earnings (Deficit)	801,028,525	–	–	–	232,730,154	–	1,033,758,679
Net Equity	1,525,419,155	9,114,300,000	–	–	250,230,154	3,611,455,611	14,501,404,920
Balance at June 30, 2014	₱2,098,760,367	₱9,114,300,000	₱3,977,390	₱–	₱176,868,720	₱3,165,091,626	₱14,558,998,103

Notes:

1. On July 18, 2014, the Company's Board and stockholders unanimously approved an increase in the Company's authorized capital stock from ₱4,032,500,000 divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱0.25, 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 per share (the **2014 Amendments**), and the Company and Belle entered into a subscription agreement on June 2, 2014 for 24,700,000,000 common shares of the Company at a total subscription price of ₱9,114,300,000, thereby increasing Belle's ownership interest in the Company to 90% (the **Belle Subscription**) and for which subscription payments were received by the Company in July 2014. The Belle Subscription, along with the 2014 Amendments, are reflected in the Company's pro forma consolidated statement of financial position as at June 30, 2014 as cash in bank, capital stock and additional paid-in capital.

2. On July 22, 2014, Belle and Sinophil executed a Deed of Sale of Shares for the sale of 100% ownership interest in PLAI by Belle to Sinophil for a consideration of ₱10,847,820,000.Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of PLAI represents a business and shall be accounted for using the acquisition method. The cost of the acquisition is allocated to the assets acquired and liabilities assumed based upon their relative provisional fair values pending completion of valuation of intangible asset and determination of any goodwill arising from the acquisition as of report date.

The purchase price consideration had been allocated to the identifiable assets and liabilities of PLAI on the basis of provisional fair values pending completion of valuation of intangible asset arising from the acquisition.

Intangible asset pertains to the "License" of PLAI, a grantee by the PAGCOR of a license to operate integrated resorts, including casinos. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033.

The following pro forma adjustments have been made to reflect the consolidation of PLAI:

- Adjustment to record the investment in PLAI for a consideration of ₱10,847,820,000; and
- Adjustment to consolidate all assets and liabilities of PLAI with a net book value of ₱4,604,189. The difference between the acquisition cost and book value of PLAI's net assets amounting to ₱10,843,215,811 is recognized as "Intangible Asset".

3. As a result of the POSC Acquisition and its accounting treatment under the equity method, the Company's pro forma consolidated statement of financial position reflects POSC's value at cost plus any post-acquisition changes in the Company's share of POSC's net assets, less any impairment in value.

4. On July 22, 2014, Belle and Sinophil executed 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 (the **Preferred Share Redemption**). The transaction was reflected in the pro forma consolidated statement of financial position as a reduction to "Available-for-sale financial assets" and addition to "Cash in bank" for the receipt of proceeds. Moreover, in line with the decision of the Board of Directors and the Stockholders to take on the gaming business of the Belle group, Sinophil was authorized to sell to Belle its non-gaming related assets consisting of (a) parcels of land located in Tagaytay Midlands Complex and Paranaque, and (b) membership shares in the Tagaytay Midlands Golf Club for a total consideration of ₱521,371,434 (the **Non-Gaming Assets Sale**). As a result of the Preferred Share Redemption and the Non-Gaming Assets Sale, the following pro forma adjustments were made to the Company's pro forma consolidated statement of financial position for the year ended December 31, 2013: (a) adjustment to cash in bank to reflect the proceeds from the sale totaling ₱521,371,434, (b) adjustments to derecognize the carrying value of the related assets resulting in reduction in other assets amounting to ₱65,501,280, available-for-sale financial assets amounting to ₱96,940,000 and investment properties amounting to ₱108,700,000, and (c) adjustment to reflect settlement of related outstanding liabilities to Belle amounting to ₱73,361,434 that was incurred when the Company acquired certain non-gaming assets from Belle on the prior year.

5. The following other pro form adjustments have been to reflect other significant transactions critical to the corporate restructuring:
   - Payment by Belle of the remaining unpaid subscription for 3,579 million shares from its original investment amounting to ₱3,611,455,611;
   - Payments to Parallax Resources, Inc. and SLW Development Corp. totaling ₱238,423,640 and ₱102,290,200, respectively, as a consideration for the cancellation of Sinophil common shares in light of the SEC approval of Sinophil's decrease in authorized capital stock; and
   - Settlement of remaining liability to Belle amounting to ₱105,650,145.

Pro-Forma Consolidated Statement of Cash Flows
For the six months ended June 30, 2014

	Sinophil Corporation Consolidated (Unaudited)	Pro Forma Adjustments (Unaudited): Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	Pro forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES							
Income (loss) before income tax	₱1,159,044,005	₱–	(₱1,347,795)	₱92,459,435	₱–	₱–	₱1,250,155,645
Adjustments for:							
Reversal of impairment loss on AFS financial asset - net	(1,559,847,304)	–	–	–	–	–	(1,559,847,304)
Share in cumulative translation adjustments of AFS financial asset	58,318,988	–	–	–	–	–	58,318,988
Equity in net earnings of an associate	–	–	–	(92,459,435)	–	–	(92,459,435)
Dividend income	(1,999,754)	–	–	–	–	–	(1,999,754)
Depreciation	–	–	207,433	–	–	–	207,433
Provision for probable loss on input VAT	193,515	–	–	–	–	–	193,515
Interest income from cash in bank	(496)	–	(9,738)	–	–	–	(10,234)
Working capital adjustments:							
Decrease in receivables and others	3,099,390	–	5,646,678	–	–	–	8,746,068
Increase (decrease) in accrued expenses and other current liabilities	341,008,132	–	2,815,514	–	–	(340,713,840)	3,109,806
Dividend received	1,999,754	–	–	–	–	–	1,999,754
Income taxes paid	–	–	(1,297,487)	–	–	–	(1,297,487)
Interest received	496	–	9,738	–	–	–	10,234
Net cash provided by (used in) operating activities	1,816,726	–	6,024,343	–	–	(340,713,840)	(332,872,771)
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of a subsidiary and an associate	–	–	(10,846,106,797)	(1,525,034,295)	–	–	(12,371,141,092)
Payment of advances	–	–	–	–	(73,361,434)	(103,419,555)	(176,780,989)
Proceeds from redemption of preferred shares by Belle	–	–	–	–	1,000,000,000	–	1,000,000,000
Proceeds from sale of available for sale financial assets and nongaming assets	–	–	–	–	521,371,434	–	521,371,434
Net cash provided by (used in) investing activities	–	–	(10,846,106,797)	(1,525,034,295)	1,448,010,000	(103,419,555)	(11,026,550,647)
CASH FLOW FROM A FINANCING ACTIVITY							
Collection of subscription	840,000	9,114,300,000	–	–	–	3,611,455,611	12,726,595,611
NET INCREASE (DECREASE) IN CASH IN BANK	2,656,726	9,114,300,000	(10,840,082,454)	(1,525,034,295)	1,448,010,000	3,167,322,216	1,367,172,193
CASH IN BANK AT BEGINNING OF PERIOD	925,039	–	–	–	–	–	925,039
CASH IN BANK AT END OF PERIOD	₱3,581,765	₱9,114,300,000	(₱10,840,082,454)	(₱1,525,034,295)	1,448,010,000	₱3,167,322,216	₱1,368,097,232

Notes:

(1) Payments by Belle as a result of the Belle Subscription are reflected in the Company's pro forma consolidated statements of cash flows for the six months ended June 30, 2014.

(2) The Company's pro forma consolidated statement of cash flows for the six months ended June 30, 2014 reflects changes to cash in bank as a result of the PLAI Acquisition and the consolidation of PLAI.

(3) The consideration paid by the Company for the POSC Acquisition is reflected in the Company's pro forma consolidated statement of cash flows for the six months ended June 30, 2014.

(4) The proceeds from the Preferred Share Redemption and the Non-Gaming Assets Sale are reflected in the Company's pro forma consolidated statement of cash flows for the six months ended June 30, 2014.

(5) To reflect the Additional Pro Forma Adjustments in the Company's pro forma consolidated statement of cash flows for the six months ended June 30, 2014, the following pro forma adjustments were made: (a) consideration paid to Parallax Resources, Inc. and SLW Development Corporation amounting to ₱238,423,640 and ₱102,290,200, respectively, for cancellation of the Company's common shares in light of the Philippine SEC's approval of the Company's decrease in authorized capital stock, (b) payment by Belle of the remaining unpaid subscription for 3,579 million shares from its original investment amounting to ₱3,611,455,611, and (c) settlement of other related party balances resulting in reduction in cash in bank totaling ₱103,419,555..

Pro-Forma Consolidated Statements of Total Comprehensive Income
For the year ended December 31, 2013

		Pro Forma Adjustments (Unaudited)						
	Sinophil Corporation Consolidated (Unaudited)	Quasi-reorganization	Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	Pro forma Balances (Unaudited)
INCOME								
Equity in net earnings of an associate	₱–	₱–	₱–	₱–	₱112,142,671	₱–	₱–	₱112,142,671
Management fee	–	–	–	8,000,000	–	–	–	8,000,000
Interest income from cash in bank	1,043	–	–	2,618	–	–	–	3,661
	1,043	–	–	8,002,618	112,142,671	–	–	120,146,332
GENERAL AND ADMINISTRATIVE EXPENSES	(8,735,710)	–	–	(3,958,965)	–	–	–	(12,694,675)
INCOME (LOSS) BEFORE INCOME TAX	(8,734,667)	–	–	4,043,653	112,142,671	–	–	107,451,657
PROVISION FOR CURRENT INCOME TAX	–	–	–	1,457,487	–	–	–	1,457,487
NET INCOME (LOSS)	(8,734,667)	–	–	2,586,166	112,142,671	–	–	105,994,170
OTHER COMPREHENSIVE LOSS								
Mark-to-market losses on available-for-sale financial assets during the year	(20,800,737)	–	–	–	–	–	–	(20,800,737)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(₱29,535,404)	₱–	₱–	₱2,586,166	₱112,142,671	₱–	₱–	₱85,193,433

Notes:

(1) Consolidation of PLAI's net income of P2,586,166 as a result of acquisition of 100% ownership interest; and

(2) Recognition of equity in net earnings of POSC proportionate to 34.5% ownership interest acquired amounting to P112,142,671.

Pro-Forma Consolidated Statement of Financial Position
For the year ended December 31, 2013

		Pro Forma Adjustments (Unaudited)						
	Sinophil Corporation Consolidated (Unaudited)	Quasi-reorganization)	Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	Pro forma Balances (Unaudited
ASSETS								
Current Assets								
Cash in bank	₱925,039	₱–	₱9,114,300,000	(₱10,840,082,454)	(₱1,525,034,295)	₱1,448,010,000	₱3,167,252,775	₱1,365,371,06
Receivables and others	26,201,799	–	–	–	–	–	(2,161,149)	24,040,65
Other asset	65,501,280	–	–	19,059	–	(65,501,280)	–	19,05
Total Current Assets	92,628,118	–	9,114,300,000	(10,840,063,395)	(1,525,034,295)	1,382,508,720	3,165,091,626	1,389,430,77
Noncurrent Assets								
Investment in an associate	–	–	–	–	1,525,034,295	–	–	1,525,034,29
Available-for-sale financial assets	1,580,820,800	–	–	–	–	(1,088,040,000)	–	492,780,80
Intangible asset	–	–	–	10,843,215,811	–	–	–	10,843,215,81
Investment properties	394,210,452	–	–	–	–	(108,700,000)	–	285,510,45
Property and equipment	–	–	–	519,688	–	–	–	519,68
Deferred tax asset	–	–	–	305,286	–	–	–	305,28
Total Noncurrent assets	1,975,031,252	–	–	10,844,040,785	1,525,034,295	(1,196,740,000)	–	13,147,366,33
Balance at December 31, 2013	₱2,067,659,370	₱–	₱9,114,300,000	₱3,977,390	₱–	₱185,768,720	₱3,165,091,626	₱14,536,797,10
LIABILITIES AND EQUITY								
Current Liabilities								
Accrued expenses and other current liabilities	₱53,321,503	₱–	₱–	₱230,160	₱–	₱–	₱–	₱53,551,66
Income tax payable	–	–	–	3,747,230	–	–	–	3,747,23
Total Current Liabilities	53,321,503	–	–	3,977,390	–	–	–	57,298,89
Noncurrent Liability								
Due to Belle Corporation	179,011,579	–	–	–	–	(73,361,434)	(105,650,145)	-
Capital stock	₱7,927,310,000	(₱5,195,482,500)	₱6,175,000,000	₱–	₱–	₱–	(₱1,000,000,000)	₱7,906,827,50
Additional paid-in capital	2,039,727,799	2,581,009,489	2,939,300,000	–	–	–	(559,847,304)	7,000,189,98
Subscription receivable	(4,962,580,586)	–	–	–	–	–	3,611,455,611	(1,351,124,97
Cost of Parent Company shares held by a subsidiary	(512,594,197)	–	–	–	–	–	–	(512,594,19
Other reserves	315,951,765	–	–	–	–	26,400,000	58,318,988	400,670,75
Retained earnings (Deficit)	(2,972,488,493)	2,614,473,011	–	–	–	232,730,154	1,160,814,476	1,035,529,14
Net Equity	1,835,326,288	–	9,114,300,000	–	–	259,130,154	3,270,741,771	14,479,498,21
Balance at December 31, 2013	₱2,067,659,370	₱–	₱9,114,300,000	₱3,977,390	₱–	₱185,768,720	₱3,165,091,626	₱14,536,797,10

Notes:

1. On May 29, 2014, the Philippine SEC approved the Company's application for equity restructuring in which the Company decreased its capital stock through a reduction in par value for the purpose of reducing its deficit on retained earnings in order to be eligible to declare dividends to shareholders (the **Equity Restructuring**). To reflect the Equity Restructuring, the following pro forma adjustments were made to the Company's pro forma consolidated statement of financial position for the year ended December 31, 2013: (a) decrease in capital stock through reduction in par value per share from ₱16,130,000,000 divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.00 per share to ₱4,032,500,000 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, and (b) application of the resulting additional paid-in capital amounting to ₱2,614,473,011 to partially wipe out the Company's deficit as of December 31, 2013.

2. The Belle Subscription, along with the 2014 Amendments, are reflected in the Company's pro forma consolidated statement of financial position for the year ended December 31, 2013 as cash in bank, capital stock and additional paid-in capital.

3. On July 22, 2014, Belle and Sinophil executed a Deed of Sale of Shares for the sale of 100% ownership interest in PLAI by Belle to Sinophil for a consideration of ₱10,847,820,000.

   Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of PLAI represents a business and shall be accounted for using the acquisition method. The cost of the acquisition is allocated to the assets acquired and liabilities assumed based upon their relative provisional fair values pending completion of valuation of intangible asset and determination of any goodwill arising from the acquisition as of report date.

The purchase price consideration had been allocated to the identifiable assets and liabilities of PLAI on the basis of provisional fair values pending completion of valuation of intangible asset arising from the acquisition.

Intangible asset pertains to the "License" of PLAI, a grantee by the PAGCOR of a license to operate integrated resorts, including casinos. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033.

The following pro forma adjustments have been made to reflect the consolidation of PLAI:

- Adjustment to record the investment in PLAI for a consideration of ₱10,847,820,000; and
- Adjustment to consolidate all assets and liabilities of PLAI with a net book value of ₱4,604,189. The difference between the acquisition cost and book value of PLAI's net assets amounting to ₱ 10,842,820,000 is recognized as "Intangible Asset"

4. As a result of the POSC Acquisition and its accounting treatment under the equity method, the Company's pro forma consolidated statement of financial position reflects POSC's value at cost plus any post-acquisition changes in the Company's share of POSC's net assets, less any impairment in value.

5. On July 22, 2014, Belle and Sinophil executed 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 (the **Preferred Share Redemption**). The transaction was reflected in the pro forma consolidated statement of financial position as a reduction to "Available-for-sale financial assets" and addition to "Cash in bank" for the receipt of proceeds. Moreover, in line with the decision of the Board of Directors and the Stockholders to take on the gaming business of the Belle group, Sinophil was authorized to sell to Belle its non-gaming related assets consisting of (a) parcels of land located in Tagaytay Midlands Complex and Paranaque, and (b) membership shares in the Tagaytay Midlands Golf Club for a total consideration of ₱521,371,434 (the **Non-Gaming Assets Sale**). As a result of the Preferred Share Redemption and the Non-Gaming Assets Sale, the following pro forma adjustments were made to the Company's pro forma consolidated statement of financial position for the year ended December 31, 2013: (a) adjustment to cash in bank to reflect the proceeds from the sale totaling ₱521,371,434, (b) adjustments to derecognize the carrying value of the related assets resulting in reduction in other assets amounting to ₱65,501,280, available-for-sale financial assets amounting to ₱88,040,000 and investment properties amounting to ₱108,700,000, and (c) adjustment to reflect settlement of related outstanding liabilities to Belle amounting to ₱73,361,434 that was incurred when the Company acquired certain non-gaming assets from Belle on the prior year.

6. To reflect the Additional Pro Forma Adjustments in the Company's pro forma consolidated statement of financial position as of December 31, 2013, the following pro forma adjustments were made:
   - Payment by Belle of the remaining unpaid subscription for 3,579 million shares from its original investment amounting to ₱3,611,455,611;
   - Payments to Parallax Resources, Inc. and SLW Development Corp. amounting to ₱238,423,640 and ₱102,290,200, respectively, as compensation for the cancellation of Sinophil common shares in light of the SEC approval of Sinophil's decrease in authorized capital stock;
   - Reversal of impairment loss recognized in prior year of ₱1,559,847,304 to reinstate the value of remaining investment in Legend International Resort H.K. Limited (LIR-HK) to effect the full unwinding of the Swap Agreement with Paxell Limited and Metroplex Berhad (collectively referred to as "Metroplex") in relation to the cancellation of the delisted 1,000,000,000 common shares. The full unwinding of the Swap Agreement resulted in reduction in "Available for sale financial assets" by ₱1,559,847,304, "Capital stock" by ₱1,000,000,000 and "APIC" by ₱559,847,304. Adjustment to "Other reserves" amounting to ₱58,318,988 was made attributable to the share in the cumulative translation loss related to its investment in LIR-HK;
   - Recognition of receivable from Metroplex for the amount compensated to Parallax Resources, Inc. (Parallax) and SLW Development Corporation (SLW) amounting to ₱238,423,640 and ₱102,290,200, respectively, to implement the cancellation of the remaining 1,000,000,000 shares as ordered by the SEC in 2009 pursuant to the Memorandum of Agreement rescinding the Swap Agreement between Sinophil and Metroplex, cancelling all obligations and reversing all transactions stated therein. The aforementioned compensation to Parallax and SLW is effectively the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the remaining 1,000,000,000 shares. However, a corresponding allowance for same amount was recognized as there is no certainty that they will be able to collect such amount from Metroplex in the very near future; and
   - Settlement of remaining liability to Belle amounting to ₱105,650,145.

Pro-Forma Consolidated Statement of Cash Flows
For the year ended December 31, 2013

	Sinophil Corporation Consolidated (Unaudited)	Pro Forma Adjustments (Unaudited)						Pro forma Balances (Unaudited)
		Quasi-reorganization	Increase in Capital Stock	Acquisition of interest in a Subsidiary	Acquisition of interest in an Associate	Redemption of Preferred Shares and Sale of Nongaming Assets	Other Pro Forma Adjustments	
CASH FLOWS FROM OPERATING ACTIVITIES								
Income (loss) before income tax	(₱8,734,667)	₱–	₱–	₱4,043,653	₱112,142,671	₱–	₱–	₱107,451,657
Adjustments for:								
Provision for (reversal of) impairment of available-for-sale financial assets	256,937	–	–	–	–	–	–	256,937
Equity in net earnings of an associate	–	–	–	–	(112,142,671)	–	–	(112,142,671)
Depreciation	–	–	–	414,866	–	–	–	414,866
Interest income from cash in bank	(1,043)	–	–	(2,618)	–	–	–	(3,661)
Working capital adjustments:								
Decrease in receivables and others	11,438,141	–	–	5,070,048	–	–	–	16,508,189
Decrease in other assets	–	–	–	3,510	–	–	–	3,510
Decrease in accrued expenses and other current liabilities	(45,567)	–	–	(1,734,844)	–	–	(444,202,836)	(445,983,247)
Income taxes paid	(2,854,689)	–	–	(576,122)	–	–	–	(3,430,811)
Interest received	1,043	–	–	2,618	–	–	–	3,661
Net cash provided by (used in) operating activities	60,155	–	–	7,221,111	–	–	(444,202,836)	(436,921,570)
CASH FLOWS FROM INVESTING ACTIVITIES								
Acquisition of a subsidiary and an associate	–	–	–	(10,847,303,565)	(1,525,034,295)	–	–	(12,372,337,860)
Proceeds from redemption of preferred shares by Belle	–	–	–	–	–	1,000,000,000	–	1,000,000,000
Proceeds from sale of available for sale financial assets and nongaming assets	–	–	–	–	–	521,371,434	–	521,371,434
Payments of advances	–	–	–	–	–	(73,361,434)	–	(73,361,434)
Net cash provided by (used in) investing activities	–	–	–	(10,847,303,565)	(1,525,034,295)	1,448,010,000	–	(10,924,327,860)
CASH FLOW FROM A FINANCING ACTIVITY								
Collection of subscription	75,000	–	9,114,300,000	–	–	–	3,611,455,611	12,725,830,611
NET INCREASE (DECREASE) IN CASH IN BANK	135,155	–	9,114,300,000	(10,840,303,565)	(1,525,034,295)	1,448,010,000	3,167,252,775	1,364,581,181
CASH IN BANK AT BEGINNING OF YEAR	789,884	–	–	–	–	–	–	789,884
CASH IN BANK AT END OF YEAR	₱925,039	₱–	₱9,114,300,000	(₱10,840,082,454)	(₱1,525,034,295)	₱1,448,010,000	₱3,167,252,775	₱1,365,371,065

Notes:

(1) Payments by Belle as a result of the Belle Subscription are reflected in the Company's pro forma consolidated statements of cash flows for the year ended December 31, 2013.

(2) The Company's pro forma consolidated statement of cash flows for the year ended December 31, 2013 reflects changes to cash in bank as a result of the PLAI Acquisition and the consolidation of PLAI.

(3) The consideration paid by the Company for the POSC Acquisition is reflected in the Company's pro forma consolidated statement of cash flows for the year ended December 31, 2013.

(4) The proceeds from the Preferred Share Redemption and the Non-Gaming Assets Sale are reflected in the Company's pro forma consolidated statement of cash flows for the year ended December 31, 2013.

(5) To reflect the Additional Pro Forma Adjustments in the Company's pro forma consolidated statement of cash flows for the year ended December 31, 2013, the following pro forma adjustments were made: (a) consideration paid to Parallax Resources, Inc. and SLW Development Corporation amounting to ₱238,423,640 and ₱102,290,200, respectively, for cancellation of the Company's common shares in light of the Philippine SEC's approval of the Company's decrease in authorized capital stock, (b) payment by Belle of the remaining unpaid subscription for 3,579 million shares from its original investment amounting to ₱3,611,455,611, and (c) settlement of other related party balances resulting in reduction in cash in bank totaling ₱171,185,996.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

The Company expects that its results of operations will be affected by a variety of factors. Set out below is a discussion of the most significant factors that the Company expects may affect its results in future periods after the Project commences operations, as well as factors that have affected the results of POSC in the past. Factors other than those set forth below could also have significant impact on the Company's results of operations and financial condition in the future.

Completion and operation of the Project

The Company's results of operations will be affected by the ability of Melco to complete fit-out of the Project and open the Project on time, as well as by the operations of the Project upon its completion and opening. While Company believes that Melco's fit-out of the Project is substantially complete, PAGCOR will not issue a permit to commence operations at the Project until it is satisfied that U.S.$650 million of the aggregate U.S.$1.0 billion investment requirement in the Project has been complied with. Until the Project is completed and begins operations, the only revenue source for the Company will continue to be from its share in POSC.

Upon commencement of operations, the Company believes that the Project's gaming revenues and the payments to be made to the Company under the Operating Agreement will be affected by a number of factors, including the following:

- *Melco's management of the Project.* The Company believes that its results will be affected by the ability of Melco to maximize gaming revenues through its management of the Project and its operations. Such management functions will include, among others, decisions with respect to the number and mix of table games and slot machines (including VIP and mass market games), the proper use of gaming promoters to increase visitation to the Project, including leveraging the customer database of Melco's ultimate parent Melco Crown Entertainment, and access to financing when required to fund ongoing working capital requirements at the Project or to fund any potential expansion of the Project in the future.

- *Growth of the Philippines and its gaming and tourism markets, as well as the state of other Asian economies*. The Company believes that visitation to the Project, and therefore the Company's results of operations, will be highly dependent on the state of the Philippine economy and the economies of other Asian countries, particularly China, Korea and Japan. In particular, the Company expects the Project's gaming revenues to be dependent upon the continued increase in disposable income levels across the Philippines and other Asian countries. Moreover, visitation to the Project will be impacted by continued improvements in Manila's tourism infrastructure, including at NAIA and the roadways leading from NAIA and other parts of Metro Manila to Entertainment City.

- *Competition in the Philippine and international gaming industry*. The Company expects that the Project's gaming revenues will be impacted by competition with other gaming operations within Entertainment City and elsewhere. In particular, the Project will compete with Bloomberry's Solaire Manila, which is already operating in Entertainment City, as well as Resorts World Manila in nearby Newport City. Moreover, certain projects may be affiliated with or collaborate with experienced international gaming companies which are better able to leverage their expertise to draw visitors away from the Project. To a certain extent, the Company also expects the Project to compete with PAGCOR-operated casinos in Metro Manila and other PAGCOR-licensed gaming operators across the Philippines, as well as more established gaming destinations such as Macau.

- *Regulatory developments, including the tax and incentives regime, in the Philippine gaming and integrated tourism resort industry*. The Company believes that the Philippine gaming industry is highly regulated and any regulatory developments may impact the Project's gaming revenues. In particular, Melco's right to operate the Project is dependent upon the Provisional License, any other regulations imposed by PAGCOR or other authorities in the Philippines, and any Government or relevant regulator policies concerning the gaming industry in the Philippines, all of which are subject to change beyond the control of Melco and the Company. Moreover, the Company believes the Project's gaming revenues will be impacted by the prevailing tax and license fee regime applicable to gaming operations and any changes to such regime. Under the terms of the Provisional License, PAGCOR has imposed a license fee in lieu of all corporate income tax on gaming revenues. In response to the BIR Circular which states that PAGCOR licensees are subject to corporate income tax, PAGCOR has temporarily reduced license fees by 10 percentage points while the BIR Circular remains in effect. The Company believes these regulatory regimes and any further changes to such regulations will impact the Project's gaming revenues.

Relationship with Melco and Melco Crown Entertainment

As the Company is dependent upon Melco for the fit-out and operation of the Project, the Company expects that its results of operations will depend upon its relationship with Melco and its ultimate parent Melco Crown Entertainment. Prior to the issuance by PAGCOR of a permit to commence operations at the Project, Melco must complete fit-out of the Project to meet its share of the minimum U.S.$1.0 billion investment required under the terms of the Provisional License. Without completion of such fit-out and minimum contribution, PAGCOR will not allow the Project to begin operations. Moreover, the Company is reliant upon Melco (through MCE Leisure) to operate the Project, and the Company and PLAI have no contractual right to influence such operations other than some oversight measures such as periodic review and audit of the Project's gaming results. As a result of Melco's ongoing fit-out of the Project, the Company's arm's length relationship with Melco and limited influence over the Project's operations, the Company believes that maintaining a good working relationship with Melco will be an important factor in assuring that Melco completes its share of the investment requirement under the Provisional License and that gaming revenues are maximized once the Project begins operations. Moreover, the Company believes its relationship with Melco is important in avoiding disputes which could disrupt operations at the Project or lead to termination of the Cooperation Agreement and Operating Agreement. While such agreements may be terminated according to their terms and the Philippine Parties may seek to replace MCE Leisure as operator of the Project, such action could mean suspension of the Project's operation for a significant period of time and adversely impact the Company's results of operation.

The Company expects its results will be further affected by its relationship with Melco Crown Entertainment, the ultimate parent of Melco. The Company believes that Melco Crown Entertainment's involvement in the Project is integral to the success of the Project, particularly with respect to Melco Crown Entertainment's business experience, client relationships and marketing acumen in the region. Any deterioration in the relationship between the Company or any other members of the SM Group and Melco Crown Entertainment or Melco, or between Melco Crown Entertainment and Melco, could lead to a loss of support for the Project by Melco Crown Entertainment, adversely affecting the Company's results of operations.

Operations of POSC

Until the Project is completed and begins operations, the Company primarily derives its income from its 34.5% equity interest in POSC. POSC generates revenues based on its agreements with PCSO to provide online lottery technology, scratch ticket services and technical support in return for a fixed percentage of PCSO's gross lottery and scratch ticket sales. A summary of POSC's operating results for the periods and as of the dates indicated is set out below:

	For the year ended/As of December 31, 2013	For the six months ended/As of June 30, 2014	
	₱	₱	U.S.$[1]
		(millions)	
Operating Revenues	1,677.9	838.9	19.2
Other Revenues	17.7	134.5	3.1
Gross Revenues	1,695.6	973.4	22.2
Net Income	325.1	268.0	6.1
Total Assets	2,067.6	2,596.6	59.3
Total Liabilities	621.4	783.4	17.9

Note:

(1) The translations from pesos to U.S. dollars have been made for information purposes only on the basis of the BSP Rate on June 30, 2014 of ₱43.78 = U.S.$1.00.

POSC's revenues are dependent upon PCSO's ability to maximize sales in the VisMin region where it operates, as well as the renewal of an Equipment Lease Agreement (the **ELA**) and a Maintenance Repair Agreement (the **MRA**) between POSC and PCSO, both of which are currently scheduled to terminate on July 31, 2015 unless further renewed. POSC's revenues are therefore also dependent upon a number of factors, including the overall strength of the Philippine economy and levels of disposable income, its ability to anticipate and adapt to changing consumer trends in the Philippine lottery and gaming industry, and competition from other developers and service providers in the Philippine gaming industry. The Company expects that all of these factors will impact the value of POSC's shares and any dividends paid on such shares, and therefore the Company's results of operations.

DESCRIPTION OF SELECTED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

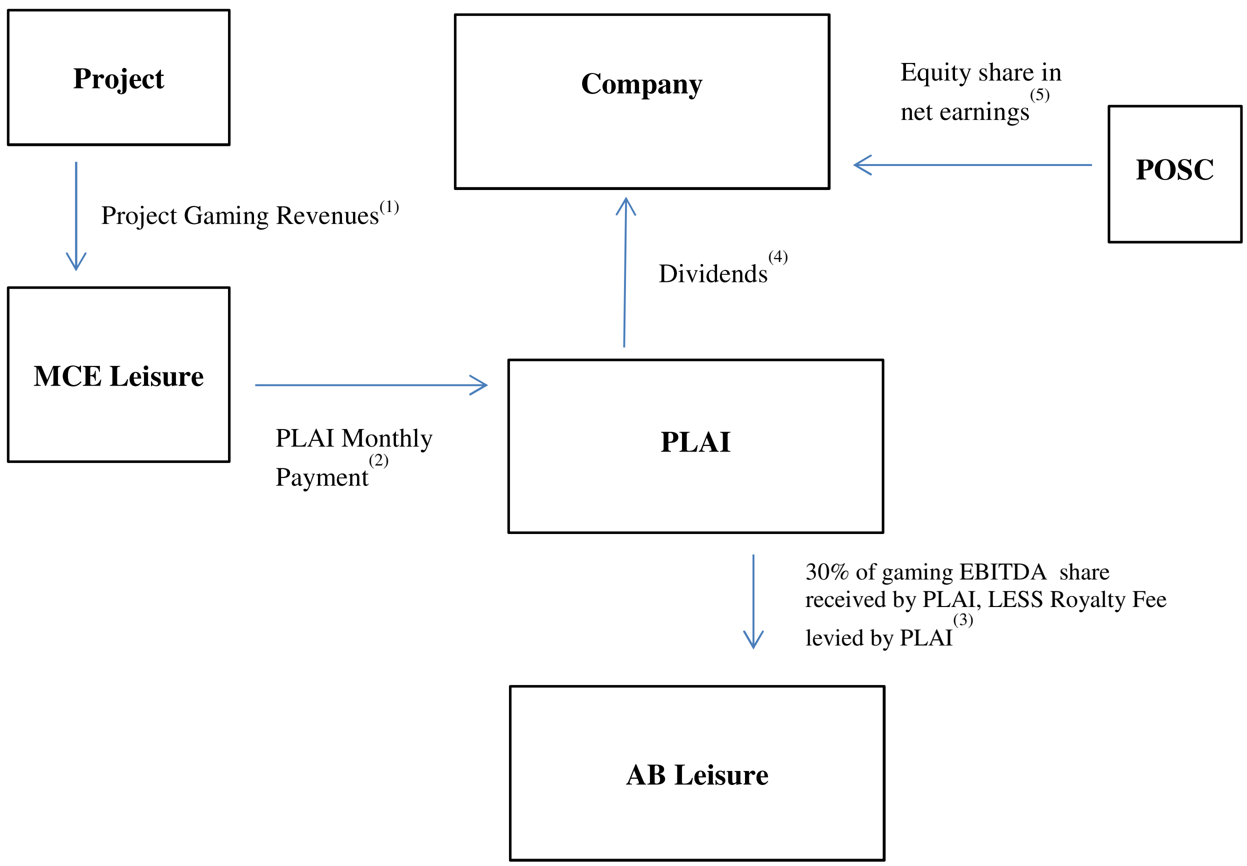
Income

The Company expects to derive the majority of its revenue from payments owed by Melco based on the gaming EBITDA of the Project. The Company also expects to derive some revenue from management fees received by PLAI and from interest income on cash held in the Company's bank accounts. The

Company's equity interest in POSC is not considered part of the Company's revenue but is considered in calculating the Company's net income.

Payments from Melco

Upon commencement of the Project's operations, the Company (through PLAI) has a contractual right under the Operating Agreement to receive a share of the Project's gaming EBITDA from Melco, from which PLAI will pay to AB Leisure the latter's share in the payments received by PLAI. The Company (through PLAI) will not receive any such payment under the Operating Agreement until the Project commences operations. Once operations begin, such payment will vary based on the performance of the Project's casino operations. A summary flow of the expected payments to PLAI and the Company from the operations of the Project is set out below:



Notes:

(1) MCE Leisure receives gaming revenues of the Project .

*(2) PLAI receives the monthly payment owed by MCE Leisure under the terms of the Operating Agreement, after deduction of certain management and incentive fees payable to MCE Leisure (the **PLAI Monthly Payment**).*

(3) PLAI pays AB Leisure a fee equivalent to 30% of: the gaming EBITDA share received by PLAI from MCE Leisure, LESS a royalty fee levied by PLAI (calculated as a graduated percentage ranging from 5-10% of the Project's gross gaming revenues).

(4) PLAI pays gaming EBITDA received from MCE Leisure (net of payments to Belle and AB Leisure, as set out in (3), and net of income tax) as dividends to the Company.

(5) The Company also receives an equity share in the net earnings of POSC, its 34.5%-owned associate.

Management fee

The Company's pro forma condensed consolidated financial information reflects a management fee received by PLAI for technical advisory support services provided to Belle.

Interest income from cash in bank

The Company generates interest income on cash held in its bank accounts.

General and administrative expenses

The Company's general and administrative expenses include professional fees, salaries and wages, taxes and license fees, insurance, marketing and other administrative expenses.

Equity in net earnings of an associate

Equity in net earnings of an associate refers to the Company's share in the net income of POSC, its 34.5% owned associate. Such equity is considered in calculating the Company's net income and will vary based on the performance of POSC, which is subject to a number of factors. For the year ended December 31, 2013 and the six months ended June 30, 2014, the Company share in POSC's net earnings amounted to ₱112.1 million and ₱92.5 million, respectively.

DEBT OBLIGATIONS AND FACILITIES

As of June 30, 2014, the Company did not have any short-term or long-term debt obligations.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2014, the Company did not have any off-balance sheet arrangements.

MATERIAL CONTRACTS

In October 2012 and March 2013, the Company's subsidiary PLAI (along with Belle and the other Philippine Parties) entered into a series of agreements with Melco and the other MCE Parties to develop and operate the Project, including the Operating Agreement, Cooperation Agreement, Lease Agreement and Closing Arrangement Agreement. Concurrently, pursuant to a Termination and Release Agreement, the Philippine Parties terminated their agreements with LRWC and AB Leisure, which had previously agreed to develop the Project. AB Leisure agreed under the terms of the Termination and Release Agreement to serve as an advisor to the Project, in exchange for a share in the payments owed to PLAI under the terms of the Operating Agreement.

Termination and Release Agreement

On March 13, 2013, Belle, PLAI, AB Leisure and LRWC entered into the Termination and Release Agreement.

Term

The Termination and Release Agreement commenced on March 13, 2013 and ends on the date of the expiry of the Provisional License or the regular license (as that license is extended, restored or renewed).

Termination of the AB Leisure Agreements

Parties to the Termination and Release Agreement agreed to terminate the operating agreement between AB Leisure and PLAI, the Memorandum of Agreement and the supplements thereto between AB Leisure and PLAI, the lease agreement between AB Leisure and PLAI, and the lease agreement between AB Leisure, Belle and LRWC (collectively, the **AB Leisure Agreements**).

AB Leisure Provision for Advisory Services

AB Leisure agreed on the date of the Termination and Release Agreement that it would cease to have any rights, benefits and interests as operator of the Project. In lieu thereof, AB Leisure agreed to act in an advisory capacity to the Philippine Parties subject to certain limitations. For the advisory services rendered, AB Leisure will be paid a fee equivalent to a share of the gaming EBITDA that PLAI expects to receive from MCE Leisure, computed as 30% of payments received by PLAI in respect of its share of the Project's gaming EBITDA, less a royalty (the PLAI Royalty) to PLAI ranging from 5% to 10% of the Project's gross gaming revenues.

Computation and settlement of AB Leisure's fee from PLAI and the PLAI Royalty under the Termination and Release Agreement shall be made on a monthly basis within five days from the date PLAI receives its share of the Project's gaming EBITDA, as set forth under the Operating Agreement. AB Leisure shall not be liable for the PLAI Royalty in the event that PLAI's share of the Project's gaming EBITDA under the Operating Agreement is equal to or less than the PLAI Royalty sought to be collected under the Termination and Release Agreement.

Waiver and Discharge

Each of AB Leisure and LRWC absolutely and irrevocably waived, released and discharged the MCE Parties and the Philippine Parties and their affiliates, subsidiaries, partners, equity holders, successors from any and all claims, charges, liens, demands, causes of action, obligations, damages and liabilities arising from the AB Leisure Agreements and the subject matter of such agreements.

Termination

Belle and PLAI on the one hand, and AB Leisure and LRWC on the other hand, may terminate the Termination and Release Agreement upon breach by the other party of a material provision in the agreement.

Governing Law

The Termination and Release Agreement is governed by Philippine law.

EXECUTIVE COMPENSATION

The Company expects to pay aggregate remuneration of approximately U.S.$82,841.01 to all senior executives of the Company as a group during the current fiscal year, including the President, Chief Operating Officer, and Chief Financial Officer/Comptroller.

There have not been and currently are no standard arrangements pursuant to which Directors are compensated, directly or indirectly, for any services provided as a Director**.** A per diem allowance of ₱10,000 is provided to non-independent Directors and ₱50,0000 is provided to Independent Directors.

There is no compensatory plan or arrangement with respect to any of the Company's executive officers that will result from the resignation, retirement or termination of such executive officer or from a change of control in the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., 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, the incumbent Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review was filed by the Complainant before the Department of Justice (DOJ). The petition remains unresolved to date.

Except as provided above, none of the Company's Board members or executive officers was the subject of any criminal, bankruptcy or insolvency investigations or proceedings during the past five years.