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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	PREMIUM LEISURE CORP.
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

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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, 2014**

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: **5th 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: **Sinophil Corporation**

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[1] 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 amounted to ₱185,480,975.

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, only 6,768,849,995 shares are listed on the PSE. With the exception of shares initially offered to the public in August 1995, only

[1] New par value of ₱0.25 was implemented in the Philippine Stock Exchange on May 29, 2014.

fully paid shares were allowed to be listed in the PSE under PSE Circular No. 562 dated November 27, 1995.

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: ₱10,929,960,666 Aggregate market value was computed by multiplying voting stock held by non-affiliates with the stock's closing price of ₱1.63 per share on February 27, 2015.

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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.

On July 24, 2014, the transfers of the above assets were completed.

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.

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 10,130,000,000,000 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

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 "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". PLAI's License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033 unless renewed 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 Arrangement 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:

<u>Fees payable to PLAI</u>

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 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), 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.

Moreover, following amendments to PAGCOR's regulations, the City of Dreams Manila is anticipated to be able to operate the following:

Parameters	Previous Allotment	Current Allotment
Number of mass & VIP tables	242	365
Number of slot machines	1,450	1,680
Number of electronic table games	-	1,680

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. 34.5% Equity investment 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 primarily, leases online betting equipment to the Philippine Charity Sweepstakes Office (PCSO) for their lottery operations and has been consistently profitable since its fiscal year 2002.

3. 3.75% equity in Metro Manila Turf Club, Inc. ("MMTC")

   MMTC has a congressional franchise for horse racing, which was granted in 1995.

4. Foundation Capital Resources, Inc. ("FCRI") – 100% subsidiary

   FCRI was registered with the SEC on February 8, 1994 primarily to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, securities and other investments as may be permitted by law. It is presently still inactive.

5. Sinophil Leisure and Resorts Corporation ("SLRC") – 100% subsidiary

   SLRC was registered with the SEC on December 27, 2007 primarily to conduct, maintain, operate and/or invest in amusement, entertainment and recreation businesses, including games of chance and skills, which may be allowed by law within the territorial jurisdiction of the Philippines. It is presently still inactive.

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, unless renewed 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 own a total of 34.5% of outstanding shares of Pacific Online, which is a publicly listed company.

Competition

PLC, which derives majority of its revenue from 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.

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

Not Applicable.

Customers

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. The Company has no existing sales contracts.

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.

The Company has no principal terms and expiration dates of patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held.

Effect of existing or probable governmental regulations on the business.

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

Financial Performance

The Company derives its revenues primarily from investment activities, as follows:

Year ended December 31	2014	2013
Interest income from banks	**6,465,350**	1,043
Dividend income	**1,999,754**	-
Gaming revenue share	**38,809,095**	
Gain on sale of properties	**149,170,154**	-
Equity in net earnings of an associate	**31,521,474**	-
Total	**227,965,827**	1,043

Item 2. Properties

The Company and its subsidiaries have real estate property recorded as an investment property. This property is not subject to mortgage, lien and encumbrances. Please refer to Note 13 of Notes to Financial Statements.

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

	HIGH	LOW
2014		
First Quarter	0.330	0.275
Second Quarter	1.650	0.315
Third Quarter	1.970	1.360
Fourth Quarter	2.250	1.580
2013		
First Quarter	0.500	0.310
Second Quarter	0.420	0.290
Third Quarter	0.320	0.280
Fourth Quarter	0.300	0.260

As of December 31, 2014, PLC's market capitalization on 6,768,849,995 shares listed in the PSE amounted to ₱14,417,650,489 based on the closing price of ₱2.13 per share.

SECURITY HOLDERS

The number of shareholders of record as of December 31, 2014 was 554. Common shares outstanding as of December 31, 2014 were 31,627,310,000.

Top 20 shareholders as of December 31, 2014:

Rank	Name	Citizenship	Total	Percentage of Ownership
1	BELLE CORPORATION	FILIPINO	24,700,000,004	78.097
2	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	3,700,822,584	11.701
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	1,705,337,875	5.392
4	INTEGRATED HOLDINGS, INC.	FILIPINO	320,000,000	1.012
5	SYSMART CORPORATION	FILIPINO	228,270,000	0.722
6	COMPACT HOLDINGS, INC.	FILIPINO	190,000,000	0.601
7	TIMPANI INTERNATIONAL LIMITED	FILIPINO	158,460,000	0.501
8	ELITE HOLDINGS, INC.	FILIPINO	151,400,000	0.479
9	INPILCOM, INC.	FILIPINO	150,000,000	0.474
10	RICHOLD INVESTOR CORPORATION	FILIPINO	100,000,000	0.316
11	SYNTRIX HOLDINGS, INC.	FILIPINO	74,040,000	0.234
12	EASTERN SEC. DEV. CORP.	FILIPINO	20,932,000	0.066
13	WILLY NG OCIER	FILIPINO	16,888,000	0.053
14	PARKORAM DEVELOPMENT LIMITED	OTHERS	14,264,119	0.045
15	OSCAR S. CU ITF ANTHONY CU	FILIPINO	10,430,000	0.033
16	OSCAR S. CU	FILIPINO	9,070,000	0.029
17	REGINA CAPITAL DEVELOPMENT CORP. 015716	FILIPINO	5,000,000	0.016
18	AIA CAPITAL CORPORATION (BVI) LTD.	FILIPINO	3,612,000	0.011
19	GREGORIO T. YU	FILIPINO	3,600,000	0.011
20	THE FIRST RESOURCES MGT. & SEC. CORP.	FILIPINO	2,810,000	0.009

DIVIDENDS

The Company's Board of Directors approved on March 5, 2015 the declaration of cash dividends of ₱0.022 per share for a total cash dividend payment to its common shareholders of approximately ₱ 700 million payable 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

<u>Analysis of Results of Operation and Financial Condition - 2014 compared to 2013</u>

(Amounts in Pesos, except percentages)	For the year ended December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
	2014	2013	**Amount**	**%**	**2014**	**2013**
Revenue						
Gaming revenue share	**38,809,095**	-	38,809,095	100.0%	17.0%	0.0%
Other Income						
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%
GENERAL AND ADMINISTRATIVE EXPENSES	**(468,991,793)**	(8,735,710)	460,256,083	5268.7%	-205.7%	-837556.1%
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%
SHARE IN CUMULATIVE TRANSLATION ADJUSTMENT OF AVAILABLE FOR-SALE FINANCIAL ASSETS	**(58,318,988)**	-	(58,318,988)	-100.0%	-25.6%	0.0%
INCOME (LOSS) BEFORE INCOME TAX	**1,344,062,350**	(8,734,667)	1,352,797,017	15487.7%	589.6%	-837456.1%
PROVISION FOR CURRENT INCOME TAX	**5,117,366**	-	5,117,366	100.0%	2.2%	0.0%
NET INCOME (LOSS)	**1,338,944,984**	**(8,734,667)**	1,347,679,651	15429.1%	587.3%	-837456.1%
OTHER COMPREHENSIVE INCOME (LOSS)						
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%
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**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	
			Increase (Decrease)			
	2014	2013	Amount	%	2014	2013
ASSETS						
Current Assets						
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%
Non-Current Assets						
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%
Total Assets	**15,872,860,772**	2,067,659,370	13,805,201,402	667.7%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
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%
Non-Current Liabilities						
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%
Total Liabilities	**85,001,087**	232,333,082	(147,331,995)	-63.4%	0.5%	11.2%
Equity						
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%
Total Liabilities and Equity	**15,872,860,772**	2,067,659,370	13,805,201,402	667.7%	100.0%	100.0%

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	**32.76 : 1.00**	**1.74 : 1.00**
Return on assets	Net income (loss) over average total assets during the period	**14.93%**	**(0.43%)**
Return on equity	Net income (loss) over average equity during the period	**15.20%**	**(0.47%)**
Asset-to-equity ratio	Total assets over total equity	**1.01:1.00**	**1.13:1.00**
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 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	
			Increase (Decrease)			
	2013	2012	**Amount**	**%**	**2013**	**2012**
INCOME						
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%
GENERAL AND ADMINISTRATIVE EXPENSES	**(8,735,710)**	(6,913,678)	1,822,032	26.4%	-837556.1%	-20.7%
PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS	**-**	(1,585,088,316)	(1,585,088,316)	-100.0%	0.0%	-4756.4%
LOSS BEFORE INCOME TAX	**(8,734,667)**	(1,558,676,659)	1,549,941,992	99.4%	-837456.1%	-4677.2%
PROVISION FOR CURRENT INCOME TAX	**-**	9,376,689	(9,376,689)	-100.0%	0.0%	28.1%
NET LOSS	**(8,734,667)**	(1,568,053,348)	1,559,318,681	99.4%	-837456.1%	-4705.3%
OTHER COMPREHENSIVE INCOME (LOSS)						
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%
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(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
ASSETS						
Current Assets						
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%
Non-Current Assets						
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%
Total Assets	**2,067,659,370**	2,026,658,596	41,000,774	2.0%	100.0%	100.0%
LIABILITIES AND EQUITY						
Liabilities						
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%
Equity						
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%
Total Liabilities and Equity	**2,067,659,370**	2,026,658,596	41,000,774	2.0%	100.0%	100.0%

Total assets increased by ₱41.0 million (2%), to ₱2,067.7 million as of December 31, 2013, from ₱2,026.7 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 ₱65.5 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 ₱794 million.

The Company's total liabilities increased by ₱70.5 million (44%), to ₱232.3 million as of December 31, 2013 from ₱161.9 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	**1.74 : 1.00**	0.55 : 1.00
Return on assets	Net loss over average total assets during the period	**(0.43%)**	(56.78%)
Return on equity	Net loss over average equity during the period	**(0.47%)**	(60.28%)
Asset-to-equity ratio	Total assets over total equity	**1.13:1.00**	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, 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 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 2014. 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, 2014 and 2013 follow:

	(P000's omitted)
2014	₱380
2013	₱342

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.

3. The rotation of independent auditors and the two-year cooling off period has been observed in the audit of the Company's financial statements for the period 2014 and 2013.

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 and 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 of 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.

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 July 18, 2014 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	58	Chairman of the Board	6/25/99 - present
Frederic C. DyBuncio	Filipino	55	President and CEO	4/23/12 - present
A. Bayani K. Tan	Filipino	59	Director & Corporate Secretary	6/23/98 - present
Exequiel P. Villacorta, Jr.	Filipino	69	Director	7/18/14 - present
Joseph C. Tan	Filipino	57	Independent Director	7/18/14 - present
Juan Victor S. Tanjuatco	Filipino	67	Independent Director	7/18/14 - present
Roman Felipe S. Reyes	Filipino	63	Independent Director	7/18/14 - present
Arthur A. Sy	Filipino	45	Asst. Corporate Sec.	7/19/11 – present
Jackson T. Ongsip	Filipino	41	Chief Finance Officer	4/23/12 - present
Armin Raquel-Santos	Filipino	47	EVP & COO	7/18/14 - present
Dexter Reyes	Filipino	41	Controller	7/18/14 - present

The information on the business affiliations and experiences of the following directors and officers are current and/or within the past five years.

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.

A. Bayani K. Tan

Mr. Tan has been a Director and the Corporate Secretary of the Corporation since December 1993. He is also currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation (February 2014 as Corporate Secretary* and June 2014 as Director*), Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), Discovery World Corporation (March 2013 as Director, July 2003-present as Corporate Secretary), First Abacus Financial Holdings Corp.(May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dividend Yield Fund, Inc. (January 2013-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999- present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997- present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), TKC Steel Corporation (February 2007-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary of Sterling Bank of Asia Inc. since December 2006. Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

Mr. 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.

Exequiel P. Villacorta, Jr

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.

Joseph C. Tan

Atty. Joseph C. Tan is the Founding Partner of MOST LAW from September 2006 to present. He was a Special Counsel for 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 Bionergy 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).

Juan Victor S. Tanjuatco

Juan Victor S. Tanjuatco is an Independent Director of IP E-Games Ventures Inc., IP Ventures Inc. and a Director of Ketmar Fast food Corporation. He was also a former Independent Director of Insular Savings Bank and Asiatrust Development Bank. He was also the Executive Vice President from 2006-2009 and became the President from 2009-2012 of Export and Industry Bank.

Mr. Tanjuatco worked for 21 years at Credit Agricole Indosuez from 1977 to 1998 and retired as Deputy General Manager in Manila. He was assigned to various managerial/executive positions where he gained his expertise in the banking industry. He has worked in major cities including Philadelphia, USA with IBM Corporation, in New Zealand with Indosuez New Zealand Limited and Hong Kong with Credit Agricole Indoseuz.

Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from The Ateneo de Manila University (cum laude) and he is a holder of a Masters Degree in Business Administration in Finance from The Wharton School, University of Pennsylvania

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.

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 (by Mr. Frederic C. DyBuncio), Juan Victor S. Tanjuatco (by Mr. Arthur A. Sy), and Mr. Roman Felipe S. Reyes (by Mr. Willy N. Ocier). The Nomination Committee, composed of Frederic C. Dybuncio (Chairman), Exequiel P. Villacorta, Jr., and Joseph C. Tan, 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 Tecnologies 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 graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy. He is a Certified Public Accountant. He is currently an Assistant Vice President- Portfolio Investments of SM Investments Corporation. He is also the Executive Vice President and Chief Finance Officer of APC Group, Inc., an affiliate of Premium Leisure Corp.

Dexter C. Reyes
Mr. Reyes is the Controller of the Company and Assistant Vice President for Accounting and Internal Audit of PremiumLeisure and Amusement Inc. He has over 15 years of experience in the hotel and integrated resort business, and he specialized in auditing hotel and gaming operations. He was former Senior Manager at EDSA Shangri-la and Thunderbird Resorts, Inc. and has experience in opening casinos in Lodz, Poland and Daman India.

Arthur Sy
Mr. Sy is the Assistant Corporate Secretary of the Company. 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., 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, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5 years):

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officers either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the above persons;

(c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities , commodities or banking activities; and,

(d) any finding 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.

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 A. Bayani K. Tan, 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)	2015* 2014** 2013***	8,221,236 8,244,016 1,171,236	640,000 754,638 161,607	8,861,236 8,998,654 1,335,843

* Compensation based on estimates only
** Armin Raquel-Santos and Dexter Reyes only became officers as of 18 July 2014
*** Armin Raquel-Santos and Dexter Reyes were not yet officers in 2013.

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, 2014, 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	Citizenship	No. of Shares Held	Percent
Common	Belle Corporation 5/F Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, CPB-1A Pasay City Relationship: Major Stockholder	Belle Corporation	Filipino	24,700,000,004	78.097%
Common	PCD Nominee Corp. (Filipino) G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City Relationship: Stockholder	*(please see footnote)*	Filipino	3,700,822,584	11.701%
Common	PCD Nominee Corp. (Non-Fil.) G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City Relationship: Stockholder	*(please see footnote)*	Non-Filipino	1,705,337,875	5.392%

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, 2014, there are no participants of PCD who own more than 5% of the Company's outstanding capital.

As of 31 December 2014, 1,710,939,875 Common Shares of the Company are owned by non-Filipinos, constituting 5.4097% 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, 2014:

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.

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 **2014**

2. Exact Name of Registrant as Specified in its Charter **PREMIUM LEISURE CORP.**

3. **5th 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*

Actual number of Directors for the year	7*

*The number of Directors was reduced from 11 to 7, as amended by the Board of Directors on 09 May 2013 and by the shareholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting held on 18 June 2013, approved by the Securities and Exchange Commission on 21 April 2014.

(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	7/18/2014	Annual	16
Frederic C. DyBuncio	ED	SM Group	A. Bayani K. Tan	4/23/2012	7/18/2014	Annual	3
A. Bayani K. Tan	NED		Willy N. Ocier	6/23/1998	7/18/2014	Annual	17
Exequiel P. Villacorta, Jr.**	NED		A. Bayani K. Tan (not related)	7/18/2014	7/18/2014	Annual	<1 year
Joseph C. Tan**	ID		A. Bayani K. Tan	7/18/2014	7/18/2014 (<1 year)	Annual	<1 year
Juan Victor S. Tanjuatco**	ID		A. Bayani K. Tan	7/18/2014	7/18/2014(<1 year)	Annual	<1 year
Roman Felipe S. Reyes**	ID		A. Bayani K. Tan (not related)	7/18/2014	7/18/2014 (<1 year)	Annual	<1 year
Manuel A. Gana***	ED		A. Bayani K. Tan	7/28/2010	6/18/2013	Annual	4
Ricardo Leong***	ID		A. Bayani K. Tan (not related)	5/29/1999	6/18/2013 (2 yrs)	Annual	15
Jerry C. Tiu***	ID		Willy N. Ocier (not related)	6/08/2006	6/18/2013 (2 yrs)	Annual	8
Virginia A. Yap***	NED	SM Group	A. Bayani K. Tan	7/19/2011	6/18/2013	Annual	3
Rogelio R. Cabuñag****	NED	SM Group	A. Bayani K. Tan	7/19/2011	6/18/2013	Annual	3
Elizabeth Anne C. Uychaco****	NED	SM Group	A. Bayani K. Tan	7/19/2011	6/18/2013	Annual	3
Arthur A. Sy****	NED	SM Group	A. Bayani K. Tan	7/19/2011	6/18/2013	Annual	3
Edmundo L. Tan****	NED		A. Bayani K. Tan	6/25/1999	6/18/2013	Annual	15

** Directors elected during the Annual Stockholders' Meeting on 18 July 2014.
*** Term of office ended on 18 July 2014 for Mr. Manuel A. Gana, Mr. Ricardo Leong, Mr. Jerry C. Tiu and Ms. Virginia A. Yap.

**** Upon approval by the SEC for reducing the number of Directors from 11 to 7, the term of office of Mr. Rogelio R. Cabuñag, Ms. Elizabeth Anne C. Uychaco, Atty. Arthur A. Sy and Atty. Edmundo L. Tan automatically ended, with effect on 21 April 2014.

(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.**

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 four (4) committees, namely the Compensation and Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management 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.

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:

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.**
- **The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:**
  a. When justified by definite corporate expansion projects or programs approved by the Board;
  b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;
  c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probably contingencies.

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.

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

The Company reviews its vision, mission and core values at least every three (3) years.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[1]

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:

Director's Name	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 (Chairman)
	Belle Bay Plaza Corporation	Non-Executive Director (Chairman)
	Metropolitan Leisure & Tourism Corporation	Executive Director (Chairman & President)
	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 & President)
	Woodland Development Corporation	Executive Director (President)
	Belle Bay City Corporation	Non-Executive Director (Chairman)
	Pacific Online Systems Corporation	Executive Director (Chairman & President)
	Highlands Prime, Inc.	Non-Executive Director (Vice-Chairman)
	APC Group, Inc.	Non-Executive Director (Chairman)
	Sinophil Leisure and Resorts Corporation	Non-Executive Director (Chairman)
	Foundation Capital Resources, Inc.	Non-Executive Director (Chairman)

[1] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	Tagaytay Highlands International Golf Club, Inc.	Non-Executive Director (Vice-Chairman)
	The Country Club at Tagaytay Highlands	Non-Executive Director (Chairman)
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director (Chairman)
Frederic C. DyBuncio	Belle Corporation	Executive Director (President & CEO)
	Pacific Online Systems Corporation	Non-Executive Director
	APC Group, Inc.	Executive Director (President & CEO)
	Sinophil Leisure and Resorts Corporation	Non-Executive Director
	Foundation Capital Resources, Inc.	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director (Vice-Chairman)
A. Bayani K. Tan	Belle Corporation	Non-Executive Director
	Pacific Online Systems Corporation	Non-Executive Director
	Tagaytay Highlands International Golf Club, Inc.	Non-Executive Director
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director
	The Country Club at Tagaytay Highlands, Inc.	Non-Executive Director
	The Spa and Lodge at Tagaytay Highlands, Inc.	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
	TKC Steel Corporation	Non-Executive Director
	Coal Asia Holdings, Inc.	Non-Executive Director
	Asia United Bank Corporation	Non-Executive Director
	Destiny Financial Plans, Inc.	Non-Executive Director
	Director of Destiny LendFund, Inc.	Non-Executive Director
	Vantage Equities, Inc.	Non-Executive Director
	Yehey! Corporation	Non-Executive Director

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	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	Macawiwili Gold Mining And Development Co., Inc.	Non-Executive Director
	Pakistan International Container Terminal Limited	Non-Executive Director
	Bank of Commerce	Non-Executive Director
	RPN 9	Non-Executive Director
	Philippine Geothermal Production Company	Non-Executive Director
	Pasudeco	Non-Executive Director
	All Asian Countertrade	Non-Executive Director
	National Reinsurance Corporation of the Philippines	Non-Executive Director
	Rockwell Leisure Club	Non-Executive Director
Joseph C. Tan	San Carlos Bionergy Corporation	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 (as of 31 December 2014)	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Willy N. Ocier	16,888,001	–	0.053%
Frederic C. DyBuncio	1	–	0.00%
A. Bayani K. Tan	1	–	0.00%

Name of Director	Number of Direct shares (as of 31 December 2014)	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Exequiel P. Villacorta	1	–	0.00%
Joseph C. Tan	1	–	0.00%
Juan Victor S. Tanjuatco	1	–	0.00%
Roman Felipe S. Reyes	1	–	0.00%
TOTAL	**16,888,007**	–	**0.00%**

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
Role **Accountabilities**	▪ **Preside at all meetings of the Board of Directors and stockholders and ensure that all meetings are held in accordance with the By-Laws**	▪ **Supervise and control all of the business and affairs of the Company**
Deliverables	▪ **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** ▪ **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**	▪ **Consider various opportunities relative to new business ventures, the implementation of which will depend on economic conditions in the future** ▪ **Oversee the management of the Company and safeguard the Company's assets**

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.

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) **practical understanding of the business of the Company;**
c) **membership in good standing in relevant industry, business, or professional organizations; and,**
d) **previous business experience.**

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

	Executive	Non-Executive	Independent Director
Role **Accountabilities**	▪ **Oversee the management of the Company and be responsible for the Company's finances, goals and policies** ▪ **Foster the long-term success of the Company and sustain its competitiveness and profitability**	▪ **Monitor compliance with policies and achievement against objectives through regular reports to the Board by management** ▪ **Constructively challenge and contribute to the development of strategy**	▪ **Monitor compliance with policies and achievement against objectives through regular reports to the Board by management** ▪ **Constructively challenge and contribute to the development of strategy**
Deliverables	▪ **Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies** ▪ **Institutionalize the risk management assessment process and continuously monitor key risk areas and performance indicators with due diligence** ▪ **Institute good corporate governance**	▪ **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** ▪ **Formulate succession plans for top key management positions and review such plan on a regular basis** ▪ **Identify areas for improvement of the members of the Board,**	▪ **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** ▪ **Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks** ▪ **Review the Company's continual process of good corporate**

	Executive	Non-Executive	Independent Director
	practices and ensure effective communication with all employees for acknowledgment and strict compliance ▪ 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	such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties ▪ Meet at least once a year without the presence of executive directors and senior management	governance and update the Company's Manual on Corporate Governance ▪ Meet at least once a year without the presence of executive directors and senior management

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:

- **a) 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;**
- **b) 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;**
- **c) 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;**
- **d) 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;**
- **e) 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;**
- **f) 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**
- **g) 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
Manuel A. Gana	**President**	**07/18/2014**	**Term of office ended**
Ricardo Leong	**Member**	**07/18/2014**	**Term of office ended**
Jerry C. Tiu	**Member**	**07/18/2014**	**Term of office ended**
Virginia A. Yap	**Member**	**07/18/2014**	**Term of office ended**
Rogelio R. Cabuñag	**Member**	**04/21/2014**	**Term of office ended**
Elizabeth Anne C. Uychaco	**Member**	**04/21/2014**	**Term of office ended**
Arthur A. Sy	**Member**	**04/21/2014**	**Term of office ended**
Edmundo L. Tan	**Member**	**04/21/2014**	**Term of office ended**

(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
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	**Members of the Board of Directors are nominated by 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.** **The Nomination Committee reviews and evaluates all candidates nominated to Officer positions in the Company that, under the Company's By-Laws, require Board approval prior to effectivity of such Officer appointments or promotions.**	**The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications:** **(a) a holder of at least one (1) share of stock of the Company;** **(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;** **(c) of legal age; and** **(d) shall have proven to possess integrity and probity.** **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:** **(a) college education or equivalent academic degree;** **(b) practical understanding of the business of the Company;** **(c) membership in good standing in relevant industry, business, or professional organizations; and,** **(d) previous business experience.**

Procedure	Process Adopted	Criteria
(iii) Independent Directors		**In addition to the foregoing qualifications, a director nominated and elected as independent shall likewise meet the following requirements:** **(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.** **(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.** **(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.** **(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.** **(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.** **(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.** **(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**

Procedure	Process Adopted	Criteria
		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**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent 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.**	**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, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b)**

Procedure	Process Adopted	Criteria
		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. **(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;** **(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;** **(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**

Procedure	Process Adopted	Criteria
		rule, regulation or order; **(vi)** Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation; **(vii)** Any person judicially declared to be insolvent; **(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; **(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.
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent 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.** **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.**	**The Board provides for the temporary disqualification or suspension of a director for the following reasons:** **(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. **(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. **(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

Procedure	Process Adopted	Criteria
		the cause that gave rise to his dismissal or termination. **(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. **(v)** If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
e. Removal		
(i) Executive Directors	**Same process and criteria as Permanent/Temporary Disqualification**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	**Same process and criteria as Selection/Appointment**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	**Same process and criteria as Permanent/Temporary Disqualification**	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Willy N. Ocier	**100%**
Frederic C. DyBuncio	**100%**
A. Bayani K. Tan	**100%**
Exequiel P. Villacorta, Jr.	**100%**
Joseph C. Tan	**100%**
Juan Victor S. Tanjuatco	**100%**
Roman Felipe S. Reyes	**100%**

6) Orientation and Education Program

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

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.

(b) State any in-house training and external courses attended by Directors and Senior Management[2] 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
Juan Victor S. Tanjuatco **Exequiel P. Villacorta**	**November 20, 2014**	**Workshop on Corporate Governance**	**Institute of Corporate Directors**
Willy N. Ocier **Frederic C. DyBuncio** **A. Bayani K. Tan**	**May 26, 2014**	**Workshop on Corporate Governance**	**Institute of Corporate Directors**
A. Bayani K. Tan	**2009 - 2012**	**Mandatory Continuing Legal Education (MCLE)**	**UP Law Center**
A. Bayani K. Tan	**May 1, 2009**	**Inter-Pacific Bar Association Conference**	**Inter-Pacific Bar Association**
A. Bayani K. Tan	**September 11, 2009**	**Best Practices in Corporate Housekeeping**	**Center for Global Best Practices**
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	**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.** **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.** **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.**		

[2] 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
(b) Conduct of Business and Fair Dealings	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. 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.		
(c) Receipt of gifts from third parties	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.		
(d) Compliance with Laws & Regulations	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. 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.		
(e) Respect for Trade Secrets/Use of Non-public Information	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. 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.		
(f) Use of Company Funds, Assets and Information	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.		
(g) Employment & Labor Laws & Policies	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.		

Business Conduct & Ethics	Directors	Senior Management	Employees
	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.		
(h) Disciplinary action	**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.**		
(i) Whistle Blower	**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.**		
(j) Conflict Resolution	**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.**		

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 shall be 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**
(2) Joint Ventures	
(3) Subsidiaries	

(4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents (8) Interlocking director relationship of Board of Directors	**disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.** **The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following:** ▪ **Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables** ▪ **Market and financial risks faced by related parties** ▪ **Guarantees issued to or received from related parties** ▪ **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.)** **Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit and Risk Management Committee.**

(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.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s Name of Officer/s Name of Significant Shareholders	**Inherent in any company, probable conflicts of interest may include:** ▪ **When the director/officer/significant shareholder would use his/her position for personal financial gain or to benefit a company in which the director/officer/significant shareholder has a financial interest** ▪ **When outside financial or other interests may inappropriately influence the way in which the director/officer/significant shareholder carries out his/her responsibilities** ▪ **When the director's/officer's/significant shareholder's outside interests otherwise may cause harm to the Company's reputation and its stakeholders** ▪ **When there is an outside relationship that may deter the director/officer/significant shareholder from devoting an appropriate amount of time, energy, creativity, or other personal resources to his/her responsibilities** **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 Group	**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.** **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.** **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.** **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.** **Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit and Risk Management Committee.**

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[3] 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).		

(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
▪ **Belle Corporation** ▪ **Premium Leisure Corp.**	**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

[3] Family relationship up to the fourth civil degree either by consanguinity or affinity.

NONE. There are no shareholder arrangements which may impact the control, ownership and strategic direction of the Company.

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 **Corporation & Third Parties** **Corporation & Regulatory Authorities**	**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.** **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.** **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.**

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	%
Chairman	Willy N. Ocier	07/18/14	11	11	100%
Member	Frederic C. DyBuncio	07/18/14	11	11	100%
Member	A. Bayani K. Tan	07/18/14	11	11	100%
Member	Exequiel P. Villacorta, Jr.*	07/18/14	5	5	100%
Independent	Joseph C. Tan*	07/18/14	5	5	100%
Independent	Juan Victor S. Tanjuatco*	07/18/14	5	5	100%
Independent	Roman Felipe S. Reyes*	07/18/14	5	5	100%
Member	Manuel A. Gana**	06/18/13	6	6	100%
Independent	Ricardo Leong**	06/18/13	6	5	83%

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Independent	Jerry C. Tiu**	06/18/13	6	6	100%
Member	Virginia A. Yap**	06/18/13	6	6	100%
Member	Rogelio R. Cabuñag***	06/18/13	2	2	100%
Member	Arthur A. Sy***	06/18/13	2	2	100%
Member	Edmundo L. Tan***	06/18/13	2	2	100%
Member	Elizabeth Anne C. Uychaco***	06/18/13	2	2	100%

* Directors elected during the Annual Stockholders' Meeting on 18 July 2014.
** Term of office ended on 18 July 2014 for Mr. Manuel A. Gana, Mr. Ricardo Leong, Mr. Jerry C. Tiu and Ms. Virginia A. Yap.
*** Upon approval by the SEC for reducing the number of Directors from 11 to 7, the term of office of Mr. Rogelio R. Cabuñag, Ms. Elizabeth Anne C. Uychaco, Atty. Arthur A. Sy and Atty. Edmundo L. Tan automatically ended, with effect on 21 April 2014.

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

NO. Moving forward, non-executive directors will meet at least once a year without the presence of executive directors and senior management 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.

NO. A majority of the 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.

5) Access to Information

(a) How many days in advance are board papers[4] 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**

[4] 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.

accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

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. A. Bayani K. Tan) holds a Master of Laws degree from New York University, USA and earned his Bachelor of Laws degree from the University of the Philippines. He passed the bar examinations in 1981.

(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 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)	

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
NONE. There were no changes introduced by the Board of Directors on existing policies that may have an effect on the business of the Company.		

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	**The Compensation and Remuneration Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.** **Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.**	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

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 which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.** **Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.**		
Non-Executive Directors	**Fixed per diem for every board meeting attended**	**Independent Director – ₱50,000 / meeting** **Others – ₱10,000 / meeting**	

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
NO. The Compensation and Remuneration Committee determines the amount of remuneration of directors, executives and employees.	

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	**586,339**	–	–
(b) Variable Remuneration	–	–	–

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(c) Per diem Allowance	<u>630,588</u>	<u>809,412</u>	<u>1,447,059</u>
(d) Bonuses	–	–	–
(e) Stock Options and/or other financial instruments	–	–	–
(f) Others (Specify)	–	–	–
Total	<u>1,216,927</u>	<u>809,412</u>	<u>1,447,059</u>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	–	–	–
2) Credit granted	–	–	–
3) Pension Plan/s Contributions	–	–	–
4) Pension Plans, Obligations incurred	–	–	–
5) Life Insurance Premium	–	–	–
6) Hospitalization Plan	–	–	–
7) Car Plan	–	–	–
8) Others (Specify)	–	–	–
Total	–	–	–

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
NONE. There are no option grants outstanding held by directors and officers as of December 31, <u>2014</u>.				

(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
NONE. There are no amendments and/or discontinuation of any incentive programs in <u>2014</u>.		

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:

Name of Officer/Position	Total Remuneration
1. Armin B. Raquel –Santos	**Estimated P 8.3 million**
2. Dexter C. Reyes	
There are no other members of management.	

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**		**1**	**The Executive Committee oversees the management of the Company and is responsible for the Company's finances, goals, and policies. 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.**			
Audit		**1**	**2**	**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. 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.** **Under its Charter, the Committee is duty-bound to perform and carry out the following responsibilities, among others, categorized under seven (7) major domains:** **1) Financial statements and reporting** **– Review significant accounting and reporting issues** **– Review and endorse to the Board for approval the financial statements of the Company** **– Review the results of external audit** **2) Internal control**			

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				– Review the effectiveness of the Company's internal control system 3) Internal audit – Provide oversight of the performance of the internal audit group 4) External audit – Review the external auditors' audit scope and approach and the results of the audit 5) Compliance – 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 6) Reporting responsibilities – Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations 7) Other responsibilities – Perform other activities as requested by the Board			
Risk Management		1	2	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 2) Review the details of the Company's related party transactions.			
Nomination	1	1	1	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.			
Compensation and Remuneration	1	1	1	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.			
Others (specify)				NONE			

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	7/18/2014	2	2	100%	16

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ED)	Frederic C. DyBuncio	7/18/2014	2	2	100%	<2
Member (ID)	Roman Felipe S. Reyes	7/18/2014	2	2	100%	<1

(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	7/18/2014	4	4	100%	<1
Member (ID)	Juan Victor S. Tanjuatco	7/18/2014	4	4	100%	<1
Member (NED)	Exequiel P. Villacorta, Jr	7/18/2014	4	4	100%	<1

(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	7/18/2014	4	4	100%	<1
Member (ID)	Juan Victor S. Tanjuatco	7/18/2014	4	4	100%	<1
Member (NED)	Exequiel P. Villacorta, Jr	7/18/2014	4	4	100%	<1

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.

Juan Victor S. Tanjuatco

Mr. Juan Victor S. Tanjuatco is an Independent Director of IP E-Games Ventures Inc., IP Ventures Inc. and a Director of Ketmar Fast food Corporation. He was also a former Independent Director of Insular Savings Bank and Asiatrust Development Bank. He was also the Executive Vice President from 2006-2009 and became the President from 2009-2012 of Export and Industry Bank.

Mr. Tanjuatco worked for 21 years at Credit Agricole Indosuez from 1977 to 1998 and retired as Deputy General Manager in Manila. He was assigned to various managerial/executive positions where he gained his expertise in the banking industry. He has worked in major cities including Philadelphia, USA with IBM Corporation, in New Zealand with Indosuez New Zealand Limited and Hong Kong with Credit Agricole Indoseuz. Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from The Ateneo de Manila University (cum laude) and he is a holder of a Masters Degree in Business Administration in Finance from The Wharton School, University of Pennsylvania

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 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.**
- **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.**

(d) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Frederic C. DyBuncio	7/18/2014	1	1	100%	<3
Member (NED)	Exequiel P. Villacorta, Jr.	7/18/2014	1	1	100%	<1
Member (ID)	Joseph C. Tan	7/18/2014	1	1	100%	<1

(e) Compensation and Remuneration 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	7/18/2014	1	1	100%	<1
Member (NED)	A. Bayani K. Tan	7/18/2014	1	1	100%	17
Member (ID)	Joseph C. Tan	7/18/2014	1	1	100%	<1

(f) Others (Specify)

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
Chairman	NONE. There are no other committees constituted by the Board of Directors other than the ones identified above.					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

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
Executive	**New:** ▪ **Willy N. Ocier** ▪ **Roman Felipe S. Reyes**	**Elected during the Annual Stockholders' meeting held on July 18, 2014**
Audit	**New:** ▪ **Roman Felipe S. Reyes** ▪ **Juan Victor S. Tanjuatco** ▪ **Exequiel P. Villacorta, Jr**	**Elected during the Annual Stockholders' meeting held on July 18, 2014**
Risk Management	**New:** ▪ **Roman Felipe S. Reyes** ▪ **Juan Victor S. Tanjuatco** ▪ **Exequiel P. Villacorta, Jr.**	**Elected during the Annual Stockholders' meeting held on July 18, 2014**
Nomination	**New:** ▪ **Exequiel P. Villacorta, Jr.** ▪ **Joseph C. Tan**	**Elected during the Annual Stockholders' meeting held on July 18, 2014**
Compensation and Remuneration	**New:** ▪ **Willy N. Ocier** ▪ **A.Bayani K. Tan** ▪ **Joseph C. Tan**	**Elected during the Annual Stockholders' meeting held on July 18, 2014**
Others (specify)	**NONE**	

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	▪ **Oversee the management of the Company, which includes, among others:** – **Financial matters** – **Construction updates and issues** – **Property maintenance updates and issues** – **Legal matters** ▪ **Reviewed the Company's vision, mission, strategies, plans, and annual budget** ▪ **Monitored the implementation of policies and strategies, including management's overall performance**	
Audit	▪ **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** ▪ **Reviewed significant accounting and reporting issues, and endorsed to the Board for approval the financial statements of the Company** ▪ **Reviewed the effectiveness of the Company's internal control system** ▪ **Provided oversight of the performance of the internal audit group** ▪ **Reviewed the external auditors' audit scope and approach and the results of**	

Name of Committee	Work Done	Issues Addressed
	the audit	
Risk Management	▪ **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** ▪ **Reviewed the details of the Company's related party transactions**	
Nomination	▪ **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** ▪ **Ensured that those nominated to the Board meet all the qualifications and none of the disqualifications for directorship**	
Compensation and Remuneration	▪ **Performed oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement** ▪ **Reviewed existing human resource policies to ensure the continued growth and development of the Company's workforce**	
Others (specify)	**NONE**	

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	▪ **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** ▪ **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** ▪ **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** ▪ **Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance** ▪ **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**	
Audit	▪ **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:** – **Develop a succession plan for its members and Chair** – **Reporting to the Board and issuance of certifications on critical compliance issues** – **Review and approval of management representation letter before submission to external auditor** – **Obtaining management's assurance on the state of internal controls** – **Review and approval of fees of external auditor** ▪ **Oversee the effectiveness of the Company's whistleblower policy, so that the**	

Name of Committee	Planned Programs	Issues to be Addressed
	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	
Risk Management	▪ Promotion of risk awareness in the organization ▪ Evaluation of compliance with the Code of Conduct for management ▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks ▪ 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.	
Nomination	▪ 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 ▪ 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 ▪ Formulate succession plans for top key management positions and review such plan on a regular basis ▪ 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	
Compensation and Remuneration	▪ 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 ▪ Define goals and evaluate the performance of top management to set reasonable compensation	
Others (specify)	NONE	

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 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.

For the year ended December 31, 2014, effective and adequate risk management mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;
The Risk Management Committee reviews annually the effectiveness of the Company's risk management system.

(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:

<table>
<tr><th>Risk Exposure</th><th>Risk Management Policy</th><th>Objective</th></tr>
<tr><td><u>Financial Risks</u>
▪ Credit risk
▪ Liquidity risk
▪ Equity price risk
▪ Capital management</td><td>▪ 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
▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information
▪ Maintain debt-to-equity ratio at manageable levels</td><td rowspan="2">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.

In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</td></tr>
<tr><td><u>Regulatory Risks</u>
▪ Government regulations
▪ Changes to Philippine laws and regulations</td><td>▪ Compliance with licensing and regulatory requirements necessary to operations</td></tr>
</table>

(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
Financial Risks ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management	▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate ▪ 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 ▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information ▪ Maintain debt-to-equity ratio at manageable levels	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. In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.
Market Risks ▪ Economic and political conditions ▪ Competition	▪ Diversify portfolio by offering different product lines ▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market ▪ Offer long and affordable terms for buyers	
Performance / Completion Risks ▪ Suppliers ▪ Contractors	▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Group's performance standards	
Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations	▪ Compliance with licensing and regulatory requirements necessary to operations	
Hazard Risks ▪ Natural disasters	▪ Regular site inspections by Group personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage	
IT Risks	▪ Co-location arrangement with	

Risk Exposure	Risk Management Policy	Objective
▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	redundant capability and automatic fail-over set-up for disaster recovery ▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT	

(c) Minority Shareholders

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

Risk to Minority Shareholders
Principal risks of the exercise of controlling shareholders' voting power are as follows: **1) Majority shareholders may dominate major Company decisions** **2) Lack of transparency on the actions and decisions of majority shareholders** **3) Abusive and inequitable conduct on the part of majority shareholders** **4) Rights of minority shareholders may not be upheld and protected** **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.**

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)
Financial Risks ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management **Regulatory Risks** ▪ Government regulations ▪ Changes to Philippine laws and regulations	**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.** **In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.** **The Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:** **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.** **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.** **3) Advise the Board, in consultation with management, on the overall risk**	

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	management program of the Company as it relates to its risk appetite and strategic direction. 4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately. 6) Review the details of the Company's related party transactions.	

(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)
Financial Risks ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management **Market Risks** ▪ Economic and political conditions ▪ Competition **Performance / Completion Risks** ▪ Suppliers ▪ Contractors **Regulatory Risks** ▪ Government regulations ▪ Changes to Philippine laws and regulations **Hazard Risks** ▪ Natural disasters **IT Risks** ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	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. In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls. 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. In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management: 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. 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. 3) Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction. 4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately. 6) Review the details of the Group's related party transactions.	

(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:

<table>
<tr><th>Committee/Unit</th><th>Control Mechanism</th><th>Details of its Functions</th></tr>
<tr><td>Risk Management Committee</td><td colspan="2">The Committee is tasked to perform and carry out the following responsibilities related to Risk Management:
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.
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.
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.
4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.
5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.
6) Review the details of the Company's related party transactions.

The Committee directly reports the results of its review and assessment of the Company's risk management process to the Board of Directors.</td></tr>
</table>

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 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.

For the year ended December 31, <u>2014</u>, effective and adequate internal control mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls.

(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:** • **Risk are appropriately identified and managed.** • **Interaction with the various corporate governance groups occurs as needed.**	**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:** **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 forth under the mission and scope of work.**

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	• **Significant financial, managerial and operating information are accurate, reliable and timely.** • **Employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations.** • **Resources are acquired economically, used efficiently and adequately protected.** • **Programs, plans and objectives are achieved.** • **Quality and continuous improvement are fostered in the control processes of the Company.** • **Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.**			**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.** **c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.** **d. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal ethics, environmental, external audit)**

(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
NONE. There were no resignations/reassignment of internal audit staff during the period.	

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

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

Progress Against Plans	**Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee.**
Issues[5] **Findings**[6] **Examination Trends**	**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.**

[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

[5] "Issues" are compliance matters that arise from adopting different interpretations.
[6] "Findings" are those with concrete basis under the company's policies and rules.

result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Internal controls over financial reporting	**Implemented**
Authorization of transactions	**Implemented**

(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):

<table>
<tr><th>Auditors
(Internal and External)</th><th>Financial Analysts</th><th>Investment Banks</th></tr>
<tr><td>▪ 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.

▪ 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.</td><td colspan="2">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.

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.</td></tr>
</table>

(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.

1) **Willy N. Ocier – Chairman**
2) **Frederic C. DyBuncio – President & CEO**
3) **A. Bayani K. Tan – Corporate Secretary/Compliance Officer**

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	**NOT APPLICABLE.** **The Company is an investment holding firm and only engages in the acquisition, ownership and use for investment of any and all properties and other assets of every kind and description.**	
Supplier/contractor selection practice	**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 has a bidding committee to screen, review and approve major contracts with contractors and suppliers to ensure that it is conducted on an arm's length basis.**	
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?	**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.**	
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, 2014, the Company has 5 employees, all of whom are full-time employees and are not subject to Collective Bargaining Agreements, broken down as follows:

Executives	**3**
Senior Managers/Managers/Officers	**1**
Supervisors	**1**
Rank and File	
TOTAL	**5**

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.

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

The Company considers it 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 2014, the employees attended a training program on Corporate Governance Orientation facilitated by SM Investments Corporation.

(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	**24,700,000,004**	**78.097%**	**Belle Corporation**
PCD Nominee Corp. (Filipino) [(1)]	**3,700,822,584**	**11.701%**	***see footnote***
PCD Nominee Corp. (Non-Filipino)	**1,705,337,875**	**5.392%**	

(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.	**₱320,000**	**₱60,000**

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.

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
ADVANCES TO RELATED PARTIES			
Foundation Capital Resources, Inc.	**Subsidiary**	**Advances to subsidiary**	**520,282,423 (with allowance amounting to 260,145,827)**
Sinophil Leisure and Resorts Corp.	**Subsidiary**	**Advances to subsidiary**	**1,011,510**
PremiumLeisure and Amusement, Inc.	**Subsidiary**	**Advances to subsidiary**	**2,305**
ADVANCES FROM RELATED PARTIES			
Foundation Capital Resources, Inc.	**Subsidiary**	**Advances from subsidiary**	**6,581,462**
Sinophil Leisure and Resorts Corp.	**Subsidiary**	**Advances from subsidiary**	**14,762,876**
OTHER TRANSACTIONS			
Belle Corporation	**Stockholder**	**Advances**	**1,806,507**
Directors and officers	**Key management**	**Salaries and wages**	**1,010,714**

RPT	Relationship	Nature	Value
	personnel		

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 and 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.

Quorum Required	**Majority of the stock issued and outstanding**

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	**Vote of stockholders**
Description	**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
<u>Voting Right</u> ▪ **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.**	
<u>Power of Inspection</u> ▪ **The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock**	

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
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 stock exchange and 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.	
Right to Dividends ▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.	
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.	

Dividends

Declaration Date	Record Date	Payment Date
NONE. There were no dividends declared by the Company in 2014.		

(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
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. **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.**	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**
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.	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**
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.	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**

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 or 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: **<u>June 18, 2014</u>**

b. Date of the Annual/Special Stockholders' Meeting: **July 18, 2014**

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.

There were no questions raised by the stockholders during the Annual Stockholders' Meeting last July 18, 2014.

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 2013 operations and results	**100%**	–	–
Ratification of all acts of the Board of Directors and officers	**100%**	–	–
Election of directors	**100%**	–	–
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: **July 18, 2014**

(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
NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.	

(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	**BOARD MEMBERS:** **1. Willy N. Ocier** **2. Frederic C. DyBuncio** **3. A. Bayani K. Tan**	**7/18/2014**	**Stockholders may vote at all meetings either in person or by proxy duly**	**0.0035%**	**71.9654%**	**71.9689%**

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
	4. Exequiel P. Villacorta, Jr. **5. Joseph C. Tan** **6. Juan Victor S. Tanjuatco** **7. Roman Felipe S. Reyes**		**given in writing in favor of any person of their confidence and each 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 July 18, 2014, 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, 2014;** **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 executed abroad Invalidated Proxy Validation of Proxy Violation 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.** **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

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	**581**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	**June 27, 2014**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	**June 27, 2014**
State whether CD format or hard copies were distributed	**Soft copies**
If yes, indicate whether requesting stockholders were provided hard copies	**No**

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

Each resolution to be taken up deals with only one item.	**Yes**
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	**Yes**
The auditors to be appointed or re-appointed.	**Yes**
An explanation of the dividend policy, if any dividend is to be declared.	**None***
The amount payable for final dividends.	**None***
Documents required for proxy vote.	**Yes**

* ***There were no dividends declared by the Company in 2014.***

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

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

Policies	Implementation
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.**	▪ **During the Annual Stockholders' Meeting held last July 18, 2014, members of the Company's Board of Directors were nominated and elected to serve for the year 2014-2015 and until their successors are duly elected and qualified.**
Power of Inspection ▪ **The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock**	▪ **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.**

Policies	Implementation
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.	▪ 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 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.
<u>Right to Information</u> ▪ 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. ▪ 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".	▪ 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. ▪ 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.
<u>Right to Dividends</u> ▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.	▪ 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. ▪ No dividends on common stock were declared in <u>2014</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	▪ The matters voted upon in the Annual Stockholders' Meeting held last <u>July 18, 2014</u> 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.

Policies	Implementation
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.**	

(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	▪ **To assist investors in making investment decisions with regards to their shareholdings in the Company** ▪ **To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company** ▪ **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** ▪ **To handle enquiries and manage relations with investors, analysts, shareholders and the general public**
(2) Principles	▪ **Transparency and accountability to all existing and potential investors** ▪ **Fairness and level playing field for all stakeholders**
(3) Modes of Communications	▪ **Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE.** ▪ **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**

	Details
	operational results.
(4) Investors Relations Officer	**Mr. Jackson T. Ongsip** **Chief Finance Officer** **Email: jackson.ongsip@sminvestments.com** **Telephone No.: 857-0106**

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
Annual 'One Tree at a Time' tree planting activity (in partnership with Belle Corporation, Highlands Prime, Inc. and the ASEAN Centre for Biodiversity)	**Tagaytay Highlands**

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	**An independent party oversees the appraisal process which is conducted annually during one of the meetings of the Board of Directors. Appraisal forms are distributed to the directors to evaluate the performance of (1) individual directors, (2) the board as a whole, (3) board committees, and (4) the CEO/President. The independent party then collates and summarizes the appraisal forms and a summary report is presented to the Board.**	**1. Independence** **2. Leadership** **3. Expertise** **4. Corporate Governance**
Board Committees		**1. Independence** **2. Leadership** **3. Expertise** **4. Corporate Governance**
Individual Directors		**1. Independence** **2. Leadership** **3. Expertise** **4. Corporate Governance**
CEO/President		**1. Leadership** **2. Integrity** **3. Diligence**

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 PASAY CITY on MAR 3 1 2015, 20___.

SIGNATURES

WILLY N. OCIER **Chairman of the Board**	FREDERIC C. DYBUNCIO **President & CEO**
JUAN VICTOR S. TANJUATCO **Independent Director**	
A. BAYANI K. TAN **Corporate Secretary/Compliance Officer**	

SUBSCRIBED AND SWORN to before me this _______ day of MAR 3 1 2015 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
JUAN VICTOR S. TANJUATCO	EB6823459	November 26, 2012	Manila
A.BAYANI K. TAN	CTC No. 1256720	January 8, 2015	Manila

NOTARY PUBLIC

Doc No. 83
Page No. 18
Book No. 14
Series of 2015

JOSEFINA WAN-REMOLLO
Notary Public
UNTIL DECEMBER 31, 2015
PTR NO. 4230709/1.22.15/PASAY
IBP NO. 0985089/1.08.15/BULACAN
ROLL NO. 36042

PART V - EXHIBITS AND SCHEDULES

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

a. Reports 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 NO.	MATTER
SEC Form 17-C dated April 22, 2014	April 23, 2014	Item 9	Amendment in the Articles of Incorporation on the reduction in the number of Directors from eleven (11) to seven (7)
SEC Form 17-C dated May 2, 2014	May 5, 2014	Item 9	Request for delisting of 1,000,000,000 common shares of the Corporation
SEC Form 17-C dated May 2, 2014	May 6, 2014	Item 9	Change in the number of issued and outstanding shares
SEC Form 17-C dated May 30, 2014	May 30, 2014	Item 9	Amendment in the Articles of Incorporation reducing the par value of common and preferred shares from Php 1.00 to Php 0.25, and decreasing the authorized capital stock from Php 16,130,000,000.00 to Php 4,032,500,000.00
SEC Form 17-C dated May 30, 2014	June 3, 2014	Item 9	Approval of SEC for the Corporation's Quasi Reorganization for the reduction in par value and authorized capital stock
SEC Form 17-C dated June 2, 2014	June 3, 2014	Item 9	BOD approval to take on the gaming business and interests of Belle Group
SEC Form 17-C dated June 2, 2014	June 3, 2014	Item 9	Annual Stockholders meeting to be held on July 18, 2014
SEC Form 17-C dated June 2, 2014	June 3, 2014	Item 9	BOD proposed amendments to the Articles of Incorporation: (1) increase in the authorized capital stock; (2) change on corporate name; (3) amendment of primary purpose; and (4) change of principal office
SEC Form 17-C dated May 30, 2014	June 6, 2014	Item 9	The SEC approved the Corporation's application for Quasi Reorganization (Amend)
SEC Form 17-C dated May 2, 2014	June 6, 2014	Item 9	Request for delisting of 1,000,000,000 common shares of the Corporation (Amend)
SEC Form 17-C dated June 10, 2014	June 11, 2014	Item 9	Disposition of the Corporation's non-gaming assets to Belle Corporation
SEC Form 17-C dated June 10, 2014	June 11, 2014	Item 2	Corporation's acquisition from Belle Corporation's shares in PremiumLeisure and Amusement, Inc. (PLAI)
SEC Form 17-C dated June 10, 2014	June 11, 2014	Item 2	Corporation's acquisition from Belle Corporation's shares in Pacific Online Systems Corporation (LOTO)
SEC Form 17-C dated June 10, 2014	June 13, 2014	Item 2	Private placement transaction and subscription of Belle Corporation to 24,700,000,000 common shares of PLC.
SEC Form 17-C dated June 16, 2014	June 16, 2014	Item 9	Notice on Annual Stockholder's meeting on July 18, 2014 (Amend)
SEC Form 17-C dated July 18, 2014	July 21, 2014	Items 4&9	Result's of Annual Stockholder's meeting
SEC Form 17-C dated July 18, 2014	July 21, 2014	Items 4&9	Result's of Annual Stockholder's meeting (Amend)
SEC Form 17-C dated July 18, 2014	July 21, 2014	Items 4&9	Results of the Organizational meeting held on July 18, 2014

DOCUMENT	DATE FILED	ITEM NO.	MATTER
SEC Form 17-C dated July 22, 2014	July 23, 2014	Item 2	Disposition of the Corporation's non-gaming assets to Belle Corporation
SEC Form 17-C dated July 15, 2014	July 23, 2014	Item 2	Corporation's acquisition from Belle Corporation's shares in Pacific Online Systems Corporation (LOTO) - Amend
SEC Form 17-C dated July 22, 2014	July 23, 2014	Item 2	Corporation's acquisition from Belle Corporation's shares in PremiumLeisure and Amusement, Inc. (PLAI) - Amend
SEC Form 17-C dated August 29, 2014	September 1, 2014	Item 9	Update on the corporate reorganization of the Company and Belle Corporation whereby the Company took on the gaming business of the Belle Group
SEC Form 17-C dated September 9, 2014	September 9, 2014	Item 9	SEC approval of amendments to the Corporation's Articles of Incorporation (Amend)
SEC Form 17-C dated September 9, 2014	September 10, 2014	Item 9	Procedure for the updating of stock certificates in compliance with the Exchange's Policy on Updating of Stock Certificates
SEC Form 17-C dated September 9, 2014	September 10, 2014	Item 9	SEC approval of amendments to the Corporation's Articles of Incorporation which includes change of corporate name
SEC Form 17-C dated September 16, 2014	September 17, 2014	Item 9	Issuance of 24,700,000,000 common shares subscribed by Belle Corporation
SEC Form 17-C dated September 26, 2014	September 29, 2014	Item 9	Conclusion of the roadshow of the Corporation's principal shareholders in connection with the planned sale of up to 3,263,714,000 common shares held by them in the Corporation
SEC Form 17-C dated October 27, 2014	October 27, 2014	Item 9	Exercise of Over-Allotment Option by CLSA Limited granted in connection with sale by Belle Corporation together with some subsidiaries and an affiliate, of part of Belle's shareholdings in the Corporation.
SEC Form 17-C dated October 27, 2014	October 27, 2014	Item 9	Call on Unpaid Subscriptions (IPO and 1996/1997 Private Placements)
SEC Form 17-C dated November 26, 2014	November 26, 2014	Item 9	To update Premium Leisure Corp website information

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 3 1 2015, 2015.

By:

WILLY N. OCIER
Chairman of the Board

FREDERIC C. DYBUNCIO
President & CEO

JACKSON T. ONGSIP
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ___th day of MAR 3 1 2015 2015 affiants exhibiting to me their Community Tax Certificates and Tax Identification Numbers, as follows:

NAME	PASSPORT/DRIVERS LICENSE/TAX IDENTIFICATION NUMBER	DATE OF ISSUE	PLACE OF ISSUE
WILLY N. OCIER	EB6130282 TIN 101-934-954	August 14, 2012	Manila
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	March 22, 2014	Manila
JACKSON T. ONGSIP	N03-90-097042 TIN 178-486-617	July 21, 2014	Manila

DOC. NO. : 84

PAGE NO. : 18

BOOK NO: 14

SERIES OF: 2015

JOSEFINA WAN-REMOLLO
Notary Public
UNTIL DECEMBER 31, 2015
PTR NO. 4230709/1.22.15/PASAY
IBP NO. 0985089/1.08.15/BULACAN
ROLL NO. 36042

PREMIUM LEISURE CORP.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

INDEX TO EXHIBITS

Form 11-A

No.	Page No.
(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	*

*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, 2014 and 2013, 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.

WILY N. OCIER
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

JACKSON T. ONGSIP
Chief Finance Officer

Signed this 5th day of March 2015

MAR 27 2015

SUBSCRIBED AND SWORN to before me this ____ day of ________2015 affiants exhibiting to me their Passport, Drivers License and Tax Identification Numbers, as follows:

NAME	PASSPORT/DRIVERS LICENSE/TAX IDENTIFICATION NUMBER	DATE OF ISSUE	PLACE OF ISSUE
WILLY N. OCIER	EB6130282 TIN 101-934-954	August 14, 2012	Manila
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	March 22, 2014	Manila
JACKSON T. ONGSIP	N03-90-097042 TIN 178-486-617	July 21, 2014	Manila

DOC NO. : 248

PAGE NO. : 51

BOOK NO. : 318

SERIES OF : 2015

NELSON Y. NG
NOTARY PUBLIC NO. M26 UNTIL 12/31/2016
PTR NO. 4[illegible] 01/05/2015
IBP NO. [illegible] 09/23/2014
ATTORNEY'S ROLL NO. 28269
CITYLAND 10, H. V. DELA COSTA, MAKATI
MCLE IV 1710 - 03/11/2011

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	0	0	9	2	8	9

Company Name

PREMIUM LEISURE CORP. & SUBSIDIARIES (formerly Sinophil Corporation)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.premiumleisurecorp.com	662-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
554		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jackson T. Ongsip	jackson.ongsip@sminvestments.com	662-8888	

Contact Person's Address

5th Floor Tower A Two E-Com Center Palm Coast Ave., MOA Complex CBP-1A Pasay City

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premium Leisure Corp.

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, 2014 and 2013, and the consolidated 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, 2014, 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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751303, January 5, 2015, Makati City

March 5, 2015

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 21)	**₱2,692,121,573**	₱925,039
Receivables and others (Notes 9, 19 and 21)	**57,800,517**	26,201,799
Other current asset (Note 19)	–	65,501,280
Total Current Assets	**2,749,922,090**	92,628,118
Noncurrent Assets		
Intangible asset (Note 10)	**10,794,591,525**	–
Investment in an associate (Note 12)	**1,552,566,238**	–
Available-for-sale financial assets (Notes 11 and 21)	**489,801,169**	1,580,820,800
Investment properties (Note 13)	**285,510,452**	394,210,452
Other noncurrent assets	**469,298**	–
Total Noncurrent Assets	**13,122,938,682**	1,975,031,252
TOTAL ASSETS	**₱15,872,860,772**	₱2,067,659,370
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 14, 19 and 21)	**₱79,141,507**	₱53,321,503
Income tax payable	**4,812,080**	–
Total Current Liabilities	**83,953,587**	53,321,503
Noncurrent Liabilities		
Retirement liability (Note 7)	**1,047,500**	–
Due to Belle Corporation (Note 19)	–	179,011,579
Total Noncurrent Liabilities	**1,047,500**	179,011,579
TOTAL LIABILITIES	**85,001,087**	232,333,082
Equity (Note 15)		
Capital stock	**7,906,827,500**	7,927,310,000
Additional paid-in capital	**6,946,201,779**	2,039,727,799
Subscription receivable	**(185,480,975)**	(4,962,580,586)
Cost of Parent Company shares held by a subsidiary	–	(512,594,197)
Other reserves	**139,381,879**	315,951,765
Retained earnings (deficit)	**980,929,502**	(2,972,488,493)
Net Equity	**15,787,859,685**	1,835,326,288
TOTAL LIABILITIES AND EQUITY	**₱15,872,860,772**	₱2,067,659,370

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
INCOME			
Revenue			
Gaming revenue share (Notes 16 and 23)	**₱38,809,095**	₱–	₱–
Other Income			
Gain on sale of land (Note 19)	**149,170,154**	–	–
Equity in net earnings of an associate (Note 12)	**31,521,474**	–	–
Interest income from cash in bank and cash equivalents (Note 8)	**6,465,350**	1,043	1,160
Dividend income	**1,999,754**	–	–
Gain on liquidating dividend (Note 13)	**–**	–	33,324,175
	189,156,732	1,043	33,325,335
	227,965,827	1,043	33,325,335
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(468,991,793)**	(8,735,710)	(6,913,678)
FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT AND SALE OF GOLF CLUB SHARES (Note 11)	**1,643,407,304**	–	–
SHARE IN CUMULATIVE TRANSLATION ADJUSTMENTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 11)	**(58,318,988)**	–	–
PROVISION FOR IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 11)	–	–	(1,585,088,316)
INCOME (LOSS) BEFORE INCOME TAX	**1,344,062,350**	(8,734,667)	(1,558,676,659)
PROVISION FOR (BENEFIT FROM) CURRENT INCOME TAX (Note 18)	**5,117,366**	–	9,376,689
NET INCOME (LOSS)	**1,338,944,984**	(8,734,667)	(1,568,053,348)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods;			
Fair value change due to recovery of previous impairment	**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)**	–	–
Mark-to-market gains (losses) on available-for-sale financial assets (Note 11)	**23,420,369**	(20,800,737)	94,833,460
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods;			
Share in the other comprehensive loss of an associate accounted for using the equity method – net of tax (Note 12)	**(3,989,546)**	–	–
	19,430,823	(20,800,737)	94,833,460
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱1,358,375,807**	(₱29,535,404)	(₱1,473,219,888)
Basic/Diluted Earnings (Loss) Per Common Share (Note 20)	**₱0.086607**	(₱0.00112)	(₱0.20179)

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, 2014, 2013 AND 2012

					Other Reserves				
	Capital Stock (Note 15)	**Additional Paid-in Capital** (Note 15)	**Subscriptions Receivable** (Note 15)	**Cost of Parent Company Shares Held by a Subsidiary** (Note 15)	**Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 11)	**Share in Cumulative Actuarial Losses of an Associate** (Note 12)	**Share in Cumulative Translation Adjustments of an Associate and Other Reserves** (Notes 11 and 15)	**Retained Earnings (Deficit)** (Note 15)	**Total**
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**
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)**
Mark-to-market gain on available-for-sale financial assets	–	–	–	–	**23,420,369**	–	–	–	**23,420,369**
Share in other comprehensive loss of an associate accounted for using the equity method – net of tax	–	–	–	–	–	**(3,989,546)**	–	–	**(3,989,546)**
Total comprehensive (income) loss	–	–	–	–	**23,420,369**	**(3,989,546)**	–	**1,338,944,984**	**1,358,375,807**
Effect of quasi re-organization	**(5,195,482,500)**	**2,581,009,489**	–	–	–	–	–	**2,614,473,011**	–
Cancellation of Swap Agreement (Note 11)	**(1,000,000,000)**	**(559,847,304)**	–	–	–	–	**58,318,988**		**(1,501,528,316)**
Subscriptions during the year (Note 15)	**6,175,000,000**	**2,885,311,795**	–	–	–	–	–		**9,060,311,795**
Subscriptions collected (Note 15)	–	–	**4,777,099,611**	–	–	–	–	–	**4,777,099,611**
Sale of Parent Company shares held by a subsidiary (Note 15)	–	–	–	**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 15)	**Additional Paid-in Capital** (Note 15)	**Subscriptions Receivable** (Note 15)	**Cost of Parent Company Shares Held by a Subsidiary** (Note 15)	**Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 11)	**Share in Cumulative Actuarial Losses of an Associate** (Note 12)	**Share in Cumulative Translation Adjustments of an Associate and Other Reserves** (Notes 11 and 15)	**Retained Earnings (Deficit)** (Note 15)	**Total**
Balance at December 31, 2012	₱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
Balance at December 31, 2011	₱7,927,310,000	₱2,039,727,799	(₱4,962,993,086)	(₱512,594,197)	₱300,238,030		(₱58,318,988)	(₱1,395,700,478)	₱3,337,669,080
Net loss	–	–	–	–	–		–	(1,568,053,348)	(1,568,053,348)
Other comprehensive income									
Mark-to-market gain on available-for-sale financial assets	–	–	–	–	94,833,460	–	–	–	94,833,460
Total comprehensive income (loss)	–	–	–	–	94,833,460	–	–	(1,568,053,348)	(1,473,219,888)
Subscriptions collected	–	–	337,500	–	–	–	–	–	337,500
Balance at December 31, 2012	₱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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,344,062,350**	(₱8,734,667)	(₱1,558,676,659)
Adjustments for:			
Fair value change due to cancellation of Swap Agreement and sale of golf club shares (Note 11)	**(1,643,407,304)**	–	–
Provisions for impairment of:			
Receivables and others (Note 9)	**349,691,841**	256,937	141,562
Available-for-sale financial assets (Note 11)	**–**	–	1,585,088,316
Gain on sale of land (Note 19)	**(149,170,154)**	–	–
Share on cumulative translation adjustments of available-for-sale financial asset (Note 11)	**58,318,988**	–	–
Amortization of intangible asset (Notes 10 and 17)	**48,624,286**	–	–
Equity in net earnings of an associate (Note 12)	**(31,521,474)**	–	–
Interest income from cash in bank and cash equivalents (Note 8)	**(6,465,350)**	(1,043)	(1,160)
Dividend income	**(1,999,754)**		
Retirement expense (Note 7)	**1,047,500**		
Depreciation of property and equipment (Note 17)	**203,368**		
Gain on liquidating dividend (Note 13)	**–**	–	(33,324,175)
Operating loss before working capital changes	**(30,615,703)**	(8,478,773)	(6,772,116)
Decrease (increase) in receivables and others	**(381,290,559)**	11,438,141	13,078,499
Increase (decrease) in accrued expenses and other current liabilities	**21,842,615**	(45,567)	248,229
Cash used generated from (used for) operations	**(390,063,647)**	2,913,801	6,554,612
Income taxes paid	–	(2,854,689)	(6,522,000)
Interest received	**6,465,350**	1,043	1,160
Net cash provided by (used in) operating activities	**(383,598,297)**	60,155	33,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of interest in a subsidiary - net of cash acquired from subsidiary (Note 2)	**(10,840,082,454)**	–	–
Acquisition of interest in an associate (Notes 2 and 12)	**(1,525,034,310)**	–	–
Proceeds from redemption of preferred shares (Note 11)	**1,000,000,000**	–	–
Proceeds from sale of land and other assets (Note 19)	**323,371,434**	–	–
Proceeds from sale of available-for-sale financial assets (Note 11)	**198,000,000**	–	–
Decrease in due to Belle Corporation	**(179,011,579)**	–	–
Dividends received	**1,999,754**	–	–
Increase in other noncurrent assets	**(133,920)**	–	–
Net cash used in investing activities	**(11,020,891,075)**	–	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions by Belle Corporation (Note 15)	**9,060,311,795**	–	–
Collections of subscription receivable (Note 15)	**4,777,099,611**	75,000	337,500
Proceeds from sale of Parent Company shares (Note 15)	**258,274,500**	–	–
Cash provided by financing activities	**14,095,685,906**	75,000	337,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,691,196,534**	135,155	371,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**925,039**	789,884	418,612
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱2,692,121,573**	₱925,039	₱789,884

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. Beginning 1998, PLC repositioned itself as an investment holding company. PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), was 78.86% and 58.1% (direct and indirect) owned by Belle Corporation ("Belle") and the rest by the public as at December 31, 2014 and 2013, respectively. In September 2014, Belle's effective ownership interest in PLC increased from 52.58% to 89.83% but subsequently reduced to 78.86% upon the sale of 3.7 billion shares by Belle, APC Group, Inc. (APC) and Foundation Capital Resources, Inc. (FCRI) in October 2014.

The accompanying consolidated financial statements include the accounts of the Parent Company, PremiumLeisure and Amusement, Inc. (PLAI), FCRI and Sinophil Leisure and Resorts Corporation (SLRC), wholly-owned subsidiaries and incorporated in the Philippines. PLC and its subsidiaries (collectively referred to as "the Company") have an investment portfolio consisting of interest in gaming, real estate entities and public amusement recreation.

On September 5, 2014, the SEC approved the amendments to the Company's Articles of Incorporation which include, among others, the change in primary purpose to authorize the Company to engage in and/or invest in gaming businesses, and increase in authorized capital stock from 16,130,000,000 shares to 43,630,000,000 shares (see Note 15).

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

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 March 5, 2015.

2. Corporate Reorganization

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:

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

- Membership shares in Tagaytay Midlands Golf Club, Inc. (see Note 11);

- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area (see Note 13);
- 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 19).

(2) To acquire from Belle the following:

- 100% ownership interest in PLAI for a consideration of ₱10,847,820,000 (see Note 10);
- 34.5% ownership interest in Pacific Online Systems Corporation ("POSC") for a consideration of ₱1,525,034,310 (see Note 12).

(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 11).

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 available-for-sale (AFS) financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiaries, PLAI, FCRI and SLRC (collectively referred to as "the Company") (see Note 1). Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee 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.

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.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full upon consolidation.

4. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS that became effective during the year. The adoption of the new standards and amendments as at January 1, 2014 did not have a material effect on the accounting policies, financial position, or performance of the Company.

- Philippine Accounting Standard (PAS) 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
- Investment Entities (Amendments to PFRS 10,*Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements)*
- Philippine Interpretation IFRIC 21, *Levies*
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

<u>Improvements to PFRSs</u>

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have an impact on the Company's financial statements. These include:

- Annual improvements to PFRSs 2010–2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011–2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

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 standards and interpretations to have significant impact on its financial statements.

Effective in 2015

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Effective after 2015

- 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.

- 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 will not be applicable to the Company.

- 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. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- 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, 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.

- 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. This standard will not be applicable to the Company.

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosures* and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, 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. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and either are not expected to have a material impact on the Company's financial statements or not relevant to the Company's operations.

<u>Annual Improvements to PFRS (2010-2012 Cycle)</u>

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition

- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

Annual Improvements to PFRSs (2012-2014 cycle)

- 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).

Deferred Effectivity

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the 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. This interpretation will not be applicable to the Company.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 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, 2017 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.

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.

Financial Assets

Date of Recognition of Financial Assets. The Company recognizes financial assets in the 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 are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

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), directly attributable transaction costs.

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.

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 entered into for the purpose of short-term profit taking. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets at FVPL are subsequently recorded at fair value. Changes in fair value of such assets are accounted for in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively.

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 has no financial assets at FVPL and derivatives designated as hedging instruments as at December 31, 2014 and 2013.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. 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.

As at December 31, 2014 and 2013, this category includes the Company's cash and cash equivalents and receivables and others (except for input VAT) (see Notes 8 and 9).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity date is within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Company has no HTM investments as at December 31, 2014 and 2013.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are designated as available-for-sale 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 are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in 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 included in profit or loss. 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.

As at December 31, 2014 and 2013, this category includes the Company's investments in shares of stock shown under "Available-for-sale financial assets" account in the consolidated statements of financial position (see Note 11).

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.

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

As at December 31, 2014 and 2013, the Company has no financial liabilities at FVPL and derivatives designated as hedging instruments.

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 comprehensive 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.

This Company's liabilities arising from operations such as accrued expenses and other current liabilities (excluding statutory payables), and advances from Belle Corporation are classified under this category as at December 31, 2014 and 2013 (see Notes 14 and 19).

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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Determination of Fair Value and Fair Value Hierarchy of Financial Assets and Financial Liabilities

The fair value for financial assets and financial liabilities traded in active markets at each reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial assets and financial liabilities where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures are presented in Note 21.

Amortized Cost of Financial Assets and Financial Liabilities
Amortized cost is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

"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 in the consolidated statement of comprehensive income 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 in the consolidated statement of comprehensive income 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.

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.

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 in the consolidated statement of comprehensive income. 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 comprehensive 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 equity investments, 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 comprehensive income) is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income as part of profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive 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 right to receive cash flows from the asset has expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and 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. 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.

Where 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 comprehensive income.

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.

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 comprehensive 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, against the respective investment account.

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.

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 comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining 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 comprehensive income.

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.

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 comprehensive 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.

Property and Equipment (presented as part of Other Noncurrent Assets)

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and impairment in value. 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 profit or loss in the consolidated statement of comprehensive income.

Depreciation commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

Computer equipment	4 years
Transportation equipment	3 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 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 profit or loss in the consolidated statement of comprehensive 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.

Investment Property

Investment property, which consists of land, is carried at cost less any impairment in value.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy for property, plant and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the investment property 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 or its value in use and 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 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. 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. 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 recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates 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 had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income either as part of profit or loss for the year or as part of other comprehensive income in the case of asset carried at revalued amount.

Retirement Liability

The Company follows the minimum requirements set forth by Republic Act (RA) No. 7641, *An Act amending Article 287 of Presidential Decree no. 442, as amended, otherwise known as "The Labor Code of the Philippines",* covering all regular employees based on current monthly basic salaries. The retirement cost is determined using the projected unit credit method. Projected credit unit method reflects services rendered by employees to the date of the valuation and incorporates assumptions concerning employees' projected salaries. The present value of an entity's obligations reflects the discounted estimated amount of benefit that employees have earned in return for their service in the current and prior periods. This requires the entity to determine how much benefit is attributable to the current and prior periods based on the plan's benefit formula and to make actuarial assumptions about demographic and financial variables.

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.

Retained earnings (deficit) represent accumulated net earnings (losses).

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

The Parent Company shares held by a subsidiary are accounted for as equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue, or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration 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 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 16 and 23).

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.

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.

<u>Expense Recognition</u>
Expenses are recognized when these are incurred.

<u>Foreign Currency Transactions and Translation</u>
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 profit or loss in the consolidated statement of comprehensive 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 measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of a foreign operation and translated at the closing exchange rate.

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. (LIR-HK) Limited, before the Company discontinued using the equity method of accounting for its investments in LIR-HK (see Note 11).

<u>Income Taxes</u>

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 tax 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 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 tax authority.

Value-Added Tax (VAT). Revenues, expenses, assets, and liabilities are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax 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 tax included.

The carrying value of Input VAT is included under "Receivables and others" account in the consolidated statement of financial position (see Note 9).

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.

Earnings (Loss) per Share
Earnings (Loss) per share is computed by dividing net income (loss) by the weighted average number of issued and outstanding common shares during the year after deducting treasury shares, if any.

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 deferred income taxes, investments and advances, and borrowings.

Inter-segment Transactions. Segment revenue, segment expenses, and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated upon consolidation.

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 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's, or PAGCOR, (see Note 10). 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.

Acquisition of POSC. As discussed in Note 12, the PLC acquired 34.5% interest in POSC as part of its overall strategy to engage in the gaming industry. Based on management's judgment, PLC's investment gives PLC significant influence over POSC as evidenced by more than 20% voting interest.

The carrying value of investment in POSC amounted to ₱1,552.6 million as at December 31, 2014 (see Note 12).

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, 2014 and 2013, are disclosed in Note 21.

Determination of Fair Value of Financial Assets Not Quoted in an Active Market. The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's-length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as there is no available reference to its market.

The carrying value of investments in unquoted shares amounted to ₱1,000.0 million as at December 31, 2013 (see Note 11). In 2014, the 1 billion preferred shares were redeemed by Belle.

Determination of Impairment of 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, the customer's 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 2014 amounted to ₱340.7 million. No provision recognized in 2013 and 2012. Allowance for doubtful accounts amounted to ₱427.7 million and ₱87.0 million as at December 31, 2014 and 2013, respectively. The aggregate carrying values of receivables amounted to ₱50.28 million and ₱12.34 million as at December 31, 2014 and 2013, respectively (see Note 9).

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. 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 (see Note 10).

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 2014 and 2013. In 2012, the Company recognized an impairment loss amounting to ₱1,585.1 million. However, as discussed in Note 11, the Company implemented the cancellation of the LIR shares and therefore reversed the impairment loss recognized in prior years on the shares amounting to ₱1,559.8 million. 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 ₱489.8 million and ₱1,580.8 million as at December 31, 2014 and 2013, respectively. Allowance for impairment on

AFS financial asset amounted to ₱516.6 million ₱2,160.0 million as at December 31, 2014 and 2013, respectively (see Note 11).

Determination of Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investment property is 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 investment properties, property and equipment and other current asset was recognized in 2014, 2013 and 2012. The aggregate carrying value of investment properties amounted to ₱285.5 million and ₱394.2 million as at December 31, 2014 and 2013, respectively (see Notes 13 and 19). Property and equipment shown under "Other noncurrent assets" had an aggregate value of ₱0.40 million as at December 31, 2014.

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.

Input VAT, included under "Receivables and others", was provided with allowance for probable losses amounting to ₱11.0 million and ₱2.1 million as at December 31, 2014 and 2013, respectively (see Notes 9 and 17). Provision for probable loss on input VAT amounted to ₱8.9 million and ₱0.2 million in 2014 and 2013, respectively.

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 ₱147.4 million and ₱510.1 million as at December 31, 2014 and 2013, respectively (see Note 18).

Determination of Retirement Expense. The Company follows the minimum requirements set forth by RA No. 7641 covering all regular employees. The Company's cost and obligation to make payments to employees are recognized during the employees' period of service. The cost and obligation are measured using the projected unit credit method, assuming a certain percent of average salary increase using the current market yield for government securities. The benefits are based on employees' projected salaries and length of service. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement expense and liability.

Retirement liability amounted to ₱1.0 million as at December 31, 2014.

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.

8. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱473,098,345**	₱925,039
Short-term deposits	**2,219,023,228**	–
	₱2,692,121,573	₱925,039

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 ₱6.5 million in 2014. The amount of interest income in 2013 and 2012 is insignificant.

9. Receivables and Others

This account consists of:

	2014	2013
Loan assets	**₱422,341,815**	₱81,627,975
Accounts receivable (see Notes 16 and 23)	**38,809,095**	–
Advances to related parties (see Note 19)	**16,824,700**	17,692,279
Input VAT and Others	**18,555,728**	15,920,525
	496,531,338	115,240,779
Less allowance for doubtful accounts and probable loss on input VAT	**438,730,821**	89,038,980
	₱57,800,517	₱26,201,799

Receivables

Loan assets pertain to the following:

(a) Parent Company's acquisition of Legend International Resort H.K. (LIR-HK) Limited's loan from Union Bank of the Philippines for a total consideration of ₱81.6 million (see Note 11); and
(b) Parent Company's receivable from Metroplex amounting to ₱340.7 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 1,000,000,000 undelivered PLC shares (see Note 11).

The loan assets were fully provided with allowance as at December 31, 2014 and 2013.

The terms and conditions of advances to related parties are disclosed in Note 19.

Others
Others mainly pertain to input VAT amounting to ₱11.0 million and ₱9.9 million as at December 31, 2014 and 2013, respectively, with allowance for probable loss amounting to ₱11.0 million and ₱2.1 million as at December 31, 2014 and 2013, respectively.

Movement of allowance for doubtful accounts follows:

	2014	2013
Balance at beginning of year	**₱86,977,098**	₱86,977,098
Provision for doubtful accounts (see Note 17)	**340,713,840**	–
Balance at end of year	**₱427,690,938**	₱86,977,098

Movement of allowance for probable loss on input VAT is as follows:

	2014	2013
Balance at beginning of year	**₱2,061,882**	₱1,804,945
Provision for probable losses (see Note 17)	**8,978,001**	256,937
Balance at end of year	**₱11,039,883**	₱2,061,882

10. Intangible Asset

Intangible asset 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 (see Note 23).

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. For the year ended December 31, 2014, amortization of intangible recognized in the consolidated statement of comprehensive income amounted to ₱48.6 million (see Note 17).

11. Available-for-Sale Financial Assets

AFS financial assets consist of the following:

	2014	2013
Quoted shares:		
Belle - common shares (see Note 19)	**₱487,940,069**	₱490,939,700
Golf club shares (see Note 19)	**1,780,000**	89,800,000
Others	**70,000**	70,000
	489,790,069	580,809,700
Unquoted shares:		
Belle - preferred shares (see Note 2)	–	1,000,000,000
Others	**11,100**	11,100
	11,100	1,000,011,100
	₱489,801,169	₱1,580,820,800

Movements of this account are as follows:

	2014	2013
Cost:		
Balance at beginning of year	**₱3,366,556,838**	₱3,366,556,838
Cancellation of Swap Agreement	**(1,559,847,304)**	–
Redemption of preferred shares	**(1,000,000,000)**	–
Disposal during the year	**(198,000,000)**	–
Balance at end of year	**608,709,534**	3,366,556,838
Cumulative unrealized mark-to-market gain on AFS financial assets:		
Balance at beginning of year	**374,270,753**	395,071,490
Net increase (decrease) during the year	**23,420,369**	(20,800,737)
Balance at end of year	**397,691,122**	374,270,753
Accumulated impairment loss:		
Balance at beginning of year	**(2,160,006,791)**	(2,160,006,791)
Fair value change due to recovery of previous impairment	**1,643,407,304**	–
Balance at end of year	**(516,599,487)**	(2,160,006,791)
	₱489,801,169	₱1,580,820,800

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.

Belle

The investment in common shares of Belle is carried at market value.

The Company's investment in 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 19).

As discussed in Note 2, Belle preferred shares were redeemed for ₱1.0 billion cash (see Note 19).

Golf Club Shares

In accordance with the Settlement Agreement executed between PLC and Belle in 1997, PLC received 220 shares of Tagaytay Midland Golf Club, Inc. ("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.

Metro Manila Turf Club (MMTC)

MMTC is involved in the establishment, operation and maintenance of stadium, arenas, tracks, turf and other facilities for the conduct of any and all kinds of sports and games. On July 25, 1994, MMTC was granted a 25-year franchise to construct, operate and maintain a racetrack for horse racing in the city of Caloocan. An amendment to the franchise to operate in the province of Batangas, Cavite, Laguna and Rizal was approved by the Congress of the Philippines on June 9, 1997.

Belle and PLC partially sold their ownership in MMTC's capital stock in 2009 to a group of private investors, thereby reducing Belle and PLC's ownership as at December 31, 2009 from 42.5% and 45% to 8.75% and 3.75%, respectively.

As a result of the Company's loss of significant influence over MMTC, the investment was reclassified and presented in the consolidated statements of financial position as AFS financial assets effective December 31, 2009.

Legend International Resort H.K. Limited
In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of Legend International Resort H.K. Limited (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 Philippine Stock Exchange (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. 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 15).

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 Notes 7 and 19). 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 30, 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. In view of this, PLC reinstated the value of its investment in LIR -HK and through reversal of the impairment loss recognized in prior year of ₱1,559.8 million together with the reversal of the capital stock and related additional paid-in capital. Consequently, the related share in the cumulative translation adjustments of ₱58.3 million was recycled to profit and loss. 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 Note 15).

12. **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 ₱1,525,034,310.

Investment in POSC is accounted for under the equity method.

Acquisition costs	₱1,525,034,310
Accumulated equity in net earnings:	
Balance at beginning of year	–
Equity in net earnings for the year	31,521,474
Share in the other comprehensive loss of associate accounted for using the equity method	(3,989,546)
Balance at end of year	27,531,928
	₱1,552,566,238

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
Dividends received by PLC from POSC	–
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
Provisional goodwill	932,084,467
Carrying amount of PLC's investment in POSC	₱1,552,566,238

**Based on full year operations of POSC.*
***Excluding statutory payables amounting to ₱62,287,080 in 2014.*

The fair value of the net assets of POSC is provisionally determined as at December 31, 2014. Adjustments to those provisional fair values as a result of completing the initial accounting shall be made within 12 months from the acquisition date.

13. **Investment Properties**

This account includes land received from the spin-off of the real estate properties of MMTC, a former associate amounting to ₱285.5 million.

Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land along Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten the corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the application for dissolution of Belle Bay City.

In November 2012, the Company received land with an area of 4,348 square meters from Belle Bay City as liquidating dividend. The receipt of the land from Belle Bay City resulted in the cancellation of the Company's net investments in Belle Bay City amounting to ₱73.2 million as well as its advances amounting to ₱2.2 million. As a result of the liquidation of its investments in and advances to Belle Bay City, the Company received a land amounting to ₱108.7 million, presented under "Investment properties" account in the consolidated statement of financial position and recognized in the 2012 consolidated statement of comprehensive income a gain on liquidating dividend amounting to ₱33.3 million. The liquidating dividend received from Belle Bay City is valued based on determinable fair value at the date of distribution. In July 2014, land with a cost of ₱108.7 million was sold to Belle (see Note 19).

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2014 and 2013. The fair values were determined based on a cost approach valuation technique using current material and labor costs and categorized under Level 3 of the fair value hierarchy. The current use of all investment properties is their highest and best use.

14. **Accrued Expenses and Other Current Liabilities**

This account consists of:

	2014	2013
Accrued expenses	**₱55,839,115**	₱53,143,407
Advances from Belle (see Note 19)	**21,526,177**	–
Withholding taxes payable	**1,460,051**	72,223
Other payables	**316,164**	105,873
	₱79,141,507	₱53,321,503

Accrued expenses represent mainly accrual for professional fees and other general and administrative expenses. These are payable on demand.

15. **Equity**

Preferred Stock
As at December 31, 2014 and 2013, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25 and ₱1.00, respectively . 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		
	2014	2013	2012
Authorized	**37,630,000,000**	10,130,000,000	10,130,000,000
Par value	₱0.25	₱1.00	₱1.00
Issued:			
Balance at beginning of year	**3,096,990,785**	3,096,890,785	3,096,440,785
Cancellation of Swap Agreement (see Note 11)	**(1,000,000,000)**	–	–
Issuances	**29,343,573,915**	100,000	450,000
Balance at end of year	**31,440,564,700**	3,096,990,785	3,096,890,785
Subscribed	**186,745,300**	4,830,319,215	4,830,419,215
	31,627,310,000	7,927,310,000	7,927,310,000

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
Common stock			
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
Total – Common stock	**37,630,000,000**	**31,627,310,000**	
Preferred stock			
1997	6,000,000,000	-	1.00
Total – Preferred stock	**6,000,000,000**	-	

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 11).

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 11).

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 11).

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 11).

As discussed in Note 11, 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.

<u>Equity Restructuring</u>
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 10,130,000,000,000 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 for 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. Subscription receivable amounted to ₱185.5 million and ₱4,962.6 million as at December 31, 2014 and 2013, respectively.

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.

Parent Company Shares Held by a Subsidiary
FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2013 and 2012. These are presented as “Cost of Parent Company shares held by a subsidiary” and are treated as a reduction in equity.

During the year, 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.

16. 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 as follows:

Gaming revenue share (Gross)	₱45,674,116
Less PAGCOR license fee	(6,865,021)
Gaming revenue share (Net)	₱38,809,095

As at December 31, 2014, the gaming revenue share was recognized as accounts receivable from Melco (see Note 9). Such amount has been fully collected as at March 5, 2015.

17. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Provision for doubtful accounts and probable loss on input VAT (see Note 9)	**₱349,691,841**	₱256,937	₱141,562
Depreciation and amortization* (see Note 10)	**48,827,654**	–	–
Taxes and licenses	**26,676,818**	3,061,835	2,190,820
Professional and service fees (see Notes 19 and 23)	**23,833,011**	2,236,832	2,025,961
Representation and transportation	**5,245,618**	580,919	574,924
Transportation and travel	**4,907,707**	–	–
Salaries, wages and benefits	**4,501,906**	1,355,472	1,341,485
Commission expense	**1,525,034**	–	–
Outside services	**1,022,032**	–	–
Placement and listing fee	**736,336**	–	–
Association dues	**640,565**	773,943	–
Insurance	**284,279**	389,855	498,837
Miscellaneous	**1,098,992**	79,917	140,089
	₱468,991,793	₱8,735,710	₱6,913,678

**Also includes depreciation expense of property and equipment presented under "Other noncurrent assets".*

Miscellaneous pertains to office supplies, communication expenses, bank charges and others.

18. Income Taxes

The Company's provision for current income tax amounted to ₱5.1 million in 2014. The Company is in a tax loss position in 2013 and the Company's income items mainly consist of income subject to final tax. In 2012, the Company's provision for income tax amounted to ₱9.4 million which includes capital gains tax (CGT) paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱6.5 million. The payment of CGT was made for the sole purpose of facilitating the prompt transfer of title from Belle Bay City to the Company. The Company believes that the imposition of CGT is improper because the transfer was not made in the ordinary course of business but by operation of law in view of the ongoing liquidation process of Belle Bay City.

For the year ended December 31, 2014, PLAI elected to use Optional Standard Deduction (OSD) in computing its taxable income.

PLAI is not yet subject to minimum corporate income tax (MCIT) since its commercial operations commenced only in December 2014. The imposition of MCIT begins on the fourth taxable year immediately following the year in which PLAI commenced its business operations.

The reconciliation of the provision (benefit) for income tax computed at statutory income tax rate on income (loss) before income tax to the provision (benefit) from income tax as shown in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income tax computed at statutory tax rate	**₱403,218,705**	(₱2,620,400)	(₱467,602,998)
Income tax effect of:			
Change in unrecognized deferred tax assets	**(362,679,816)**	2,256,650	470,224,883
Income not subject to income tax	**(45,350,972)**	–	–
Nondeductible expenses	**19,253,281**	337,382	6,736,946
Equity share in net earnings of an associate	**(9,456,442)**	–	–
Excess of itemized deduction over OSD	**2,040,905**	–	–
Interest subject to final tax	**(1,939,605)**	(313)	(348)
Expired NOLCO	**31,310**	26,681	18,206
	₱5,117,366	₱–	₱9,376,689

The components of the Company's temporary differences and carryforward benefits of NOLCO for which no deferred tax assets were recognized are as follows:

	2014	2013
Allowance for doubtful accounts of receivables and others, excluding allowance for probable loss on input VAT (see Note 9)	**₱427,696,767**	₱86,977,098
Allowance for impairment of AFS investments	**2,000,000**	1,587,088,316
Allowance for deferred oil exploration and development costs	**18,377,841**	18,377,841
NOLCO	**43,224,980**	7,795,342
	₱491,299,588	₱1,700,238,597

Deferred tax assets amounting to ₱147.4 million and ₱510.1 million as at December 31, 2014 and 2013, 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.

In 2012, NOLCO that was claimed as deductions from regular taxable income by the Parent Company are as follows:

Year Incurred	Expiry Date	Amount
2009	December 31, 2012	₱5,968,650
2010	December 31, 2013	6,312,245
2011	December 31, 2014	5,410,332
		₱17,691,227

As at December 31, 2014, the Company has the following NOLCO that can be claimed as deductions from regular taxable income:

Year Incurred	Expiry Date	Amount
2012	December 31, 2015	₱79,873
2013	December 31, 2016	7,611,104
2014	December 31, 2017	35,534,003
		₱43,224,980

NOLCO amounting to ₱0.10 million and ₱0.08 million had expired in 2014 and 2013, respectively.

19. **Related Party Transactions**

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. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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 ₱1.00 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 ₱1,092.3 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 ₱154.0 million (net of ₱44.0 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 ₱92.3 million) as at December 31, 2013 amounting to ₱105.7 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, such number of developed lots in Rancho Montana having an aggregate value of approximately ₱794.0 million based on agreed valuation of ₱8,000.00 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 presented as "Other current asset" and land presented as part of "Investment properties" (see Note 13) amounted to ₱149.2 million.

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	Stockholder	Advances* (see Notes 9 and 14)	**2014**	**(₱22,393,756)**	**(₱5,468,361)**	Non-interest bearing, due and demandable	Unsecured, no impairment
			2013	(12,008,133)	16,925,395	Non-interest bearing, due and demandable	Unsecured, no impairment
		Partial redemption of preferred shares	**2014**	**179,011,579**	–		
			2013	73,361,434	(179,011,579)	Non-interest bearing, due and demandable	Unsecured
op		Sale of non-gaming assets (see Note 2)	**2014**	**521,371,434**	–		
Parallax	Stockholder	Advances (see Note 9)	**2014**	–	**766,884**	Non-interest bearing, due and demandable	Unsecured, no impairment
			2013	–	766,884	Non-interest bearing, due and demandable	Unsecured, no impairment
Officers	Key management personnel	Salaries and wages	**2014**	₱3,454,406	₱–		
			2013	₱1,341,485	₱–		

**Composed of ₱16.1 million advances to Belle included under "Receivables and others" and ₱21.5 million advances from Belle included under "Accrued expenses and other current liabilities".*

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 ₱7,500,000 in 2014 was presented as part of "Professional and services fees" included under general and administrative expenses in the consolidated statements of comprehensive income (see Note 17).

20. Basic/Diluted Earnings (Loss) Per Common Share Computation

As at December 31, 2014 and 2013, basic/diluted losses per share were computed as follows:

	2014	2013
Net income (loss) (a)	**₱1,338,944,984**	(₱8,734,667)
Weighted average common shares, beginning	**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	**8,233,333,333**	–
Weighted average common shares, end (b)	**15,459,912,500**	7,770,780,000
Earnings (loss) per common share (a/b)	**₱0.086607**	(₱0.00112)

21. 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 AFS financial assets. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial liabilities such as accrued expenses and other current liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The Company is not exposed to any other type of market risk, such as foreign currency risk and interest rate risk, as the Company has no outstanding foreign currency-denominated accounts and interest-bearing other financial liabilities as at December 31, 2014 and 2013.

The BOD reviews and approves the policies for managing credit, liquidity and equity price 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, receivables and others and AFS financial assets.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. 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 Company's credit risk is concentrated on Belle, a stockholder, of which outstanding balance covers at least 95% and 96% of the Company's total receivables as at December 31, 2014 and 2013, respectively.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking into account of any collateral and other credit enhancements:

	Gross Maximum Exposure		**Net Maximum Exposure**	
	2014	2013	**2014**	2013
Cash and cash equivalents	**₱2,692,121,573**	₱925,039	**₱2,692,121,573**	₱425,039
Receivables and others*	**57,800,517**	17,715,534	**57,800,517**	17,715,534
AFS financial assets	**489,801,169**	1,580,820,800	**489,801,169**	1,580,820,800
	₱3,239,723,259	₱1,599,461,373	**₱3,239,723,259**	₱1,598,961,373

**This excludes prepayments and input vat amounting to nil and 8,486,265 as at December 31, 2014 and 2013, respectively.*

The table below shows the aging analysis of the Company's financial assets.

	2014						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	**Less than 30 days**	**31 Days to 1 Year**	**Over 1 Year up to 3 Years**	**Over 3 Years**	**Impaired**	**Total**
Cash and cash equivalents	**₱2,692,121,573**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,692,121,573**
Receivables and others:							
Loan assets	–	–	–	–	–	**422,341,815**	**422,341,815**
Accounts Receivable	**38,809,095**	–	–	–	–	–	**38,809,095**
Advances to related parties	**16,824,700**	–	–	–	–	–	**16,824,700**
Nontrade and others	**2,143,466**	–	–	–	**23,255**	**5,349,123**	**7,515,844**
AFS financial assets	**489,801,169**	–	–	–	–	**118,908,365**	**608,709,534**
	₱3,239,700,003	**₱–**	**₱–**	**₱–**	**₱23,255**	**₱546,599,303**	**₱3,786,322,561**

	2013						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	Total
Cash and cash equivalents	₱925,039	₱–	₱–	₱–	₱–	₱–	₱925,039
Receivables and others:							
Loan assets	–	–	–	–	–	81,627,975	81,627,975
Advances to related parties	17,692,279	–	–	–	–	–	17,692,279
Nontrade and others*	626,112	–	–	–	23,255	5,349,123	5,998,490
AFS financial assets	1,580,820,800	–	–	–	–	1,785,736,038	3,366,556,838
	₱1,600,064,230	₱–	₱–	₱–	₱23,255	₱1,872,713,136	₱3,472,800,621

**This excludes prepayments amounting to ₱8,486,265 as at December 31, 2013.*

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.

	2014			
	High Grade	**Medium Grade**	**Unrated**	**Total**
Cash in bank and cash equivalents	**₱2,692,121,573**	**₱–**	**₱–**	**₱2,692,121,573**
Receivables and others:	–	–	–	–
Accounts receivable	**38,809,095**	–	–	**38,809,095**
Advances to related parties	**16,824,700**	–	–	**16,824,700**
AFS financial assets	**487,940,069**	**1,780,000**	**81,100**	**489,801,169**
	₱3,235,695,437	**₱1,780,000**	**₱81,100**	**₱3,237,556,537**

	2013			
	High Grade	Medium Grade	Unrated	Total
Cash in bank	₱925,039	₱–	₱–	₱925,039
Receivables and others:	–			–
Advances to related parties	17,692,279	–	–	17,692,279
Others	626,112	–	–	626,112
AFS financial assets	1,490,939,700	89,800,000	81,100	1,580,820,800
	₱1,510,183,130	₱89,800,000	₱81,100	₱1,600,064,230

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.

Unquoted AFS financial assets in Belle preferred shares is considered as high grade. Quoted AFS financial assets are assessed based on financial status of the counterparty and its current stock price performance in the market. High grade AFS financial assets consistently show increasing stock prices while medium grade AFS financial assets show decline in value of not more than 20%.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in meeting obligations associated with its accrued expenses and other current liabilities.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds.

Liquidity risk is very minimal as at December 31, 2014 since the total current assets far exceeds the total current liabilities.

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 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.

	2014		2013	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	**4.17%**	**(4.17%)**	3.65%	(3.65%)
Effect on equity	**₱2,461,236**	**(2,461,236)**	₱2,153,582	(₱2,153,582)

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 2014 and 2013.

The Company considers the following as its capital.

	2014	2013
Capital stock	**₱7,906,827,500**	₱7,927,310,000
Additional paid-in capital	**6,946,201,779**	2,039,727,799
Subscription receivable	**(185,480,975)**	(4,962,580,586)
Retained Earnings (deficit)	**980,929,502**	(2,972,488,493)
	₱15,648,477,806	₱2,031,968,720

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 accrued expenses and other current liabilities (excluding statutory liabilities) and due to Belle Corporation in 2013 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 Philippine Stock Exchange (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 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, 2014 and 2013:

			2014		
	Date of Valuation	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets					
Assets measured at fair value					
AFS investments - listed	**December 31, 2014**	**₱489,790,069**	**₱–**	**₱11,100**	**₱489,801,169**

			2013		
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets					
Assets measured at fair value					
AFS investments - listed	December 31, 2013	₱580,809,700	₱–	₱1,000,011,100	₱1,580,820,800
Liabilities					
Liabilities for which fair value is disclosed:					
Payable arising from acquisition of land	December 31, 2013	–	179,011,579	–	179,011,579

There were no transfers between fair value measurements in 2014 and 2013.

22. 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, 2014 and 2013, the Company is organized into four business segments, which are investment holding, real estate, public amusement recreation and gaming business.

Financial information about the Company's business segments are shown below:

	2014					
	Investment Holding	**Real Estate**	**Public Amusement and Recreation**	**Gaming Business**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information						
Gaming revenue share	**₱–**	**₱–**	**₱–**	**₱38,809,095**	**₱–**	**₱38,809,095**
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	**(36,003,429)**	**(5,065,236)**	**(35,153)**	**(29,571,847)**	**(106,943,276)**	**(177,618,941)**
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**
Other Information						
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
Earnings Information						
Interest income	₱1,043	₱–	₱–	₱–	₱–	₱1,043
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)
Other Information						
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 the gaming business segment amounting to ₱38.8 million in 2014 is solely collectible from its external customer, Melco.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2014	2013	2012
Net Profit for the Year			
Total profit for reportable segments	**₱1,448,759,461**	(₱8,735,710)	(₱1,616,995,647)
Elimination for intercompany profits	**(109,814,477)**	–	58,318,988
Consolidated net profit	**₱1,338,944,984**	(₱8,735,710)	(₱1,558,676,659)
Assets			
Total assets for reportable segments	**₱3,035,904,146**	₱488,999,719	₱425,137,195
Investments and advances	**13,263,566,561**	1,767,533,930	1,784,732,627
Elimination for intercompany advances and investments	**(426,609,935)**	(188,874,279)	(183,211,226)
Consolidated assets	**₱15,872,860,772**	₱2,067,659,370	₱2,026,658,596

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.

Management 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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

23. 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 ₱100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of ₱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.

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 ₱7,075,317 in 2014 presented as part of "Professional and service fees" account under general and administrative expenses in the consolidated statements of comprehensive income (see Note 17).

24. **Contingency**

The Parent Company is a party to a civil case filed by Metroplex before the 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 11). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at March 5, 2015, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 11, 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.

25. **Events after the Reporting Period**

On March 5, 2015, the Company's BOD approved the declaration of cash dividends of ₱0.022 per share amounting to approximately ₱700.0 million to shareholders of record as at March 20, 2015. Payments will be made on April 17, 2015.

26. **Supplemental Disclosure of Cash Flow Information**

The following are the noncash investing and financing activities in 2013 and 2012:

	2013	2012
Transfer of developed lots from Belle on account (see Note 19)	₱65,501,280	₱–
Receipt of liquidating dividend (see Note 13)	–	108,700,000
Offsetting of subscription payments for Belle shares against advances to Belle	–	42,851,879

In 2014, the Company has no principal noncash activity.

PREMIUM LEISURE CORP. (formerly Sinophil Corporation) AND SUBSIDIARIES
Schedule of all the Effective Standards and Interpretations
December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	X		X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	X		X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	X		X
	Amendments to PFRS 1: Government Loans	X		X
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 1 – First-time Adoption of International Financial Reporting Standards – Meaning of "Effective PFRSs"	X		X
PFRS 2	Share-based Payment	X		X
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X		X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 2 – Share-based Payment – Definition of Vesting Condition	X		X
PFRS 3 (Revised)	Business Combinations	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 3- Business Combination – Accounting for Contingent Consideration in a Business Combination	X		X
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 3- Business Combination – Scope Exceptions for Joint Arrangements*	Not early adopted		
PFRS 4	Insurance Contracts	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		X
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 5 – Non-current Assets held for Sale and Discontinued Operations – Changes in Methods of Disposal*	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Financial Instruments – Disclosures – Servicing Contracts *	Not early adopted		
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not early adopted		
PFRS 8	Operating Segments	X		
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 8 – Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of Reportable Segments' Assets to the Entity's Assets*	Not early adopted		
PFRS 9	Financial Instruments (2014 version)*	Not early adopted		
PFRS 10	Consolidated Financial Statements	X		
	Amendments to PFRS 10: Consolidated Financial Statements – Investment Entities	X		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PFRS 11	Joint Arrangements	X		X
	Amendments to PFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Investment Entities	X		
PFRS 13	Fair Value Measurement	X		

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 13 – Fair Value Measurement – Short-term Receivables and Payables	X		
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 13 – Fair Value Measurement – Portfolio Exception*	Not early adopted		
PFRS 14	Regulatory Deferral Accounts*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories	X		X
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts	X		X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 16 – Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*	Not early adopted		
	Amendments to PAS 16: Bearer Plants*	Not early adopted		
PAS 17	Leases	X		X
PAS 18	Revenue	X		
PAS 19 (Revised)	Employee Benefits	X		
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions*	Not early adopted		

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 19 – Employee Benefits – Regional Market Issue Regarding Discount Rate*	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	X		X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		X
	Amendment: Net Investment in a Foreign Operation	X		X
PAS 23 (Revised)	Borrowing Costs	X		X
PAS 24 (Revised)	Related Party Disclosures	X		
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 24 – Related Party Disclosures – Key Management Personnel *	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	X		X
PAS 27 (Revised)	Separate Financial Statements	X		
	Amendments to PAS 27: Separate Financial Statements – Investment Entities	X		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not early adopted		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies	X		X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		
	Amendment to PAS 32: Classification of Rights Issues	X		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 34 – Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report” *	Not early adopted		
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount of Disclosures for Non-Financial Assets	X		

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 38 – Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	X		X
	Amendments to PAS 39: The Fair Value Option	X		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		X
	Amendment to PAS 39: Eligible Hedged Items	X		X
	Amendments to PAS 39: Financial Instruments – Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	X		
PAS 40	Investment Property	X		
	Annual Improvements to PFRSs (2011-2013) cycle: PAS 40 – Investment Property*	Not early adopted		
PAS 41	Agriculture	X		X
	Amendments to PAS 41: Bearer Plants*	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	X		X
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	X		X

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	X		X
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	X		X
IFRIC 9	Reassessment of Embedded Derivatives	X		X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		X
IFRIC 10	*Interim Financial Reporting and Impairment*	X		X
IFRIC 12	Service Concession Arrangements	X		X
IFRIC 13	Customer Loyalty Programmes	X		X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		X
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	X		X
IFRIC 15	Agreement for the Construction of Real Estate*	Not early adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	X		X
IFRIC 17	Distributions of Non-cash Assets to Owners	X		X
IFRIC 18	Transfers of Assets from Customers	X		X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	X		X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro	X		X
SIC-10	Government Assistance - No Specific Relation to Operating Activities	X		X
SIC-15	Operating Leases – Incentives	X		X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		X
SIC-29	Service Concession Arrangements: Disclosures	X		X
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		X
SIC-32	Intangible Assets - Web Site Costs	X		X

** Standards or amendments which will become effective subsequent to December 31, 2014.*