

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter

Premium Leisure Corp.

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila, Philippines

4. SEC Identification Number

AS93009289

5. BIR Tax Identification Code

003-457-827

6. Address of principal office

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City  
 Postal Code  
 1300

7. Registrant's telephone number, including area code

(+632) 8662 8888

8. Date, time and place of the meeting of security holders

June 25, 2021 at 10:00 A.M. Given the current circumstances, the meeting will be conducted via remote communication.

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 27, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

-

Address and Telephone No.

-

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	
Common Stock	31,216,931,000	

13. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

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

Philippine Stock Exchange, Inc./Common Stock

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



## Premium Leisure Corp. PLC

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jun 25, 2021
Type (Annual or Special)	Annual
Time	10:00 A.M.
Venue	Not applicable. Given the current circumstances, the meeting will be conducted via remote communication.
Record Date	May 27, 2021

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

#### Other Relevant Information

Please see attached Definitive Information Statement with the Audited Financial Statements for the period ended December 31, 2020, and SEC Form 17-Q for the period ended March 31, 2021.

#### Filed on behalf by:

Name	Darwin Mendoza
Designation	Authorized Representative

# COVER SHEET

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S.E.C. Registration Number

[illegible]

(Company's Full Name)

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P	A	L	M		C	O	A	S	T		A	V	E	.	,		M	A	L	L		O	F		A	S	I	A	
C	C	M	P	L	E	X		C	B	P	-	1	A	,		P	A	S	A	Y		C	I	T	Y				

**MICHELLE ANGELI T. HERNANDEZ**

Contact Person


**(+632) 8662-8888**

Company Telephone Number

Month Day  
Fiscal Year

### Definitive 20-IS

FORM TYPE



Month Day  
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

\_\_\_\_\_

Total No. of Stockholders

### Total Amount of Borrowings

\_\_\_\_\_

Domestic

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Foreign

To be Accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier

## STAMPS

Remarks = pls. use black ink for scanning purposes



**P R E M I U M  
LEISURE CORP.**

**Notice of Annual Stockholders' Meeting**

To all Stockholders:

The annual meeting of the stockholders of Premium Leisure Corp. (the **Company**) will be held on June 25, 2021, Friday at 10:00 A.M. Given the current circumstances, the meeting will be conducted virtually and voting conducted *in absentia* through the Company's secure online voting facility.

**Agenda:**

1. Call to Order
2. Proof of Notice of Meeting and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on June 22, 2020
4. Approval of 2020 Operations and Results
5. Ratification of all Acts of the Board of Directors and Management during their term of office
6. Election of Directors for 2021-2022
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

Please refer to Annex A for a brief explanation of each agenda item for approval.


The Board of Directors (**Board**) has fixed the end of trading hours of The Philippine Stock Exchange, Inc. on May 27, 2021 as the record date for the determination of stockholders entitled to the notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering via <https://asmregister.premiumleisurecorp.com> and submitting the supporting documents listed there until June 22, 2021 (Tuesday). All information submitted shall be verified and validated by the Corporate Secretary.

Stockholders who wish to cast votes through a proxy may accomplish the proxy form (which need not be notarized) and submit the same on or before June 22, 2021. In view of the community quarantine, scanned forms will be accepted. Paper copies shall be sent to the office of the Corporate Secretary at the 33<sup>rd</sup> Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City once the community quarantine is lifted.

Stockholders who successfully registered can cast their votes *in absentia* through the Company's secure online voting facility for this meeting. In order to participate through remote communication, they will also be provided with access to the meeting that will be held virtually. The "Guidelines for Participation via Remote Communication and Voting *in Absentia*" as appended to the Information Statement labeled as Schedule A is posted in the Company's website <https://www.premiumleisurecorp.com/ASM2021> and PSE Edge.

Pasig City, May 12, 2021



**ELMER B. SERRANO**  
Corporate Secretary

## **Details and Rationale for Agenda Items for Approval**

### **Agenda Item No. 1: Call to Order**

The Chairman of the Board of Directors, Mr. Willy N. Ocier, will call the meeting to order.

### **Agenda Item No. 2: Proof of Notice of Meeting and Quorum**

The Corporate Secretary, Atty. Elmer B. Serrano, will certify that copies of this Notice were sent to Stockholders of record as of **May 27, 2021**. He will also certify the number of attendees, whether in person or by proxy or through remote communication, for the purpose of determining the existence of quorum to validly transact business.

### **Agenda Item No. 3: Approval of Minutes of the Annual Stockholders’ Meeting held on June 22, 2020**

The Minutes of the Annual Stockholders’ Meeting (ASM) held on June 22, 2020 was posted on the Company’s website: <https://premiumleisurecorp.com/investor-relations/disclosures/other-reports> within twenty-four (24) hours from adjournment of the meeting. Copies of the Minutes of the ASM held on June 22, 2020 are available for inspection during office hours at the office of the Corporate Secretary. . The results of last year’s ASM were also timely disclosed to the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC). The Minutes are subject to stockholders’ approval during this year’s stockholders’ meeting.

### **Agenda Item No. 4: Approval of 2020 Operations and Results**

The Company’s 2020 performance results have been summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended December 31, 2020. The AFS, as audited by the external auditor which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board. Stockholders will be given an opportunity to raise questions regarding the operations and report of the Company during the ASM.

### **Agenda Item No. 5: Ratification of all Acts of the Board of Directors, Board Committees and the Management During their Term of Office**

All actions, proceedings and contracts entered into, as well as resolutions made, including approvals of significant related party transactions of the Board, the Board Committees and the Management from the last ASM held on June 22, 2020 to the date of this meeting will be presented to the shareholders for their confirmation, approval, and ratification. The Company’s performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board which were effectively executed and complied with by management in conformance with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board, Board Committees, and Management is subject to stockholders’ approval during this year’s stockholders’ meeting.

### **Agenda Item No. 6: Election of Directors for 2021-2022**

Directors of the Company, including Independent Directors, have been pre-qualified by the Company’s Corporate Governance Committee for election as directors for 2021-2022. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company’s solid performance for the benefit of all its shareholders. The profiles of the Board are contained in the Information Statement for reference of the stockholders and are likewise

posted on the Company's website. Directors for 2021-2022 will be elected during this year's stockholders' meeting.

**Agenda Item No. 7: Appointment of External Auditor**

Upon recommendation of the Audit Committee, the Board approved and endorses for stockholder approval the appointment of Reyes Tacandong and Co. as the Company's external auditor for 2021. Reyes Tacandong & Co. is one of the top auditing firms in the country and is duly accredited with the SEC. The appointment of Reyes Tacandong & Co. as external auditor of the Company for 2021 is subject to stockholders' approval during this year's stockholders' meeting.

**Agenda Item No. 8: Other Matters**

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

**Agenda Item No. 9: Adjournment**

After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

## PROXY FORM

The undersigned stockholder of **PREMIUM LEISURE CORP.** (the “**Company**”), registered in the name of Philippine Central Depository Nominee Corporation, if applicable\*, hereby appoints \_\_\_\_\_, (as sub-proxy,\*) or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **June 25, 2021** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting held on June 22, 2020.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

2. Approval of 2020 Operations and Results.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

3. Ratification of the acts of the Board of Directors and the Management from the date of the last stockholders’ meeting to June 25, 2021.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

4. Election of Directors.

\_\_\_\_\_ Vote for all nominees listed below

\_\_\_\_\_ Willy N. Ocier  
 \_\_\_\_\_ Armin Antonio B. Raquel Santos  
 \_\_\_\_\_ Jaime J. Bautista (Independent)  
 \_\_\_\_\_ Maria Gracia P. Tan (Independent)  
 \_\_\_\_\_ Juan Victor S. Tanjuatco (Independent)  
 \_\_\_\_\_ Jerry C. Tiu (Independent)  
 \_\_\_\_\_ Exequiel P. Villacorta, Jr.

\_\_\_\_\_ Withhold authority for all nominees listed above

\_\_\_\_\_ Withhold authority to vote for the nominees listed below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. Election of Reyes Tacandong & Co. as external auditors.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters properly come before the meeting.

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain

\_\_\_\_\_  
 Printed Name of Stockholder/Broker/PCD Participant

\_\_\_\_\_  
 Signature of Stockholder or Name and Signature  
 of Authorized Signatory of Corporate  
 Stockholder/Broker/PCD Participant

\_\_\_\_\_  
 Date

*This Proxy must be submitted together with the following:*

**For Individual Stockholders**

*If a representative will sign on behalf of stockholder, this proxy must be submitted together with a duly executed Special of General Power of Attorney showing the authority of the representative to sign on behalf of the individual stockholder.*

**For Corporate Stockholders**

*A duly executed Secretary’s Certificate showing the authority of the representative to sign on behalf of the stockholder corporation. Enclosed is a sample Secretary’s Certificate for your reference.*

**For PCD Participants/Brokers**

*A duly executed Secretary’s Certificate showing the authority of the representative to sign on behalf of the PCD Participant/Broker, as well as the duly accomplished proxy or certificate of shareholdings issued by the PDTC. Enclosed is a sample Secretary’s Certificate for your reference.*

This Proxy should be received by the Corporate Secretary on or before **June 22, 2021** at least three (3) days before the date set for the annual meeting as provided in the By-laws. The Chairman of the meeting shall act as the proxy in the event no name is given.

This Proxy need not be notarized, and when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this Proxy will be voted “for” the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

This proxy form shall be valid for five (5) years from date hereof.

\* For PCD Participants/Brokers

## SPECIAL POWER OF ATTORNEY

Know all men by these presents:

I, \_\_\_\_\_, \_\_\_\_\_ citizen, of legal age and a resident of \_\_\_\_\_, do hereby name, constitute, and appoint \_\_\_\_\_, \_\_\_\_\_ citizenship, of legal age and a resident of \_\_\_\_\_, to be my true and lawful attorney-in-fact for myself and in my name, place and stead, to do and perform the following acts and things, namely:

1. To attend the 2021 Annual Stockholders' Meeting of Premium Leisure Corp., or at any adjournments thereof, of which I am a shareholder, and then and there to exercise my voice and vote and whatsoever privileges, rights, and prerogatives may correspond to me by reason of my shares therein; and
2. To delegate in whole or in part any or all of the powers and authorities herein covered, by means of an instrument in writing in favor of any third person or persons whom the attorney-in-fact may select.

Hereby giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing, whatsoever, requisite or necessary or proper to be done in and about the premises, as fully to all intents and purposes as I might or could do, with full power of substitution or revocation, and hereby ratifying and confirming all that the said attorney-in-fact or his substitute shall lawfully do or cause to be done under and by virtue of these presents.

IN WITNESS WHEREOF, I have signed this instrument in \_\_\_\_\_ on \_\_\_\_\_ 2021.

\_\_\_\_\_  
Name and Signature of Stockholder

Signed in presence of:

\_\_\_\_\_

Acknowledgement

Republic of the Philippines )  
\_\_\_\_\_ )

Before me, a Notary Public for and in the City of \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_ 2021 personally appeared \_\_\_\_\_ who presented to me his/her (Gov't. issued ID No.) issued on \_\_\_\_\_ at \_\_\_\_\_ and who was identified by me through his/her competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that his/her signature on the instrument was voluntarily affixed by him/her for the purposes stated therein, and who declared to me that he/she has executed the instrument as his/her free and voluntary act and deed.

This instrument refers to the Special Power of Attorney consisting of ( ) pages, including this page, and signed by the persons executing this instrument and sealed with the notarial seal.

WITNESS MY HAND AND SEAL on the date and place first above written.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of \_\_\_\_\_.



### SECRETARY'S CERTIFICATE

I, \_\_\_\_\_, \_\_\_\_\_ citizen, of legal age and with office address at \_\_\_\_\_, do hereby certify that:

1. I am the duly appointed Corporate Secretary of \_\_\_\_\_ (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at \_\_\_\_\_.

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Company held on \_\_\_\_\_, the following resolutions were passed and approved:

"RESOLVED, That \_\_\_\_\_, \_\_\_\_\_ be authorized and appointed, as he is hereby authorized and appointed, as the Company's Proxy (the "Proxy") to attend all meetings of the stockholders of Premium Leisure Corp. (PLC) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Company held in PLC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Company.

"RESOLVED, FINALLY, That PLC be furnished with a certified copy of this resolution and PLC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolutions have not been modified, amended or revoked in accordance with the records of the Company presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in \_\_\_\_\_ on \_\_\_\_\_.

\_\_\_\_\_  
Printed Name and Signature of the  
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on \_\_\_\_\_ in \_\_\_\_\_.  
Affiant exhibited to me his Competent Evidence of Identity by way of \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of \_\_\_\_\_.

## 2021 ANNUAL STOCKHOLDERS’ MEETING

### Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2021 Annual Stockholders’ Meeting (**ASM**) of Premium Leisure Corp. (“**PLC**” or the “**Company**”) will be held on **June 25, 2021 at 10:00 A.M.** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on **May 27, 2021 (“Record Date”)** as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

The Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy. This is in view of the community quarantine currently implemented in various areas of the country and in consideration of health and safety concerns of everyone involved.

### REGISTRATION

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until June 22, 2021, 12:00 noon via <https://asmregister.premiumleisurecorp.com> and by submitting the following requirements and documents, subject to verification and validation:

1. Individual Stockholders
  - 1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver’s license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder (up to 2MB)
  - 1.2. Stock certificate number
  - 1.3. Active e-mail address/es
  - 1.4. Active contact number/s, with area and country codes
2. Multiple Stockholders or with joint accounts
  - 2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver’s license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders (up to 2MB)
  - 2.2. Stock certificate number/s
  - 2.3. Active e-mail addresses of the stockholders
  - 2.4. Active contact numbers, with area and country codes
  - 2.5. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account
3. Corporate Stockholders
  - 3.1. Digital copy of the Secretary’s Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
  - 3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver’s license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
  - 3.3. Active e-mail address/es of the authorized representative
  - 3.4. Active contact number of an authorized representative, with area and country codes
4. PCD Participants/Brokers
  - 4.1. Digital copy of the Secretary’s Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker
  - 4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker

- 4.3. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
- 4.4. Active e-mail address/es of the authorized representative
- 4.5. Active contact number of the authorized representative, with area and country codes

**Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as these can result in failed registration. All documents/information shall be subject to verification and validation by the Company.**

**An active/valid email address is required for the registration. Any single email address can be used to register up to five (5) times for multiple shareholdings with the Company under different classifications, i.e., single, joint, multiple/joint, corporate and under broker account. If you have exceeded this number of allowable requests, please contact the Company's Governance and Corporate Affairs Department at (+632) 8662-8888 local 2179 or via email at [governance@bellec corp.com](mailto:governance@bellec corp.com).**

### **ONLINE VOTING**

Stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Access the voting portal by clicking the link, and log in using the unique credentials sent by email to the email-address of the stockholder provided to the Company.
2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended as **Annex A** to the Notice of Meeting.

2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees (abstain), or vote for certain nominees only.

**Note:** *A stockholder may vote such number of his/ her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (7 directors for the Company) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

**Example:** *A stockholder who has one hundred (100) shares in the Company will have seven hundred (700) votes (one hundred shares multiplied by seven directors to be elected) to distribute among the candidates. Thus, he or she may 1) divide all votes among all candidates equally; or 2) allocate all votes to one or some candidates in any manner so long as the total number of votes does not exceed seven hundred (700).*

3. Once the stockholder has finalized his or her vote, he or she can proceed to submit the same by clicking the "Submit" button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

### **ASM LIVESTREAM**

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will also be posted at <https://www.premiumleisurecorp.com/ASM2021>.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

### **OPEN FORUM**

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.


Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2021 Open Forum" to [plccorsec@premiumleisurecorp.com](mailto:plccorsec@premiumleisurecorp.com) on or before 24 June 2021. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.


Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Investor Relations.


*For any concerns, please contact the Company's Governance and Corporate Affairs Department at (+632) 8662-8888 local 2111 or via email at [governance@bellec corp.com](mailto:governance@bellec corp.com).*


*For complete information on the annual meeting, please visit <https://www.premiumleisurecorp.com/ASM2021>.*


## PROFILES OF THE NOMINEES TO THE BOARD OF DIRECTORS FOR 2021-2022


<b>WILLY N. OCIER</b>	
<b>EXPERIENCE / EDUCATION</b>	<p>Mr. Ocier, 64, Filipino, is an Executive Director and Chairman of Belle Corporation. He is also the Chairman and Director of Premium Leisure Corp., APC Group, Inc., Premium Leisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., Chairman and President of Pacific Online Systems Corporation, and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director for the following unaffiliated corporations: IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation.</p> <p>Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.</p>


<b>ARMIN ANTONIO B. RAQUEL SANTOS</b>	
<b>EXPERIENCE / EDUCATION</b>	<p>Mr. Raquel Santos, 53, Filipino, is concurrently the Executive Vice President – Integrated Resorts of Belle Corporation, Director, and the President and Chief Executive Officer of both Premium Leisure Corp. and its subsidiary Premium Leisure and Amusement, Inc. He is also a Director of Pacific Online Systems Corporation and Tagaytay Highlands International Golf Club, Inc., and a member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation.</p> <p>Formerly he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.</p> <p>Mr. Raquel Santos 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.</p>

<p style="text-align: center;"><b>JAIME J. BAUTISTA</b></p>		
<p><b>EXPERIENCE / EDUCATION</b></p>	<p>Mr. Bautista, 64, Filipino, is the former President and Chief Operating Officer of Philippine Airlines, Inc., as well as a former Executive and Director in Macroasia Corporation, Macroasia Services Corporation, Macroasia Airport Services Corporation, Macroasia Properties Development Corporation and ETON Properties Philippines, Inc. He is also a former Treasurer of Tan Yan Kee Foundation, Inc. He served in various executive capacities in the Philippine Airlines Group for 15 years.</p> <p>Mr. Bautista is currently a non-executive director in Cosco Capital, Inc., Philippine Bank of Communications, Alphaland Corporation, Airspeed International Corporation, Gothong Southern Shipping Lines, Inc., and International School of Sustainable Tourism. He is likewise the Vice Chairman of the Philippine Eagle Foundation and a member of the Board of Trustees of the University of the East and the UE Ramon Magsaysay Medical Memorial Center.</p> <p>Mr. Bautista graduated in 1977 from the Colegio de San Juan de Letran, Magna Cum Laude with a degree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant. He received his Doctorate in Humanities (Honoris Causa) from the Central Luzon State University in 2018.</p>	

<p style="text-align: center;"><b>MARIA GRACIA P. TAN</b></p>		
<p><b>EXPERIENCE / EDUCATION</b></p>	<p>Atty. Tan, 65, Filipino, is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She is currently a Trustee of the International Budget Partnership, an international NGO based in Washington DC, USA. She is an Independent Director of the Asia United Bank, a director of several Philippine corporations, a tax consultant and legal adviser of some private clients, and an accredited Arbitrator of the Construction Industry Arbitration Commission, Philippines and Philippine Dispute Resolution Center, Inc, Philippines.</p> <p>Atty. Tan served as Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education.</p> <p>Backed by four decades of professional work in the Philippines and abroad as private law and accounting practitioner, government official, arbitrator and international consultant, she is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration.</p> <p>She graduated from the University of the Philippines in 1977 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Bachelor of Laws. In 1987, she obtained her Master of Laws (Tax) from the New York University.</p>	

<p style="text-align: center;"><b>JERRY C. TIU</b></p>		
<p><b>EXPERIENCE / EDUCATION</b></p>	<p>Mr. Tiu, 64, Filipino, is an Independent Director of Pacific Online Systems Corporation. He is likewise a Director and the President of Tagaytay Highlands Community Condominium Association, Inc., Tagaytay Midlands Community Homeowners' Association, Inc., and Greenlands Community Homeowners' Association, Inc. He is also the President of the following companies: Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa &amp; Lodge at Tagaytay Highlands, Inc. He is a former Director of the Manila Polo Club.</p> <p>Mr. Tiu holds a Bachelor of Science degree in Commerce (Major in Marketing) from the University of British Columbia.</p>	

<p style="text-align: center;"><b>JUAN VICTOR S. TANJUATCO</b></p>		
<p><b>EXPERIENCE / EDUCATION</b></p>	<p>Mr. Tanjuatco, 73, Filipino, is an Independent Director of Premium Leisure Corp., IP Ventures, Inc., and a Director of Ketmar Fast Food Corporation and MCORD Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatrust Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez in Manila, New Zealand and Hongkong, where, after 21 years, he retired as Deputy General Manager in Manila.</p> <p>Mr. Tanjuatco holds a Bachelor of Arts Degree in Economics from the Ateneo de Manila University (cum laude) and a Masters in Business Administration, major in Finance, from the Wharton School, University of Pennsylvania.</p>	

<p><b>EXEQUIEL P. VILLACORTA, JR.</b></p>		
<p><b>EXPERIENCE / EDUCATION</b></p>	<p>Mr. Villacorta, 75, Filipino, is a Non-Executive Director of Premium Leisure Corp. He is also a director of BDO Finance Corporation and Bayan Group of Foundations. Prior to these, he was a Director of BDO Leasing and Finance, Inc., Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank and PBCOM, and Adviser to the Board of PCI Capital Corporation.</p> <p>Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from the Asian Institute of Management.</p>	



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box  
[ ] Preliminary Information Statement  
[x] Definitive Information Statement
2. Name of Registrant as specified in its charter: **PREMIUM LEISURE CORP.**
3. Province, country or other jurisdiction of incorporation or organization:  
**Philippines**
4. SEC Identification Number: **AS93-009289**
5. BIR Tax Identification Number: **003-457-827**
6. Address of principal office and Postal Code:  
**5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila 1300**
7. Registrant's telephone number, including area code: **(632) 8662-8888**
8. Date, time, and place of the meeting of security holders:  
  
Date : 25 June 2021, Friday (via Remote Communication)  
Time : 10:00 A.M.  
Venue : Not applicable. Given the current circumstances, the meeting will be conducted via remote communication.
9. Approximate date on which the Information Statement is to be sent or given to security holders:  
**27 May 2021**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):  

Title of Each Class	Number of Shares of Common Stock Outstanding
<b>Common Stock</b>	<b>31,216,931,000 (As of 30 April 2021)</b>
11. Are any or all of Registrant's securities listed on a Stock Exchange?  

Common Shares	Yes [ X ]	No [ ]	
Preferred Shares	Yes [ ]	No [ X ]	

If so disclose name of the Exchange: **The Philippine Stock Exchange, Inc.**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED  
NOT TO SEND US A PROXY.**

## Voting Securities

The record date for purposes of determining the stockholders of **Premium Leisure Corp. (PLC or the Company)** entitled to notice of, and to vote, during the Annual Stockholders' Meeting is **May 27, 2021** (Record Date). The total number of shares outstanding and entitled to vote in the meeting is 31,216,931,000 shares (net of 410,379,000 treasury shares). Stockholders are entitled to cumulative voting in the election of the board of directors, as provided under Section 23 of the Revised Corporation Code.

In light of the community quarantine imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, this year's Annual Stockholders' Meeting will be conducted virtually, and will be broadcasted via livestreaming accessible to registered stockholders, the details of which can be found in <https://www.premiumleisurecorp.com/ASM2021>. The Company will record the video of the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its meeting held on 19 February 2021, adopted a resolution allowing stockholders to participate, and to exercise their right to vote, via remote communication or *in absentia*.

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at <https://asmregister.premiumleisurecorp.com/> on or before **June 22, 2021 (Tuesday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who will participate through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting. Voting will be made through a secure online voting facility accessible only to verified stockholders to protect the integrity and secrecy of votes cast.

*The detailed guidelines for participation and voting for this meeting are set forth in the “**Guidelines for Participation via Remote Communication and Voting in Absentia**” appended as **Schedule “A”** to this Information Statement.*

## GENERAL INFORMATION

### **Item 1. Date, time and place of meeting of security holders**

- |     |       |   |   |
|-----|-------|---|---|
| (a) | Date  | - | <b>25 June 2021 (Friday)</b>  |
|     | Time  | - | <b>10:00 A.M.</b>   |
|     | Place | - | <b>Not applicable. Given the current circumstances, the meeting will be conducted via remote communication.</b> |

The approximate date on which the Information Statement will be sent or given to security holders is on **27 May 2021**.

- (b) The complete mailing address of the principal office of Premium Leisure Corp. (PLC or the "Company") is:

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

### **Item 2. Dissenters' Right of Appraisal**

The matters to be voted upon in the Annual Stockholders' Meeting (ASM) on **June 25, 2021** are not among the instances enumerated in Sections 41 and 80 of the Revised Corporation Code ("Revised Code") 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. The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. 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 Revised Code;
3. In case of investment of corporate funds in another corporation or business or for any other purpose other than its primary purpose; and
4. In case of merger or consolidation.

In case the right of appraisal will be exercised, Section 81 of the Revised Code provides for the appropriate procedure, viz:

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of its shares held within thirty (30) days from the date on which the vote was taken: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay to such stockholder, upon surrender of the certificates of stock representing the shareholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Company.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No person who has been a director or officer or a nominee for election as director of the Company or associate of such persons, has a substantial interest, direct or indirect, in any matter to be acted upon other than the election of directors for the year 2021-2022.
- (b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Registrant during the stockholders' meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of **April 30, 2021**, the Registrant has 31,216,931,000 common shares outstanding and each share is entitled to one vote. As of **April 30, 2021**, out of the outstanding capital stock of the Company, 430,708,393 common shares or 1.38% are owned by foreigners.
- (b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the ASM is **May 27, 2021**.
- (c) Each common share of PLC is entitled to one (1) vote (each, a **Voting Share/s**) for each agenda item presented for stockholder approval, except in the election of directors where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus, since there are seven (7) directors to be elected, each Voting Share is entitled to seven (7) votes.

Stockholders may nominate directors, subject to pre-qualification by the Corporate Governance Committee within period of nomination set forth in the Company's By-laws or relevant regulations. Stockholders as of Record Date may then vote for nominees in person or by proxy. PLC also provides an online voting facility where registered stockholders can pre-cast their votes if not attending in person.

For this year's meeting, the Board of Directors has adopted a resolution allowing stockholders entitled to notice of, and to attend, the meeting, to exercise their right to vote *in absentia*. Registration and voting procedures are further detailed in Item 19.

- (d) The Company also provides an online voting facility where stockholders can cast their votes if not attending in person (see attached Schedule "A"). Voting Procedures are further detailed in Item 19.
- (e) Security ownership of certain record and beneficial owners and management.

#### **a. Security Ownership of Certain Record and Beneficial Owners**

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **April 30, 2021**:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizen - ship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common	Belle Corporation ("Belle") *  5th Floor, Tower A, Two E-Com Center Palm Coast Ave., Mall of Asia Complex, Pasay City, Metro Manila, Philippines	Belle (affiliate and majority shareholder)	Filipino	24,904,904,324	79.75

Common	PCD Nominee Corp. (Filipino) ** G/F Makati Stock Exchange, 6767 Ayala Avenue, Makati City	(please see footnote)	Filipino	5,823,436,712	18.41
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\*Belle is the parent company of Premium Leisure Corp. The shares held by Belle, being a corporate shareholder, shall be voted or disposed of, by the persons who shall be duly authorized by its Board of Directors 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 April 30, 2021, BDO Securities Corporation owns 2,487,117,000 shares, which represent 7.97% of the Company's outstanding capital stock.

As of April 30, 2021, 430,708,393 common shares of the Company are owned by non-Filipinos, constituting 1.38% of the Company's outstanding capital stock.

b. Security Ownership of Management

The following table shows the shares beneficially owned by the directors and officers of the Company as of April 30, 2021:

Title of Class	Name of Beneficial Owner	Amount* and Nature of Beneficial Ownership	Citizenship	Percent
Common	Willy N. Ocier	39,888,001 Direct	Filipino	0.13%
Common	Exequiel P. Villacorta, Jr.	500,001 Direct	Filipino	0%
Common	Juan Victor S. Tanjuatco	1 Direct	Filipino	0%
Common	Roman Felipe S. Reyes	1 Direct	Filipino	0%
Common	Armin Antonio B. Raquel Santos	1,000 Direct	Filipino	0%
Common	Jackson T. Ongsip	0	Filipino	0%
Common	Arthur A. Sy	20,000 Direct	Filipino	0%
Common	Elmer B. Serrano	0	Filipino	0%
Common	Phil Ivan A. Chan	0	Filipino	0%

\*Number of shares

c. 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 PLC's voting securities.

### **Changes in Control**

On June 2, 2014, the Company's Board 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 Premium Leisure and Amusement, Inc. (PLAI) and 34.5% interest in Pacific Online Systems Corporation (POSC). The transfers of the said assets were completed on July 24, 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. Belle, together with other principal shareholders agreed to offer a certain number of shares for sale, and as a result of which, its shareholdings in PLC was reduced. As of December 31, 2015, Belle directly owns 78.745% (24,904,904,324 shares) of PLC.

On August 5, 2015, PLC acquired additional 47,851,315 shares of POSC, thereby increasing its ownership from 34.5% to 50.1%. This resulted to the line by line consolidation of POSC by PLC. As of December 31, 2019, PLC owns 50.1% of POSC's issued shares.

On July 1, 2017, Lucky Circle Corporation (LCC), a subsidiary of POSC that operates and/or manages several outlets throughout the Philippines that sell products of POSC, including lotto, keno and instant scratch tickets, acquired 100% ownership interest in nine entities.

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for Php1.082 per share to a third party for a total consideration of Php137.4 million.

### **Item 5. Directors and Executive Officers**

#### **Directors and Executive Officers**

The names and ages of all the incumbent Directors, elected on June 22, 2020 during the ASM 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:

<b>Name</b>	<b>Citizenship</b>	<b>Age*</b>	<b>Position</b>	<b>Period Served</b>
Willy N. Ocier	Filipino	64	Chairman of the Board; Executive Director	Jun 25, 1999 - present
Armin Antonio B. Raquel Santos	Filipino	53	President and Chief Executive Officer; Executive Director	Jul 18, 2014 – July 03, 2017 as EVP & COO July 01, 2017 – present, as President & CEO
Roman Felipe S. Reyes	Filipino	69	Lead Independent Director	Jul 18, 2014 – present
Juan Victor S. Tanjuatco	Filipino	73	Independent Director	Jul 18, 2014 – present
Exequiel P. Villacorta, Jr.	Filipino	75	Non-Executive Director	Jul 18, 2014 – present
Jackson T. Ongsip	Filipino	47	Vice President for Finance, Chief Financial Officer, Treasurer, Chief Risk Officer, and Compliance Officer	Apr 23, 2012 - present

<b>Name</b>	<b>Citizenship</b>	<b>Age*</b>	<b>Position</b>	<b>Period Served</b>
Elmer B. Serrano	Filipino	53	Corporate Secretary and Chief Information Officer	Apr 27, 2015 - present
Arthur A. Sy	Filipino	51	Assistant Corporate Secretary	Jul 19, 2011 – present
Phil Ivan A. Chan	Filipino	38	Assistant Corporate Secretary	May 11, 2015 - present

\*As of December 31, 2020

## **BOARD OF DIRECTORS**

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

### **Willy N. Ocier**

Chairman, Executive Director

Date of first election – June 1999

Chairman, Executive Committee

Mr. Ocier, 64, Filipino, is an Executive Director and the Chairman of the Company. He is also the Chairman and Executive Director of Belle Corporation, APC Group, Inc., Premium Leisure and Amusement, Inc. and the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., Chairman and President of Pacific Online Systems Corporation, and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director for the following unaffiliated corporations: IVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. In recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

### **Armin Antonio B. Raquel Santos**

Executive Director, President and Chief Executive Officer

Date of first election as director/President and CEO – July 2017

Date of first appointment as officer – July 2014

Member, Compensation and Remuneration Committee

Member, Executive Committee

Mr. Raquel Santos, 53, Filipino, is the President and Chief Executive Officer of the Company. He is concurrently the Executive Vice President – Integrated Resorts of Belle Corporation, Director, and the President and Chief Executive Officer of PLC's subsidiary Premium Leisure and Amusement, Inc. He is also a Director of Pacific Online Systems Corporation and Tagaytay Highlands International Golf Club, Inc., and a member of the Board of Trustees of Melco Resorts (Philippines) Foundation Corporation.

Formerly he was Chief Finance Officer of Aboitizland, Inc., Cebu Industrial Park, Inc. and Mactan Economic Zone II and First Philippine Electric Company. He was also former Governor of the Board of Investments (BOI), served as Assistant Secretary with the Department of Trade and Industry (DTI), Vice Chairman and CEO of Philippine Retirement Authority (PRA), Executive Vice President of Philippine International Trading Corporation (PITC), and Deputy Administrator of Subic Bay Metropolitan Authority (SBMA). His experience includes stints with multinational companies; Securities 2000 Inc. (Singapore Technologies Group) and First Chicago Trust Company of New York.

Mr. Raquel Santos 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.

**Roman Felipe S. Reyes**

Lead Independent Director

Date of first election – July 2014

Chairman, Audit Committee

Member, Risk Oversight Committee

Member, Corporate Governance Committee

Member, Related Party Transactions Committee

Mr. Reyes, 69, Filipino, is an Independent Director of the Company. He is a Certified Public Accountant and is the Founding Partner and Chairman of Reyes Tacandong & Co. He serves as an Independent Director of Converge ICT Solutions, Inc., Radio Philippines Network – RPN 9, Philippine Geothermal Production Company, Pampanga Sugar Development Company, All Asian Countertrade, Macawiwili Gold Mining and Development Co., Inc., and Rockwell Leisure Club.

He is also a current Trustee of San Beda University and the San Beda College Alumni Foundation, and is the Chairman of the Board of San Beda College Alabang and the Chairman of the Board of Governors of Nicanor Reyes Memorial Foundation. Mr. Reyes was formerly a member of the GSIS Board of Trustees and formerly Director of Bank of Commerce, National Reinsurance Corporation of the Philippines and PNCC. 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**

Independent Director

Date of first election – July 2014

Chairman, Corporate Governance Committee

Chairman, Related Party Transactions Committee

Chairman, Compensation and Remuneration Committee

Member, Audit Committee

Member, Risk Oversight Committee

Mr. Tanjuatco, 73, Filipino, is an Independent Director of the Company, IP Ventures Inc., and a Director of Ketmar Fast Food Corporation and MCORD Fast Food Corporation. Previously, he served in the same capacity on the board of Insular Savings Bank and Asiatrust Development Bank. A career banker, he was the former President of Export and Industry Bank and was assigned to various managerial and executive positions at Credit Agricole Indosuez in Manila, New Zealand and Hongkong, where, after 21 years, he retired as Deputy General Manager in Manila.

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

**Exequiel P. Villacorta, Jr.**

Non-Executive Director

Date of first election – July 2014

Member, Audit Committee

Member, Risk Oversight Committee

Mr. Villacorta, 75, Filipino, is a Non-Executive Director of the Company. He is also a director of BDO Finance Corporation and Bayan Group of Foundations. Prior to these, he was a Director of BDO Leasing and Finance, Inc., Equitable PCI Bank, EBC Insurance Brokerage, and Maxicare Healthcare Corporation. He was the former Chairman of EBC Strategic Holdings Corporation, EBC Investments (now BDO Strategic Holdings), Jardine Equitable Finance Corporation, Strategic Property Holdings, PCIB Properties, Equitable Data Center, and PCI Automation Center. He was a past President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of the Private Development Corporation of the Philippines. He was



Senior Adviser and BSP Controller of Equitable PCI Bank and PBCOM, and Adviser to the Board of PCI Capital Corporation.

Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from the Asian Institute of Management.

The following are the nominees for election as regular members of the Board of Directors for 2021-2022:

1. Willy N. Ocier
2. Armin Antonio B. Raquel Santos
3. Exequiel P. Villacorta, Jr.

**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 SEC's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Company's By-Laws.

The Corporate Governance Committee constituted by the Company's Board, indorsed the nominations for election of the following as independent directors:

1. Juan Victor S. Tanjuatco
2. Jerry C. Tiu
3. Maria Gracia P. Tan
4. Jaime J. Bautista

Mr. Jerry C. Tiu, 64, Filipino, is an Independent Director of Pacific Online Systems Corporation. He is likewise a Director and the President of Tagaytay Highlands Community Condominium Association, Inc., Tagaytay Midlands Community Homeowners' Association, Inc., and Greenlands Community Homeowners' Association, Inc. He is also the President of the following companies: Tagaytay Highlands International Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., Tagaytay Midlands Golf Club, Inc., and The Spa & Lodge at Tagaytay Highlands, Inc. He is a former Director of the Manila Polo Club. Mr. Tiu holds a Bachelor of Science degree in Commerce (Major in Marketing) from the University of British Columbia.

Atty. Maria Gracia P. Tan, 65, Filipino, is the former Chairperson of the Commission on Audit, Undersecretary of Finance and Commissioner of the Presidential Commission on Good Government. She is currently a Trustee of the International Budget Partnership, an international NGO based in Washington DC, USA. She is an Independent Director of the Asia United Bank, a director of several Philippine corporations, a tax consultant and legal adviser of some private clients, and an accredited Arbitrator of the Construction Industry Arbitration Commission, Philippines and Philippine Dispute Resolution Center, Inc, Philippines. Atty. Tan served as Chairman of the United Nations Independent Audit Advisory Committee, the first Filipino to have been elected to this 5-member Committee. She is also a professor at the University of the Philippines for Mandatory Continuing Legal Education. Backed by four decades of professional work in the Philippines and abroad as private law and accounting practitioner, government official, arbitrator and international consultant, she is an expert in the fields of legal, finance, audit, governance, dispute resolution and administration. She graduated from the University of the Philippines in 1977 with a degree in Bachelor of Science in Business Administration and Accountancy and in 1981 with Bachelor of Laws. In 1987, she obtained her Master of Laws (Tax) from the New York University.

Mr. Jaime J. Bautista, 64, is the former President and Chief Operating Officer of Philippine Airlines, Inc., as well as a former Executive and Director of Macroasia Corporation, Macroasia Services Corporation, Macroasia Airport Services Corporation, Macroasia Properties Development Corporation and ETON Properties Philippines, Inc. He is also a former Treasurer of Tan Yan Kee Foundation, Inc. He served in various executive capacities in the Philippine Airlines Group for 15 years. Mr. Bautista is currently a non-executive director in Cosco Capital, Inc., Philippine Bank of Communications, Alphaland Corporation, Airspeed International Corporation, Gothong Southern Shipping Lines, Inc., and International School of Sustainable Tourism. He is likewise the Vice Chairman of the Philippine Eagle Foundation and a member of the Board of Trustees of the University of the East and the UE Ramon Magsaysay Medical Memorial Center. Mr. Bautista graduated in 1977 from the Colegio de San Juan de Letran, Magna Cum Laude with a degree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant. He received his Doctorate in Humanities (Honoris Causa) from the Central Luzon State University in 2018.

The Corporate Governance Committee, composed of Juan Victor S. Tanjuatco (Chairman) and Roman Felipe S. Reyes, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Revised Manual on Corporate Governance ("Revised Manual") and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC Rules).

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 ASM.

### **Directorships in other reporting companies**

During the last five (5) years, the following directors are also directors of other reporting companies as listed below:

<b>Name of Director</b>	<b>Name of Listed Company</b>	<b>Type of Directorship</b> (Executive, Non-Executive, Independent); Indicate if Director is also Chairman
Willy N. Ocier	AbaCore Capital Holdings, Inc.	Non-Executive
	APC Group, Inc.	Non-Executive / Chairman
	Belle Corporation	Executive / Chairman
	Leisure & Resorts World Corp.	Non-Executive
	Pacific Online Systems Corporation	Executive / Chairman
	Vantage Equities, Inc.	Non-Executive
Armin Antonio B. Raquel Santos	Pacific Online Systems Corporation	Non-Executive
Roman Felipe S. Reyes	Converge ICT Solutions, Inc.	Independent
Juan Victor S. Tanjuatco	No directorship in other listed companies	n/a
Exequiel P. Villacorta, Jr.	BDO Leasing and Finance	Non-Executive

### **Other Executive Officers as of December 31, 2020**

#### **Willy N. Ocier**

Please refer to Mr. Ocier's profile under "Board of Directors".

#### **Armin Antonio B. Raquel Santos**

Please refer to Mr. Raquel Santos' profile under "Board of Directors".

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

Mr. Ongsip, 47, Filipino, is the Vice President for Finance and Chief Financial Officer (CFO) and Treasurer of the Company. He is also the Vice President for Portfolio Investments of SM Investments Corporation, Executive Vice President, CFO and Treasurer of Belle Corporation. He is also a director, and the President and Chief Executive Officer of APC Group, Inc. since August 13, 2015. Mr. Ongsip is also a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 9 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

### **Elmer B. Serrano**

Atty. Serrano, 53, Filipino, is the Corporate Secretary and Corporate Information Officer of the Company. Mr. Serrano is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking & Finance. In 2020, the International Financial Law Review (IFLR) named Atty. Serrano as an *IFLR Asia Best Lawyer 2020*, one of only 11 lawyers from the Philippines, following his consistent ranking in IFLR1000 as a “Leading Lawyer – Highly Regarded” in all three practice areas.

The Legal500 Asia Pacific also recognized Mr. Serrano as a “Leading Individual” in Banking & Finance, after constant citation as a “Recommended Lawyer”.

Mr. Serrano is co-founder of Martinez Vergara Gonzalez & Serrano, a full service law firm recognized as top tier in several practice areas by the foremost international ranking and editorial publications.

Mr. Serrano is a director of 2GO Group, Inc. He is Corporate Secretary of a few of the largest and most respected publicly listed companies in the Philippines, including SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank. He is also Corporate Secretary of, or counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines, PDS Group of Companies and the Philippine Payments Management, Inc.

Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

### **Arthur A. Sy**

Atty. Sy, 51, Filipino, is the Assistant Corporate Secretary of the Company. He is the Senior Vice President for Legal Department and Assistant Corporate Secretary at SM Investments Corporation. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. 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, School of Law.

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

Atty. Chan, 39, Filipino, is the Assistant Corporate Secretary of the Company. He is a Partner at Martinez Vergara Gonzalez & Serrano. He also acts as the Corporate Secretary of listed company, Steniel Manufacturing Corporation and Assistant Corporate Secretary of Crown Equities, Inc. Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from Ateneo Law School.

### **Significant Employees**

There are no other significant employees.

### **Family Relationships**

No director and/or executive officer and/or person nominated as director of the Company are related up to the fourth degree by affinity or consanguinity.

### **Involvement in Certain Legal Proceedings**

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

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

Legal proceedings that the Company, its major subsidiaries and associates or any of their properties are subject to will not potentially affect their operations and financial capabilities.

### **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 or proposed transaction to which the Company was a party.

As summarized and disclosed in the its consolidated financial statements, in the ordinary course of business, the Company has transactions with related parties which consist mainly of extension of interest-bearing notes to, or availment of noninterest-bearing 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.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD.

Aside from these transactions, the Company has no other significant transactions that need to be disclosed.

The related party transactions are described in Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

### **Disagreement with Director**

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the latter's operations, policies, or practices.

### **Item 6. Compensation of Directors and Executive Officers**

#### **Summary of Annual Compensation**

<b>Directors</b>	<b>Gross Per Diem and Bonuses for Board and Committee Meetings attended in 2020 (PHP)</b>
Willy N. Ocier	630,000.00
Armin Antonio B. Raquel Santos	600,000.00
Exequiel P. Villacorta, Jr.	850,000.00
Roman Felipe S. Reyes	850,000.00
Juan Victor S. Tanjuatco	870,000.00

Name and Principal Position	Year	Salary/ Per Diem Allowance	Bonus	Other Annual Compensation	Total Annual Compensation
Willy N. Ocier, Chairman of the Board and Executive Director Armin Antonio B. Raquel Santos, President & CEO Jackson T. Ongsip, CFO Carlo R. Climaco, SAVP for Operations Maria Neriza C. Banaria, Controller					
President and 4 most highly compensated executive officers	2021*	12,930,139	–	196,330	13,126,469
	2020	12,930,139	–	196,330	13,126,469
	2019	11,896,201	–	852,969	12,749,171
	2018	11,709,011	–	757,040	12,466,050
All other officers and directors as a Group (Unnamed)	2021*	4,680,000	–	–	4,680,000
	2020	4,680,000	–	–	4,680,000
	2019	13,670,000	–	–	13,670,000
	2018	10,760,000	–	–	10,760,000

\*estimates

Other annual compensation pertains to leave conversion and other employee benefits. Except as provided above, there are no other officers of the Company receiving compensation.

#### Per Diem for Meetings Attended by Directors

For Board of Directors meetings, all independent directors are given a per diem of ₱50,000.00 each per meeting, while other directors are given a per diem of ₱20,000 each. For committee meetings, each director is given a per diem of ₱10,000.00 per day regardless of the number of meetings during the same day.

Below is the summary of Board and committee meetings held/attended by each director during 2020:

		WNOcier	AABRaquel Santos	RFSReyes	JVSTanjuatco	EPVillacorta,Jr
BOD	Attendance	7/7	7/7	7/7	7/7	7/7
	Percentage	(100%)	(100%)	(100%)	(100%)	(100%)
NED	Attendance	N.A.	N.A.	2/2	2/2	2/2
	Percentage			(100%)	(100%)	(100%)
CGCom	Attendance	N.A.	N.A.	5/5	5/5	N.A.
	Percentage			(100%)	(100%)	
AudCom	Attendance	N.A.	N.A.	4/4	4/4	4/4
	Percentage			(100%)	(100%)	(100%)
ExCom	Attendance	1/1	1/1	N.A.	N.A.	N.A.
	Percentage	(100%)	(100%)			
ROCom	Attendance	N.A.	N.A.	2/2	2/2	2/2
	Percentage			(100%)	(100%)	(100%)
RPTCom	Attendance	N.A.	N.A.	2/2	2/2	N.A.
	Percentage			(100%)	(100%)	
ComRemCom	Attendance	2/2	2/2	N.A.	N.A.	N.A.
	Percentage	(100%)	(100%)			

As additional reference, the following are the meetings held by the Board and committees during 2020:

	BOD	NED*	CGCom	AudCom	ExCom	ROCom	RPTCom	ComRemCom
02/19/20		✓		✓		✓		
02/21/20	✓		✓		✓		✓	✓
04/08/20								
05/05/20			✓	✓				
05/06/20	✓							
06/22/20	✓							
07/29/20			✓	✓				
07/30/20	✓							
10/20/20			✓	✓		✓	✓	
10/22/20	✓							
12/11/20	✓	✓	✓					✓

\* Four (4) NED meetings were held on February 19, 2020: 1) with the External Auditor; 2) with the Chief Audit Executive; 3) with the Chief Risk Officer; and 4) with the Compliance Officer.

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

There is no compensatory plan or arrangement with respect to named executive officers.

### Warrants and Options Outstanding

None.

### Item 7. Independent Public Accountants

- a. Reyes Tacandong & Co. will be recommended for appointment as external auditor for 2021. The recommendation to appoint a new external auditor is in line with the Company's thrust to promote good governance practices as stated in its Manual on Corporate Governance, that the external auditor or the handling partner shall be changed every five (5) years or earlier. This is also in support of the Company's efforts to rationalize expenditures and promote cost reduction measures.
- b. The Company's external auditors for 2019-2020 is SyCip, Gorres, Velayo & Co. (SGV), with Ms. Belinda T. Beng Hui as the partner-in-charge.
- c. 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.
- d. There was no event in the past five (5) years where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- e. Based on the code of ethics adapted by the SEC through the revised SRC Rule 68, the assignment of engagement partner for the Company shall not exceed seven (7) years.
- f. The aggregate fees paid by the Company for professional services rendered by the external auditor for the audit of financial statements for the years ended December 31, 2020 and 2019 are as follows:

	(P000's omitted)
2020	P478.0
2019	478.0

- g. 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. The rotation of independent auditors and the two-year cooling off period has been observed in the audit of the Company's financial statements.
- h. The Audit Committee, composed of Roman Felipe S. Reyes (Chairman), Juan Victor S. Tanjuatco and Exequiel P. Villacorta, Jr., 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.

#### **Item 8. Compensation Plans**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action will be presented for shareholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

#### **Item 10. Modification or Exchange of Securities**

No action will be presented for shareholders' approval at this year's annual meeting which involves the modification of any class of the Company's securities, or the issuance of one class of Company's securities in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

The Audited Financial Statements of the Company and the Management Report, incorporating the Management's Discussion & Analysis, is attached as **Annex "B"**.

Representatives of the external auditor, Sycip Gorres Velayo & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders. The Company has had no material disagreement with Sycip Gorres Velayo & Co. on any matter of accounting principle or practices or disclosures in the Company's financial statements.

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

##### *Acquisition of POSC shares*

On August 5, 2015, the Company purchased additional 47,851,315 shares in POSC at ₱20.90 per share, for an aggregate amount of approximately ₱1.0 billion. The acquisition resulted in providing controlling interest to PLC over POSC at 50.1% ownership. The acquisition was accounted for using the pooling of interest method, and resulted in the consolidation of POSC in PLC books.

##### *Acquisition of Falcon Resources, Inc.*

On June 16, 2014, Total Gaming Technologies Inc., a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former's intention to acquire the latter's interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for POSC. FRI is a company incorporated in the Philippines.

##### *Acquisition and Disposal of Lucky Circle Corporation (LCC) Subsidiaries.*

On July 1, 2017, LCC, a subsidiary of Pacific Online, acquired 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets: Athena Ventures, Inc., Avery Integrated Hub, Inc., Circle 8 Gaming Ventures, Inc., Luckydeal Leisure, Inc., Luckyfortune Business Ventures, Inc., Luckypick Leisure Club Corp., Luckyventures Leisure Corp., Lucky Games Entertainment Ventures Inc. and Orbis Valley Corporation. The acquisition is assessed by the Company to be an acquisition of a business. Goodwill recognized as at December 31, 2017 amounted to ₱3.7 million.

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for Php1.082 per share to a third party for a total consideration of Php137.4 million.

**Item 13. Acquisition or Disposition of Property**

No action will be presented for shareholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of the Company.

**Item 14. Restatement of Accounts**

No action will be presented for shareholders' approval at this year's annual meeting which involves the restatement of any of the Company's assets, capital or surplus account.

**OTHER MATTERS**

**Item 15. Action with Respect to Reports**

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except for the approval of the minutes of the previous annual meeting of the Company.

At the annual meeting on June 25, 2021, shareholders will be asked to approve and ratify the following:

1. Minutes of the Annual Stockholders' Meeting (ASM) held on June 22, 2020 as appended to this Information Statement as "Annex A". The minutes of the said ASM was posted on the Company's website: <http://www.premiumleisurecorp.com/investor-relations/disclosures/other-reports> within 24 hours from adjournment of the meeting. This includes the following:
  - a. Voting procedure used and the tabulation for each agenda item during the June 22, 2020 and the engagement of Alberto, Pascual and Associates as third-party validator of votes during the said meeting;
  - b. Opportunities presented to the shareholders to participate by asking questions; questions and responses have been included in the minutes of the meeting;
  - c. List of directors and officers who attended the meeting, as well as description of the stockholders who attended, verified by the Company's stock transfer agent and validated by Alberto, Pascual and Associates.

The office of the Corporate Secretary has in its full custody the list and names of the stockholders who participated in the June 22, 2020 ASM.

2. All general acts of the Board of Directors, Board Committees and Management during their term of office, which refer to all actions, proceedings and contracts entered into, as well as resolutions made including approvals of significant related party transactions of the Board, Board Committees and Management from the June 22, 2020 ASM to the date of this meeting.



The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business such as but not limited to approval of projects, Treasury matters related to opening of accounts and transactions with banks and appointment of signatories and amendments thereof. The significant acts or transactions of which are covered by appropriate disclosures with the SEC and PSE are as follows:

Date	Subject
June 22, 2020	Results of Annual Stockholders' Meeting
	Results of Organizational Meeting of the Board of Directors
June 30, 2020	[Amend-1] Annual Report
July 22, 2020	General Information Sheet for 2020
August 3, 2020	Quarterly Report
August 31, 2020	Integrated Annual Corporate Governance Report for 2019
October 23, 2020	Quarterly Report
December 14, 2020	Notice of ASM
December 23, 2020	Submission pursuant to SEC Memorandum Circular No. 28, Series of 2020
February 22, 2021	[Amend-1] Notice of ASM
March 26, 2021	Material Information/Transaction
March 26, 2021	Postponement of ASM
March 26, 2021	[Amend-2] Notice of ASM
March 31, 2021	[Amend-1] General Information Sheet for 2020
April 14, 2021	Declaration of Cash Dividends
April 15, 2021	Change in Directors and/or Officers
April 16, 2021	Information Statement
April 16, 2021	Annual Report
April 21, 2021	[Amend-2] General Information Sheet for 2020

- 2020 Operations and Results are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

There are no other matters that would require approval of the stockholders.

For the period ended April 30, 2021, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Articles of Incorporation / By-Laws**

Shareholders have the right to approve or disapprove any proposed amendments to the Articles of Incorporation of the Company. On the other hand, the Board of Directors have the power to amend the By-Laws pursuant to the authority delegated to it by the stockholders on December 20, 1993. There is no action to be taken with respect to any amendment of the Company's Articles of Incorporation, By-Laws and other charter documents which is required to be submitted to a vote of security holders.

#### **Item 18. Other Proposed Actions**

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

## **Item 19. Voting Procedures**

### **Vote required for approval**

Matters subject to stockholder approval, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote, a quorum being present in such meeting. Each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him.

Matters presented to stockholders for approval at this year's Annual Stockholders' Meeting require only a majority of the stockholders for approval. For election of directors, the stockholders are entitled to cumulate their votes as discussed in Item 4(c) of this Information Statement.

### **Methods by which votes will be casted and counted**

The Company's By-laws does not prescribe a specific manner of voting by stockholders. For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote in absentia.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors. Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

The Corporate Secretary is tasked and authorized to validate, count and tabulate votes by stockholders. For this year's annual meeting, Ms. Critina Castro Naguit, CPA has been engaged and appointed to independently count and validate tabulation of stockholder votes.

Pursuant to the Company's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary three (3) days prior the meeting. Duly signed proxy forms should therefore be submitted no later than June 22, 2021 at the Office of the Corporate Secretary at the 33rd Floor The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City for validation. A sample format of the proxy form is here attached and are also available at the Company's website at <https://www.premiumleisurecorp.com/ASM2021> .

The Corporate Secretary will lead the validation of proxies, in coordination with PLC's stock and transfer agent, to be attended by Ms. Naguit as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

*The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting in Absentia" appended as Schedule "A" to this Information Statement.*

Stockholders holding Premium Leisure Corp. common shares as of May 27, 2021 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

#### **1. Approval of Minutes of the Annual Stockholders' Meeting held on June 22, 2020**

The Minutes of the Annual Stockholders' Meeting (ASM) held on June 22, 2020 was posted on the Company's website: <http://www.premiumleisurecorp.com/investor-relations/disclosures/other-reports> within twenty-four (24) hours from adjournment of the meeting. Copies of the Minutes of the ASM held on June 22, 2020 are available for inspection during office hours at the office of the Corporate Secretary and will also be made available during this year's ASM. The results of last year's ASM were also timely disclosed to the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC). The Minutes are subject to stockholders' approval during this year's stockholders' meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

**2. Approval of 2020 Audited Financial Statements, Operations and Results**

The Company's 2020 performance results have been summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended December 31, 2020. The AFS, as audited by the external auditor which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board. Stockholders will be given an opportunity to raise questions regarding the operations and report of the Company during the ASM.

Required vote: A majority vote of stockholders present or represented at the meeting.

**3. Ratification of all Acts of the Board of Directors, Board Committees and the Management During their Term of Office**

All actions, proceedings and contracts entered into, as well as resolutions made, including approvals of significant related party transactions of the Board, the Board Committees and the Management from the last ASM held on June 22, 2020 to the date of this meeting will be presented to the shareholders for their confirmation, approval, and ratification. The Company's performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board which were effectively executed and complied with by management in conformance with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board, Board Committees, and Management is subject to stockholders' approval during this year's stockholders' meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

**4. Election of Directors for 2021-2022**

Directors of the Company, including Independent Directors, have been pre-qualified by the Company's Corporate Governance Committee for election as directors for 2021-2022. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its shareholders. The profiles of the Board are contained in the Information Statement for reference of the stockholders and are likewise posted on the Company's website. Directors for 2021-2022 will be elected during this year's stockholders' meeting.

Required vote: Each common share of PLC is entitled to one (1) vote (each, a **Voting Share**) for each agenda item presented for stockholder approval, except in the election of directors where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus, since there are seven (7) directors to be elected, each Voting Share is entitled to seven (7) votes. The seven (7) nominees with the most votes received shall be elected as the members of the Board for the ensuing year.

**5. Appointment of External Auditor**

Upon recommendation of the Audit Committee, the Board approved and endorses for stockholder approval the appointment of Reyes Tacandong & Co. as the Company's external auditor for 2021. Reyes Tacandong & Co. is one of the top auditing firms in the country and is duly accredited with the SEC. The appointment of Reyes Tacandong & Co. as external auditor of the Company for 2021 is subject to stockholders' approval during this year's stockholders' meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

## **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I hereby certify that the information set forth in this report is true, complete and correct.

This report is signed on May 12, 2021.

A handwritten signature in black ink, appearing to read "A. Raquel Santos", is positioned above the printed name.

**ARMIN ANTONIO B. RAQUEL SANTOS**  
President and Chief Executive Officer

**MANAGEMENT REPORT**

**PREMIUM LEISURE CORP.**

**BUSINESS AND GENERAL INFORMATION**

**Background**

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 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.

The Company (formerly Sinophil Corporation) was incorporated by Messrs. Gregorio T. Yu, Enrique Y. Teehankee, B. Patrick Sy, A. Bayani K. Tan, and Ms. Ma. Gracia P. Tan.

On June 3, 1997, the 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 July 19, 2019 the SEC approved the change in PLC's primary purpose to include that the Company shall not engage in real estate business activities.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.79% and 79.00% (direct and indirect) owned by Belle Corporation (“Belle” or “Ultimate Parent Company”) and the rest by the public as at December 31, 2020 and 2019, respectively.

PLC and its subsidiaries have investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution and others.

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.

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

	Percentage of Ownership			
	2020		2019	
	Direct	Indirect	Direct	Indirect
<b>Gaming Business</b>				
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	—	100.00	—
<b>Real Estate</b>				
Foundation Capital Resources, Inc. (FCRI) <sup>(a)</sup>	100.00	—	100.00	—
<b>Public Amusement and Recreation</b>				
Sinophil Leisure and Resorts Corporation (SLRC) <sup>(a)</sup>	100.00	—	100.00	—
<b>Lottery Equipment Leasing, Distribution and Others</b>				
Pacific Online Systems Corporation (POSC)	50.1	—	50.1	—
Loto Pacific Leisure Corporation (LotoPac)	—	100.00	—	100.00
Lucky Circle Corporation (LCC) <sup>(b)</sup>	—	—	—	100.00
Athena Ventures, Inc. <sup>(b)</sup>	—	—	—	100.00
Avery Integrated Hub, Inc. <sup>(b)</sup>	—	—	—	100.00
Circle 8 Gaming Ventures, Inc. <sup>(b)</sup>	—	—	—	100.00
Luckydeal Leisure, Inc. <sup>(b)</sup>	—	—	—	100.00

Luckyfortune Business Ventures, Inc. <sup>(b)</sup>	—	—	—	100.00
<i>(Forward)</i>				
Luckypick Leisure Club Corp. <sup>(b)</sup>	—	—	—	100.00
Luckyventures Leisure Corp. <sup>(b)</sup>	—	—	—	100.00
Lucky Games Entertainment Ventures Inc. <sup>(b)</sup>	—	—	—	100.00
Orbis Valley Corporation <sup>(b)</sup>	—	—	—	100.00
Total Gaming Technologies, Inc. (TGTI)	—	<b>98.92</b>	—	98.92
Falcon Resources, Inc. (FRI)	—	<b>100.00</b>	—	100.00
TGTI Services, Inc.	—	<b>100.00</b>	—	100.00
<i>The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.</i>				
<i><sup>(a)</sup> Non-operating</i>				
<i><sup>(b)</sup> Sold on February 13, 2020</i>				

## Material acquisitions of investments

The Company has invested in various companies as follows:

### 1. 100% Equity Investment in PLAI

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

On October 25, 2012, Belle, together with PLAI, and SM Investments Corporation (Philippine Parties), formally entered into a Cooperation Agreement with Melco Resorts and Entertainment (Philippines) Corporation (“MRP Parties”), which took effect on March 13, 2013, the date on which the conditions to closing under the Closing Agreement were fulfilled, or waived. Under the Cooperation Agreement, the Philippine Parties agreed to include the MRP 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 MRP Parties in the casino resort project.

Under the Cooperation Agreement, the Philippine Parties, through Belle, would provide the land and building structures for the casino complex. The land and building structures are leased to the MRP 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 MRP. In consideration, MRP Parties agreed to pay the Philippine Parties, through PLAI, certain amounts based on gaming revenues as follows:

#### **Fees payable to PLAI**

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

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

b) the higher of (i) one-half of the Project’s VIP gaming EBITDA (after deductions comprising 2% management allowance, VIP operating expenses and an agreed deductible of 7% of VIP gaming

EBITDA) (**PLAI VIP EBITDA**) or (ii) 2% of the Project's net VIP gross gaming revenues (after deduction of amounts for PAGCOR VIP license fees, VIP commissions and incentives, as well as VIP bad debt expenses) (**PLAI VIP Net Win**), whichever is higher (the **PLAI VIP Monthly Payment**).

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

City of Dreams (COD) Manila integrated resort opened to the public in December 2014, and had its grand opening on February 2015. The resort complex is located on a land area of around 6.2 hectares in the gateway of the Entertainment City. It is composed of hotel, retail and dining areas with an allotment of around 380 mass and VIP gaming tables, 2,260 slot machines and 1,130 electronic gaming tables. As of February 28, 2021, City of Dreams Manila boasts of 299 gaming tables, 1,987 slot machines and 272 electronic gaming tables in operation. With approximately 22,507 square meters of gaming gross floor area and around 20,000 square meters of retail and restaurant facilities and various entertainment options, City of Dreams Manila is one of the main players in the Philippine gaming industry. Total gross floor area of the entire complex is at 310,565 square meters.

The City of Dreams Manila features top hotel brands with approximately 940 hotel rooms. Nuwa has 245 luxurious rooms, while Hyatt, managed by Hyatt International Corporation, holds 365 rooms. Asia's first Nobu Hotel, meanwhile, owns 321 rooms.

City of Dreams Manila also showcases world-class entertainment areas, including DreamPlay by DreamWorks, a one-of-a-kind entertainment for the whole family and Centerplay, the central lounge in the casino that features live performances.

*Melco Resorts & Entertainment Limited ("Melco") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia.*

*In Macau, it operates its superbly designed and managed facilities through its subsidiary Melco Resorts (Macau) Limited, one of the only six companies granted concessions or subconcessions to operate casinos in Macau. In Manila, the City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of Melco into the fast-growing and dynamic tourism industry in the Philippines. The integrated casino resort at Entertainment City, Manila Bay, Manila, is operated and managed by its Philippine subsidiary, MRP.*

## 2. Controlling Interest in Pacific Online Systems Corporation ("POSC")

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

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

As of December 31, 2020, PLC has 50.1% ownership in POSC issued shares, with a total of 448,560,806 shares.

3. Acquisition of Falcon Resources, Inc.

On June 16, 2014, Total Gaming Technologies Inc., a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former's intention to acquire the latter's interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for POSC. FRI is a company incorporated in the Philippines.

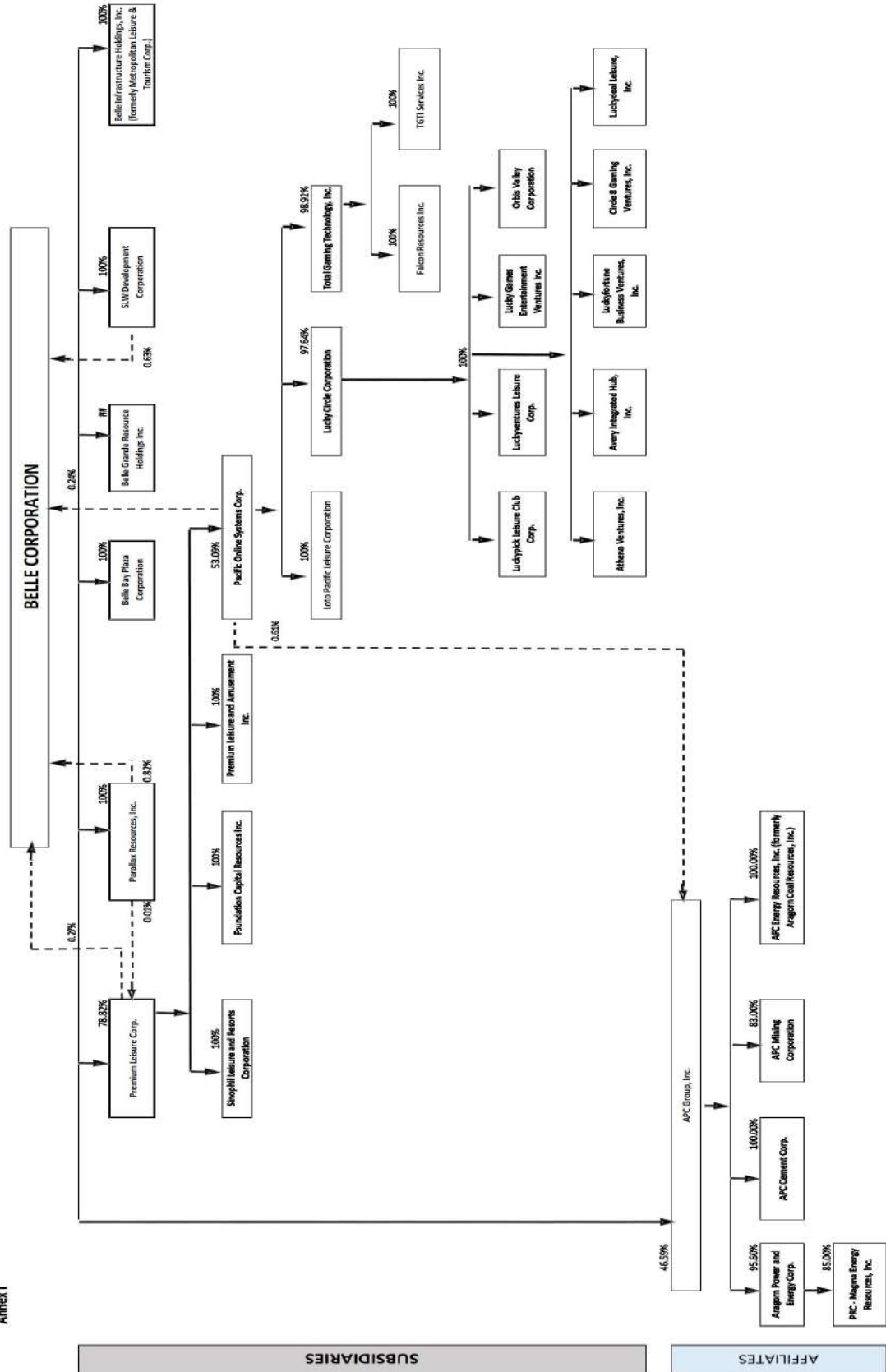
4. Acquisition and disposal of Lucky Circle Corporation (LCC) Subsidiaries.

On July 1, 2017, LCC, a subsidiary of Pacific Online, acquired 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets: Athena Ventures, Inc., Avery Integrated Hub, Inc., Circle 8 Gaming Ventures, Inc., Luckydeal Leisure, Inc., Luckyfortune Business Ventures, Inc., Luckypick Leisure Club Corp., Luckyventures Leisure Corp., Lucky Games Entertainment Ventures Inc. and Orbis Valley Corporation. The acquisition is assessed by the Corporation to be an acquisition of a business. Goodwill recognized amounted to ₱3.7 million.

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources to its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.

On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for Php1.082 per share to a third party for a total consideration of Php137.4 million.





## Revenues

The following are the major revenue and income items in 2020 and 2019:

Year ended December 31 (Php)	2020		2019	
	Amount	% to total	Amount	% to total
Gaming revenue share	635,217,388	66%	2,976,366,472	75%
Equipment lease rentals	293,104,496	30%	681,483,757	17%
Commission, distribution and instant scratch tickets	35,333,625	3%	308,381,639	8%
<b>Total</b>	<b>963,655,509</b>	<b>100%</b>	<b>3,966,231,868</b>	<b>100%</b>

## 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. PLAI is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, renewable for another 25 years, by the Philippine Congress.
2. POSC leases online betting equipment to the PCSO for their lottery operations in the Visayas and Mindanao regions for lotto and nationwide for KENO. PLC owns a controlling interest of 50.1% of issued shares of POSC, which is a publicly-listed company.

As of December 31, 2020, POSC together with its subsidiary, Total Gaming Technologies, Inc. (TGTI) had over 3,650 lottery terminals installed nationwide. All online lottery terminals located in PCSO authorized retail outlets are continuously connected to the PCSO's central computer system that enables real time recording and monitoring of lottery sales and validation of winning tickets.

Aside from the number of lottery terminals deployed, total PCSO online lottery sales depend highly on the average sales generated by the various online lottery games launched. The table below shows the minimum jackpot amounts and the draw frequencies of the different lotto games supported by POSC.

Lotto Game	Minimum Jackpot (Php)	Draw Frequency
6/42 Lotto	6,000,000.00	3x/week – Monday, Wednesday and Saturday
6/45 Mega Lotto	9,000,000.00	3x/week – Monday, Wednesday and Friday
6/49 Super Lotto	16,000,000.00	3x/week – Tuesday, Thursday and Sunday
6/55 Grand Lotto	30,000,000.00	3x/week – Monday, Wednesday and Saturday
6/58 Ultra Lotto	50,000,000.00	3x/week – Tuesday, Friday and Sunday
6D Lotto	150,000.00	3x/week – Tuesday, Thursday and Sunday
4D Lotto	10,000.00	3x/week – Monday, Wednesday and Friday
3D Lotto	4,500.00	Thrice daily
2D Lotto	4,000.00	Thrice daily

## Customers and Market Profile

POSC, a subsidiary in which PLC has a 50.10% stake based on issued shares, has Philippine Charity Sweepstakes Office (PCSO) as its major customer, with which it has Equipment Lease Agreements (ELA). It brokers technology from leading global suppliers of integrated gaming systems and leases to PCSO the needed equipment for online lottery operations in the Visayas-Mindanao (VisMin) regions.

Approximately 76% of PCSO lotto sales nationwide was generated by Luzon operations, and about 24% of sales is contributed by the VISMIN regions for the year ended 2020. This may be due to Luzon's higher population density, and higher average disposable income of residents. On the other hand, the VISMIN area faces some challenges due to its geography, more frequent power failures and intermittent telco connectivity.

It is noted that while in Luzon, the jackpot games account for 69% of total lottery sales, the VisMin area shows that digit games dominate the sales of the region, accounting for 77% of total lottery sales.

As of the end of 2020, the Company's total terminal deployment in VisMin territory covered 69 cities out of 72 total cities and 539 municipalities out of total 791. In Luzon, the Company's lotto terminal deployment, covered 52 cities and 74 municipalities. The Company covers 100% of the VisMin sales and only 7% in Luzon due to its restricted entry from 2012 up to 2019.

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

## **Competition**

*Gaming business:* City of Dreams Manila is competing against casinos operated by PAGCOR and the other licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. ("Travelers"), Solaire Resort and Casino of Bloomberry Resorts Corporation, and Okada Manila. Travelers has also broken ground on its planned Resorts World Westside project in PAGCOR City, which is expected to open in 2023.

*Lottery equipment leasing, distribution and retail business:* POSC, PLC's subsidiary, expects that the aggressive push for small town lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the Visayas-Mindanao (VisMin) region due to the popularity in that area of the digit games, which are very similar to the STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company expects to expand its operations in Luzon, where the additional revenues can offset the lost sales in VisMin due to STL.

## **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 in the government and PCSO administration may result to changes in policies and the way that such policies are implemented, which may be favorable or unfavorable to the Company.

In order to mitigate the risk above, Management keeps abreast of any potential condition that may adversely affect its operations, and, with the leadership of the Company's board of directors, considers available options and applicable steps to take to minimize risks.

### **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 PLC, including its subsidiaries and affiliates. New legislation rules regarding taxes on lottery products have an impact on sales as well.

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

## Competition Risk

As the Entertainment City grows and accommodates more players, the increase in competition also poses a risk to the Company especially as it obtains gaming share revenue, through PLAI, from City of Dreams Manila, whose operations may be affected by the increase of players in the market. Aside from the Entertainment City, new developments are also expected in other parts of Metro Manila as well as in other cities like Cebu.

In spite of the increase in competition, the increase in number of players in the gaming industry is expected to improve the Philippines' ability to attract more foreign players to the Entertainment City, making the gaming industry in the country more robust. The Company monitors COD Manila's performance and the performance of its competitors. The Company also endeavors to always be up-to-date on market trends.

POSC, on the other hand, expects that the aggressive push for small town lottery (STL) and the prevalence of illegal gambling particularly in interior towns and remote areas to continue to provide competition to its online lotto revenues. This mostly affects the Visayas-Mindanao (VisMin) region due to the popularity in that area of the digit games, which are very similar to the STL games. With the removal of the legal impediment for the Company to provide lotto equipment in Luzon, the Company expects to expand its operations in Luzon, where the additional revenues can offset the lost sales in VisMin due to STL.

## Risks relating to the Equipment Lease Agreement (ELA) of POSC with PCSO

The Company's ELA with PCSO is currently on a month-to-month basis since August 2020 following the failed bidding of its national online lottery system (NOLS) in 2019.

The PCSO bidding for its nationwide lottery system known as PCSO Lottery System (PLS) is scheduled for March 29, 2021, and the Company is well-positioned to be a front runner in the said bidding due to its credentials and track record. It is most likely that the Company's contract with PCSO will be extended for at least another year to accommodate the transition period required for a new system to be implemented, if any.

## Risk relating to the Company and its subsidiaries

### a. Dependence on Suppliers

POSC's lottery operations is anchored on a two-system network. The Company has existing contracts, each distinct and entered into separately, with two global leaders in the lottery industry, namely Scientific Games Corporation and Intralot, for the supply of computer supported lottery gaming systems. In the event that the contracts, whether collectively or individually, are terminated or suspended, operations and business of the Company may be impaired.

### b. Business Interruption Risk

The operations of POSC and its subsidiaries are dependent on the reliability of its central computer system and the communications infrastructure needed to run it. Any breakdown or failure in the system provided by its suppliers, failure in the communication infrastructure may negatively affect the Company's financial performance. However, this risk of business interruption is unlikely to happen due to the redundancy offered by the two suppliers. The communications infrastructure is being provided mainly by the two biggest telco providers in the country, namely: PLDT/Smart and Globe. The Company also contracted VSAT to provide connectivity to sites where Smart and Globe are not available.

## Data Privacy

PLC may be at risk for breach of data privacy as detailed information is gathered from customers and prospective buyers, suppliers, contractors and other business partners. This risk is mitigated through company-wide orientation on the Data Privacy Act, the topics of which include legal bases and implementing rules and regulations, rights of the individuals owning the information, exercising breach reporting procedures and other advisories.

## Information Technology

With the current business environment, Information Technology risks are ever increasing. These cover unauthorized access to confidential data, loss or release of critical information, corruption of data, regulatory violations, and possible increase in costs and inefficiencies.

In order to address these risks, PLC, thru Belle and IT contractors, has a co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery. It also continues to implement enterprise security solutions to manage external and internal threats. Annual review of technology roadmap to ensure the alignment between the business and information technology is performed.

## COVID-19

As to the impact of COVID-19 to our business/es, the Company strongly supports the Philippine government's efforts to curb the spread of the virus.

With Metro Manila placed on community quarantine and the rising number of cases in the country, the Company has experienced a slowdown in gaming revenues as the Philippine Amusement and Gaming Company suspended all casino operations on March 16 2020, when the Metro Manila was placed under Enhanced Community Quarantine (ECQ). The casinos have since then been allowed to operate on a dry run basis, and eventually were allowed to resume operations under General Community Quarantine (GCQ) with a capacity limit at 30% set by the Covid-19 Inter-Agency Task Force (IATF) and very strict health and social distancing protocols.

The same is true for PLC's subsidiary, Pacific Online Systems Corporation (POSC). The operations of the national lottery, Philippine Charity Sweepstakes Office (PCSO) was also suspended during the ECQ, and was also allowed to resume only after the second half of the year. Because POSC leases online lottery equipment to the PCSO, its revenues are highly dependent on PCSO's lotto and KENO sales, which have been impacted by COVID-19 related developments and the implementation of community quarantines.

The Company has thus far identified critical functions, and set in place business continuity plans (BCP), to ensure that it continues to manage potential and actual risks, while prioritizing the overall interests of its investors, customers, employees, and other stakeholders. The BCP includes implementation, execution and enhancement of countermeasures to limit operational and employee health risk. It incorporates work-from-home schemes, employee healthcare monitoring as well as a system for internal/external communication management.

The Company continues to work closely with its partners as it prepares for the eventual opening of the businesses with due consideration of the continued safety and protection of all its stakeholders.

The Company communicates constantly with its partners and stakeholders for updates through further news releases and/or our company website, [www.premiumleisurecorp.com](http://www.premiumleisurecorp.com).

The Company 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 Company. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Oversight Committee on any risk concerns.

## **Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreement or labor contracts including duration**

### *PAGCOR license*

PLC, through its subsidiary, PLAI, holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within PAGCOR Entertainment City. The license is concurrent with the PAGCOR congressional franchise and is set to expire in 2033, renewable for another twenty-five (25) years by the Philippine Congress.

### *Equipment lease agreement (ELA) with PCSO*

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance services and charities of national character. It generates funds for its programs by holding and conducting charity sweepstakes, races and lotteries.

The ELA was originally awarded by the PCSO to POSC on November 25, 1995, whereby PCSO leases online lottery equipment from the Company for PCSO's VisMin online lottery operations. This was amended on February 13, 2004, wherein POSC was allowed to continue deployment of online lottery terminals in VisMin

for a period of eight (8) years from date of its commercial operation, which was defined to be operation of not less than 800 terminals. With POSC's commercial operations effected on April 1, 2005, its amended ELA was due to expire on March 31, 2013. In addition to the lotto terminals, this lease includes the central computer system, communications and draw equipment and the right to use the application software and manuals for the central computer of PCSO's VisMin online lottery system.

*2012 Amended ELA.* On May 22, 2012, POSC and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIN operations and included the lease of lotto terminals and supply of betting slips and ticket paper rolls in some of PCSO's Luzon operations for additional lease fee effective June 1, 2012 until March 31, 2013, which is concurrent with the ELA expiry. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIN operations at the end of the lease period for 15.0 million.

*2013 Amended ELA.* On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIN operations, POSC agreed to reduce the rental fee on the lotto terminals for the VISMIN operations and shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIN operations. The amendment also incorporated the fee for the supply of betting slips and ticket paper rolls for the PCSO's Luzon operations as part of the rental fee.

*2015 Amended ELA.* In 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018 (see Note 28). The amendment also required POSC to deposit an additional 5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" in the consolidated statements of financial position.

*2018 Amended ELA.* On September 12, 2018, the ELA was amended to extend the term from August 1, 2018 to July 31, 2019. The amendment required POSC to post an additional deposit of Php7.0 million cash bond. The total cash bond of 12.0 million is included under "Other noncurrent assets" in the consolidated statements of financial position.

*2019 Supplemental ELA.* On August 1, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020. The said extension was intended for PCSO to complete the bidding process for the PLS under Republic Act No. 9184, as amended, until a new lottery system is fully realized, to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds for PCSO.

On July 27, 2019, the President of the Philippines suspended the sale of PCSO games, lotto, keno, instant scratch tickets and STL. The suspension was eventually lifted on the following dates: July 31, 2019 for lotto, August 23, 2019 for STL and September 27, 2019 for keno and scratch tickets.

*2020 Supplemental ELA.* On September 9, 2020, the term of the ELA was extended on a month-to-month basis effective August 1, 2020 but not to exceed one (1) year, commensurate to the necessity and immediacy to complete the bidding process of the new lottery system. POSC undertakes not to pull-out the lottery terminals until after the 7th month after the expiration of the ELA.

The PCSO announced that a bidding for its customized PCSO Lottery System, also known as the "2021 PLS Project", will be conducted during the early part of 2021. POSC has expressed its readiness to participate in the said bidding as it had joined the PCSO bidding exercises held in 2019. POSC's ELA with PCSO is currently on an annual basis because of the failed bidding in 2019. This means that POSC will have to continue to operate under the current ELA terms beyond July 2021, or when PCSO is able to hold its bidding, award the new ELA contract and undertake a transition from the current lottery system to the new system. POSC is well-positioned to be a front runner in the said bidding due to its credentials and track record. In the unfortunate circumstance that POSC does not win the bid, POSC will continue to operate given that POSC's contract with PCSO for the extension until July 31, 2021 has a provision that POSC undertakes not to pull out the lottery equipment for another seven (7) months from the date of expiration.

The fees, presented as "Equipment rental" in the consolidated statements of income, are based on a percentage of gross sales of lotto terminals or a fixed annual rental of P35,000 per terminal in commercial operation, whichever is higher. The number of installed lotto terminals totaled 3,370 and 3,785 as at December 31, 2020 and 2019, respectively.

On March 17, 2020 up to July 31, 2020, PCSO games were suspended in light of the declaration by the National Government of a public health emergency and the declaration of a national state of calamity due to the Covid-19 pandemic. The lotto jackpot games resumed on August 7, 2020, while the 2D and 3D lotto games followed on August 24, 2020. The 4D and 6D lotto games resumed on January 7 and 8, 2021, respectively.

#### *Instant Scratch Tickets*

On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA's effectivity.

The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The interest accrues to POSC and is credited to a separate bank account. In 2018, POSC received a certification from PCSO for the release of such bond.

On March 31, 2015, POSC entered into an Outsourcing Memorandum of Agreement (OMOA) with Powerball Gaming and Entertainment Corporation (PGEC) authorizing PGEC as the exclusive marketing, distribution, selling and collecting agent of the Parent Company throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume POSC's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, software and hardware maintenance, advertising, marketing, selling and other related expenses. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. An existing consultancy agreement between POSC and PGEC for the scratch ticket operations was immediately terminated upon execution of the OMOA in 2015.

The MOA with PCSO expired on November 30, 2016, and POSC's OMOA with PGEC also expired accordingly. All tickets distributed to the retailers and agents were allowed to be marketed continuously until fully sold and the corresponding winnings thereof were honored and paid even after the period of the MOA with PCSO.

In 2018, POSC received a certification from the OIC-Manager of Accounting and Budget Department (ADB) of PCSO stating the fulfillment of the Parent Company's obligation under the MOA and thereby clearing POSC of any accountability thereunder. ADB certified that POSC is entitled to the release of the P10.0 million cash bond.

#### *Brand and Trademark Agreement with PMLC*

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with Powerball Marketing and Logistics Corp. (PMLC) granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of 4.0 million starting January 2018. The agreement with PMLC was accounted for as right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to 203.5 million.

#### *TGTI Equipment Rental*

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 150 "Online KENO" outlets to September 30, 2020. This covers PCSO's online KENO lottery operations. The lease includes online KENO equipment and accessories. The rental fee, presented as

“Equipment rental” in the consolidated statements of income, is based on a percentage of the gross sales of the “Online KENO” terminals or a fixed annual rental of Php40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure supplies for the “Online KENO” operations of PCSO in Luzon and VISMIND areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all “Online KENO” terminals in operation in Luzon and VISMIND areas computed by PCSO and payable bi-weekly. As at December 31, 2020 and 2019, there are 1,180 and 1,833 “Online KENO” terminals in operation, respectively.

On October 1, 2019, the ELA was amended to a lower lease rate, inclusive of VAT. The minimum price per KENO bet was reduced from Php12 to Php10, inclusive of documentary stamp tax.

On December 11, 2020, the ELA was amended to extend the term for six (6) months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with the aggregate amount of Php2.5 million.

*POSC’s Consultancy Agreements, Scientific Games, Intralot, Management Agreement*

a. Consultancy Agreements

POSC and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO.

b. Scientific Games

On February 15, 2005, POSC entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the “Contract for the Supply of the Visayas-Mindanao Online Lottery System (CVMOLS),” Scientific Games provided 900 online lottery terminals and terminal software necessary for POSC’s leasing operations. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO’s conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as POSC’s ELA with PCSO is in effect.

On October 2, 2012, POSC and Scientific Games amended the contract to extend the period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals.

On November 20, 2015, POSC and Scientific Games further amended the contract to extend the period from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to POSC. The amended contract also removed the provision for the Inactive Terminal Fee of US\$25.00 per terminal per month for any additional terminals not connected to the software provided by Scientific Games.

On August 2018, the contract with Scientific Games was further amended to extend the period until July 31, 2019.

On September 4, 2019, the contract with Scientific Games was further amended to extend the period until July 31, 2020.

c. Intralot

- i) On March 13, 2006, POSC entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the CVMOLS, Intralot provided POSC the hardware, operating system software and terminals and the required training. In consideration, POSC shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery operation or a fixed amount of US\$110 per terminal per month, whichever is higher. The contract shall continue as long as POSC’s ELA with PCSO is in effect.



On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with POSC, including all its rights and obligations arising from it.

On August 16, 2012, POSC and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable POSC to serve the requirements of PCSO in the 2012 Amended ELA. However, POSC has the option to order from Intralot brand new lotto terminals at a higher price per unit. POSC paid Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US\$110.00 per terminal, whichever is higher.

On September 6, 2013, POSC and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable POSC to expand its online lottery operations. Furthermore, effective April 1, 2013, POSC and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

In April 2016, POSC and Intralot again amended the contract for Intralot to supply additional reconditioned or refurbished lotto terminals to POSC and extend the term of the contract until August 31, 2018.

On September 25, 2018, the contract with Intralot was further amended to extend the period until July 31, 2019.

On July 1, 2019, the contract with Intralot was further amended to extend the period until July 31, 2020.

- ii) TGTI has a contract with Intralot effective until September 30, 2020 for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from its ELA, Intralot now receive monthly remuneration calculated on a percentage basis of the gross receipts of PCSO from its "Online KENO" games. On March 22, 2011, the contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US\$60.00 per terminal per month on an average basis, whichever is higher. TGTI also undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

d. Management Agreement

POSC and TGTI entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA) while TGTI will pay a certain percentage of its EBITDA.

Software and license fee recognized as part of "Cost of services" arising from Scientific Games contract and Intralot contracts above amounted to ₱40.6 million, ₱136.3 million and ₱195.7 million in 2020, 2019 and 2018, respectively (see Note 23).

Consultancy and management fees recognized under "Consultancy fees" as part of "Cost of services" amounted to ₱76.0 million in 2018 (see Note 23). Consultancy fees recognized under "Professional, service and management fees" as part of "General and Administrative Expenses" amounted to ₱25.9 million in 2018 (see Note 24).

### Government Approvals/Regulations

As part of its normal course of business, the Company secures government approvals such as business permits and all necessary permits related to this, including barangay clearance, fire and sanitation, etc.

The Company is also subject to the regulations of PAGCOR for its Gaming License as well as PCSO for its equipment lease agreements.

POSC, on the other hand, does not need any government approval for its principal products and services because its business is in the development, design and management of online computer systems, terminals and software for the PCSO, and not in the operation itself of the lottery business.

POSC has also been fully compliant with environmental regulations and ordinances issued by the concerned local government units (LGUs) and by the Department of Natural Resources (DENR) in so far as disposal of used computer hardware, office equipment and other bulky operating supplies are concerned, pursuant to the Republic Act 9003: Ecological Solid Waste Management Act of 2000.

#### **Effect of Existing or Probable Government Regulations on the Business**

PLC has complied with all the government requirements necessary for its operations. Future government regulations are perceived to have no material impact to the normal operations of the Company.

#### **Amount Spent on Research and Development Activities and Compliance with Environmental Laws**

None.

#### **Costs and Effects of Compliance w/ Environmental Laws**

None.

#### **Properties**

The Company has real estate property recorded as noncurrent asset held for sale. This pertains to an undeveloped land in the City of Tanauan, Province of Batangas, amounting to ₱285.5 million. These properties are not subject to mortgage, lien and encumbrances. There are no plans to acquire real properties in the next twelve (12) months.

POSC's online lottery operations are conducted mainly in Cebu, where its central system data center and logistics center are located. It also has set up 7 logistics hubs in 7 major VisMin cities to ensure efficient service delivery to the PCSO lottery agents. The Company Head Office is located in Pasig City.

POSC has no real properties owned and there are no plans to acquire them in the next twelve (12) months. POSC leases all of its data center, logistics centers and hubs, and business offices. These properties are not mortgaged nor are there any liens and encumbrances that limit ownership or usage of the same.

The leased properties for business offices, data center, logistics facilities, and retail outlets reached about 4,153 sqm by year end 2020. About 51% of these properties are located in Luzon, and 49% in VisMin. Majority of the properties in Luzon are found in Metro Manila while those in VisMin are in Cebu. The logistics centers' area is about 2,857 sqm in total, with 1,479 sqm in Cebu and 1,378 sqm in Metro Manila. Lease terms for most office and warehouse spaces range from two (2) to three (3) years. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties concerned. The lease agreements provide for minimum rental commitment with annual rental escalation rates ranging from 3% to 10%. Three office leases located in Metro Manila were terminated in 2020.

POSC's major assets are lottery equipment, which consists mainly of lottery terminals, data center equipment, software and operating systems.

## Legal Proceedings

*“TMA Australia Pty. Ltd. And TMA Group Philippines, Inc. v. Pacific Online.”  
RTC 66, Pasig City-Civil Case No. R-PSG-17-02130 [321-108]*

This refers to a complaint for Tortious Interference and payment of Damages filed by TMA Australia Pty. Ltd. and TMA Philippines (the “TMA Group”) against Pacific Online in August 2017. The TMA Group alleged that Pacific Online wrongfully interfered with the implementation of the Contractual Joint Venture Agreement (CJVA) between the TMA Group and PCSO when it entered into several equipment lease agreements with the latter that included a supply of paper provision. The TMA Group also applied for a writ of preliminary injunction (WPI) against Pacific Online and prayed for damages in the amount of at least One Million Pesos (P1,000,000.00).

On March 21, 2018, the RTC granted the TMA Group’s application for WPI, enjoining Pacific Online from continuing to deliver lotto paper to PCSO. During the pendency of this case, the Supreme Court issued a decision in *Philippine Charity Sweepstake Office v. TMA Group of Companies* (G.R. Nos. 212143, 225457, and 236888, 28 August 2019) stating that the WPI issued by RTC Makati against PCSO directing it to source its paper from TMA was improperly issued, and that the CJVA – the same CJVA in the case before RTC Pasig – could not have been a valid source of rights against PCSO. TMA filed a Motion for Reconsideration, but this was denied by the Supreme Court in a Resolution dated March 4, 2020. POSC then filed a Manifestation and a Supplemental Manifestation asking for the dismissal of the tortious interference case filed by the TMA Group.

On February 8, 2021, the court dismissed the case against POSC.

Aside from the foregoing, and 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.

## 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.

## OPERATIONAL AND FINANCIAL INFORMATION

### 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 PSE. The high and low sales prices for each quarter within the last two fiscal years of the registrant’s common shares, as quoted on the PSE, are as follows:

#### STOCK PRICES

<b>2021</b>	<b>High</b>	<b>Low</b>
First Quarter	0.560	0.350
<b>2020</b>	<b>High</b>	<b>Low</b>
First Quarter	0.610	0.260
Second Quarter	0.375	0.275
Third Quarter	0.335	0.280
Fourth Quarter	0.530	0.300
<b>2019</b>	<b>High</b>	<b>Low</b>
First Quarter	1.01	0.80
Second Quarter	0.85	0.66

Third Quarter	0.79	0.67
Fourth Quarter	0.72	0.56

As of May 11, 2021, Premium Leisure Corp. market capitalization on 31,216,931,000 outstanding shares in the PSE amounted to ₱12,486,772,400 based on the closing price of ₱0.400 per share.

## SECURITY HOLDERS

The number of shareholders of record as of April 30, 2021 was 357. Common shares outstanding as of April 30, 2021 was 31,216,931,000. The top twenty (20) shareholders as of April 30, 2021 are as follows:

Rank	Name	Citizenship	Total	Percentage
1	BELLE CORPORATION	FILIPINO	24,904,904,324	78.745
2	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	5,823,436,712	18.413
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	413,720,023	1.308
4	SYSMART CORPORATION	FILIPINO	128,370,000	0.406
5	F.YAP SECURITIES, INC.	FILIPINO	110,000,000	0.348
6	SYNTRIX HOLDINGS, INC.	FILIPINO	74,040,000	0.234
7	F.YAP SECURITIES, INC.	FILIPINO	57,000,000	0.180
8	WILLY NG OCIER AND/OR GERALDINE ESCOLAR YU OCIER	FILIPINO	22,000,000	0.070
9	WILLY NG OCIER	FILIPINO	17,888,000	0.057
10	PARKORAM DEVELOPMENT LIMITED	OTHERS	14,264,119	0.045
11	OSCAR S. CU ITF ANTHONY CU	FILIPINO	10,430,000	0.033
12	OSCAR S. CU	FILIPINO	9,070,000	0.029
13	REGINA CAPITAL DEVELOPMENT CORP.	FILIPINO	7,900,000	0.025
14	PARALLAX RESOURCES, INC.	FILIPINO	4,570,300	0.014
15	ALEXANDER AUSTRIA &/OR DOMINICA AUSTRIA	FILIPINO	1,520,000	0.005
	AUGUSTO LITONJUA &/OR LUIS SALVADOR	FILIPINO	1,520,000	0.005
16	CAI CHANG CHU	CHINESE	1,400,000	0.004
17	LEONCIO TAN TIU	FILIPINO	1,300,000	0.004
18	MARY ANGELI F. BASILIO	FILIPINO	1,100,000	0.003
	ELIZABETH CHENG	FILIPINO	1,100,000	0.003
19	WILLIAM T. GABALDON	FILIPINO	1,000,000	0.003
20	OSCAR S. CU	FILIPINO	850,000	0.003
	REGINA CAPITAL DEV. CORP.	FILIPINO	850,000	0.003

## DIVIDENDS

The Company's Board approved on April 14, 2021 the declaration of cash dividends of ₱0.04075 per share for a total cash dividend payment to its common shareholders of approximately ₱1,288.8 million payable on May 12, 2021 to shareholders of record as of April 28, 2021.

In 2020, the Company's Board declared and paid cash dividends of ₱0.05024 per share for a total cash dividend payment to its common shareholders of approximately ₱1,588.8 million. This was paid starting on March 20, 2020 to shareholders of record as of March 6, 2020.

In 2019, the Company declared and paid cash dividends of ₱0.05024 per share for a total cash dividend payment to its common shareholders of approximately ₱1,588.8 million. This was paid on March 22, 2019 to shareholders of record as of March 8, 2019.

In 2018, the Company declared and paid cash dividends of ₱0.04391 per share for a total cash dividend payment to its common shareholders of approximately ₱1,388.8 million. This was paid on March 23, 2018 to shareholders of record as of March 9, 2018.

In 2017, the Company declared and paid cash dividends of ₱0.0281 per share for a total cash dividend payment to its common shareholders of approximately ₱888 million. This was paid on March 23, 2017 to shareholders of record as of March 10, 2017.

In 2016, the Company declared and paid cash dividends of ₱0.0215 per share for a total cash dividend payment to its common shareholders of approximately ₱680 million. This was paid on March 23, 2016 to shareholders of record as of March 10, 2016.

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

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

#### **DIVIDEND POLICY**

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

Dividends shall be paid to all shareholders on record within thirty (30) days from date of declaration.

#### **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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE AND FINANCIAL CONDITION

### Analysis of Results of Operations and Financial Condition – March 31, 2021 compared to March 31, 2020

	Three Months Ended March 31		Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease)		2021	2020
	(Unaudited)	(Audited)	Amount	%	%	%
<b>INCOME</b>						
Gaming share revenue	431,051,182	445,037,022	-13,985,839	-3%	78%	71%
Equipment lease rentals	122,816,181	134,004,361	-11,188,180	-8%	22%	21%
Commission and distribution income	-	46,103,893	-46,103,893	-100%	0%	7%
	<b>553,867,363</b>	<b>625,145,276</b>	<b>(71,277,913)</b>	<b>-11%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Salaries and payroll related expenses	31,036,167	61,799,751	-30,763,584	-50%	6%	10%
Software and license fees	20,544,420	20,582,546	-38,126	0%	4%	3%
Repairs, maintenance and communication	18,715,317	27,521,926	-8,806,609	-32%	3%	4%
Online lottery expenses	1,182,507	4,561,825	-3,379,318	-74%	0%	1%
General and administrative expenses	114,520,839	125,181,988	-10,661,149	-9%	21%	20%
Amortization of intangible	59,618,121	59,618,121	-	0%	11%	10%
Depreciation expense	37,996,239	62,344,393	-24,348,153	-39%	7%	10%
	<b>283,613,610</b>	<b>361,610,550</b>	<b>(77,996,941)</b>	<b>-22%</b>	<b>51%</b>	<b>58%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	35,056,122	57,082,123	-22,026,001	-39%	6%	9%
Dividend Income	-	10,354,560	-10,354,560	-100%	0%	2%
Other income (charges)	1,585,729	(2,065,960)	3,651,690	-177%	0%	0%
	<b>36,641,851</b>	<b>65,370,723</b>	<b>(28,728,872)</b>	<b>-44%</b>	<b>7%</b>	<b>10%</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAX</b>	<b>306,895,604</b>	<b>328,905,449</b>	<b>(22,009,845)</b>	<b>-7%</b>	<b>55%</b>	<b>53%</b>
<b>PROVISION(BENEFIT FROM) INCOME TAX</b>	<b>3,376,856</b>	<b>4,941,629</b>	<b>-1,564,773</b>	<b>-32%</b>	<b>1%</b>	<b>1%</b>
<b>NET INCOME</b>	<b>303,518,748</b>	<b>323,963,820</b>	<b>(20,445,072)</b>	<b>-6%</b>	<b>55%</b>	<b>52%</b>
<i>Net income attributable to Parent</i>	<b>310,023,389</b>	<b>338,395,530</b>	<b>(28,372,140)</b>	<b>-8%</b>	<b>56%</b>	<b>54%</b>
<i>Net income attributable to Minority interest</i>	<b>(6,504,641)</b>	<b>(14,431,710)</b>	<b>7,927,069</b>	<b>-55%</b>	<b>-1%</b>	<b>-2%</b>

PLC recognized Php553.9 million consolidated revenues for the three months ended March 31, 2021, down by Php71.3 million or 11% from the same period last year.

The decline in Premium Leisure Corp.'s revenues are mainly brought about by the economic effects of the Covid-19 pandemic to the country, which include a decline in tourist arrivals to the Philippines and the implementation of the nationwide community quarantines resulting to either temporary suspensions of gaming and lottery operations or allowing operations at a significantly limited capacity to conform with the regulations set out by government regulators. Because of this, as of March 31, 2021, PLAI gaming revenue share has decreased from Php445.0 million to Php431.1 million (3%), and Pacific Online Systems Corporation's (POSC) equipment lease rental income and commission and distribution decreased from Php180.1 million to Php122.8 million versus the same period in 2020.

Costs and expenses decreased by Php78.0 million or 22% for the period due to the decrease in the Company's salaries and payroll-related expenses, general and administrative expenses, repairs, maintenance and communication, resulting from the deconsolidation of Lucky Circle Corporation, a subsidiary of POSC that was sold in February 2020.

PLC recognized Php303.5 million net income for the three months ended March 31, 2021, 6% down from its net income of Php324.0 for the same period in 2020.

Operating EBITDA (proxy for cash flow) for the period is at Php367.9 million, 5% lower than its EBITDA of Php385.5 million as of March 31, 2020.

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended March 31		Horizontal Analysis		Vertical Analysis	
	2021 (Unaudited)	2020 (Audited)	Increase (Decrease) Amount	%	2021 %	2020 %
<b>NET INCOME</b>	<b>303,518,748</b>	323,963,820	(20,445,072)	-6%	55%	52%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Marked-to-market loss on financial assets at fair value through other comprehensive income (FVOCI)	(39,296,174)	(113,122,490)	73,826,316	-65%	-7%	-18%
Remeasurement loss on DBL	-	6,682,576	(6,682,576)	100%	0%	1%
Share in OCI						
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>P 264,222,574</b>	P 217,523,906	P 46,698,667	21%	48%	35%
<i>Total Comprehensive income attr to Parent</i>	<i>278,710,776</i>	251,241,100	27,469,675	11%	50%	40%
<i>Total Comprehensive income attr to Minority</i>	<i>(14,488,202)</i>	(33,717,194)	19,228,992	-57%	-3%	-5%
<b>Total</b>	<b>264,222,574</b>	217,523,906	46,698,667	21%	48%	35%

PLC's comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI. PLC recognized comprehensive loss amounting to Php39.3 million for the three months ending March 31, 2021 as a result of the lower share prices of its financial asset investments. As such, PLC recognized a total comprehensive income amounting to Php264.2 million (of which, Php278.7 million is attributable to parent shareholders) as of March 31, 2021.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC during the three months ended March 31, 2021.

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

	March 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
	(Unaudited)	(Audited)	Increase (Decrease)		2021	2020
			Amount	%	%	%
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 2,355,640,786	2,218,311,525	137,329,261	6%	13%	12%
Trade and other receivables	547,817,553	468,752,085	79,065,468	17%	3%	3%
Investment held for trading	80,678,480	84,260,926	(3,582,445)	-4%	0%	0%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	21%	21%
Other assets	229,800,304	257,910,637	(28,110,333)	-11%	1%	1%
<b>Total Current Assets</b>	<b>6,919,862,123</b>	<b>6,735,160,173</b>	<b>184,701,949</b>	<b>3%</b>	<b>39%</b>	<b>38%</b>
<b>Noncurrent Assets</b>						
Intangible asset	8,893,036,396	8,952,654,519	(59,618,122)	-1%	50%	50%
Financial assets at fair value through OCI	248,157,657	287,453,830	(39,296,173)	-14%	1%	2%
Investment property	285,510,452	285,510,452	-	0%	2%	2%
Property and equipment	67,633,325	83,505,713	(15,872,388)	-19%	0%	0%
Right of use asset	5,463,309	10,119,536	(4,656,227)	-46%	0%	0%
Goodwill	926,007,748	926,007,748	-	0%	5%	5%
Deferred tax assets	82,414,559	82,414,559	-	0%	0%	0%
Other non-current assets	439,033,414	430,187,534	8,845,880	2%	2%	2%
<b>Total Noncurrent Assets</b>	<b>10,947,256,860</b>	<b>11,057,853,891</b>	<b>(110,597,031)</b>	<b>-1%</b>	<b>61%</b>	<b>62%</b>
<b>Total Assets</b>	<b>P 17,867,118,983</b>	<b>P 17,793,014,064</b>	<b>74,104,919</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	P 976,436,811	1,164,524,630	(188,087,819)	-16%	5%	7%
Lease liability - ROU current	5,664,918	7,676,824	(2,011,906)	-26%	0%	0%
Income tax payable	6,146	6,146	-	0%	0%	0%
<b>Total current liabilities</b>	<b>982,107,875</b>	<b>1,172,207,600</b>	<b>(190,099,725)</b>	<b>-16%</b>	<b>5%</b>	<b>7%</b>
<b>Noncurrent Liability</b>						
Lease liability - ROU non current	1,248,544	3,928,543	(2,679,999)	100%	0%	0%
Retirement liability	61,952,837	59,290,772	2,662,065	4%	0%	0%
<b>Total non-current liabilities</b>	<b>63,201,381</b>	<b>63,219,315</b>	<b>(17,934)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>P 1,045,309,256</b>	<b>P 1,235,426,915</b>	<b>(190,117,658)</b>	<b>-15%</b>	<b>6%</b>	<b>7%</b>
<b>Equity</b>						
Capital Stock	7,906,827,500	7,906,827,500	-	0%	44%	44%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	41%	41%
Treasury shares	(220,430,080)	(220,430,080)	-	0%	-1%	-1%
Cost of parent shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(855,865,695)	(824,553,084)	(31,312,611)	-4%	-5%	-5%
Retained earnings (deficit)	2,939,130,367	2,629,106,978	310,023,389	12%	16%	15%
<b>Total equity attributable to Parent</b>	<b>16,498,786,961</b>	<b>16,220,076,183</b>	<b>278,710,778</b>	<b>2%</b>	<b>92%</b>	<b>91%</b>
<b>Non-controlling interest</b>	<b>323,022,766</b>	<b>337,510,966</b>	<b>(14,488,200)</b>	<b>-4%</b>	<b>2%</b>	<b>2%</b>
<b>Total Equity</b>	<b>16,821,809,727</b>	<b>16,557,587,149</b>	<b>264,222,578</b>	<b>2%</b>	<b>94%</b>	<b>93%</b>
<b>Total Liabilities and Equity</b>	<b>P 17,867,118,983</b>	<b>P 17,793,014,064</b>	<b>74,104,919</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>

As at March 31, 2021, PLC's total assets amounted to Php17,867.1 million, higher by Php74.1 million (0.4%) versus total assets as at December 31, 2020. Key movements in balance sheet items are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents increased by 6% (Php137.33 million) as at March 31, 2021 mainly because of the collection of gaming share, net of disbursements made, during the period.



#### Trade and other receivables

Trade and other receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net increase in trade and other receivables by ₱79.1 million (17%).

#### Investments held for trading

Investments held for trading decreased by Php3.6 million (4%) mainly due to the mark-to-market loss on share price value.

#### Intangible Asset

The Company's intangible asset pertains to the Philippine Gaming and Amusement Corporation (PAGCOR) gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the intangible asset account is brought about by the amortization of the license.

#### Investment Property

As at March 31, 2021 and December 31, 2020, this account pertains to investment property of the Company in Tanauan, Batangas.

#### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is decrease of Php15.9 million (19%) in the account compared to balances at December 31, 2020 as the net effect of the depreciation recognized by the Company on its PPE, tempered by additions in the account for the period.

#### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015.

#### Total Liabilities

PLC's total liabilities is at Php1,045.3 million as at March 31, 2021. The Php190.1 million decrease in liabilities is mainly brought about by the payment of other current liabilities during the period.

#### Equity

Stockholders' equity increased from Php16,557.6 million as at December 31, 2020, to Php16,821.8 million as at March 31, 2021. This increase of Php264.22 million was mainly brought about by the net income earned for the period offset by the change in market prices of its available for share investments (under Other Reserves).

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

Ratio	Manner in which the financial ratios are computed	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Current ratio	Current assets divided by current liabilities	7.05	3.86	5.83
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	6.81	3.72	5.65
Solvency ratio	Total assets / total liabilities	17.09	10.24	14.13
Asset to equity	Total assets divided by total equity	1.06	1.11	1.08
Debt to equity	Interest bearing debt divided by total equity	-	0.01	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	1,154	165	19
Debt ratio	Total debt / total assets	0.06	0.10	0.07
Return on assets	Net income (loss) divided by average total assets during the period	6.8%	6.8%	1.6%
Return on equity	Net income (loss) divided by average total equity during the period	7.3%	7.5%	1.7%

The Company does not foresee any liquidity problems over the next twelve (12) months. The changes in the key performance indicators of the Company are discussed below:

- a) Net income decreased by 6% for the three months ending March 31, 2021, accounting for the slight decrease in return on equity versus the same period in 2020.
- b) Current, quick and solvency ratios increased due to increase in cash and trade receivables.

As at March 31, 2021, 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 for the periods ended March 31, 2021 and December 31, 2020, except those mentioned in the preceding.

## **PART II - OTHER INFORMATION**

### **Financial Risk Management Objectives and Policies and Capital Management**

The Company's principal financial liabilities comprise trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. The Company also holds investments held for trading, notes receivables, financial assets at FVOCI, guarantee bonds and deposits included as part of "Other noncurrent assets" in the consolidated statement of financial position.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, receivables and financial assets at FVOCI.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, other receivables, investments held for trading, financial assets at FVOCI, guarantee bonds and deposits, 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.

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection. The Company assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.

*Liquidity Risk.* Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at March 31, 2021 and December 31, 2020 as the total current assets can cover the total current liabilities as they fall due.

*Equity Price Risk.* Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI decrease as the result of changes in the value of individual stocks. The Company's exposure to equity price risk is primarily to the Company's quoted investments held for trading and financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

*Foreign Currency Risk.* The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

*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 2021 and 2020.

#### Fair Value of Financial Instruments

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, deposits and trade payables and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of investments held for trading and financial assets at FVOCI that are quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

Set out below is a comparison by category of carrying values and fair values of all the Company's financial instruments.

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial Assets</b>				
Cash and cash equivalents	2,355,640,786	2,355,640,786	2,218,311,525	2,218,311,525
Investment held for trading	80,678,480	80,678,480	84,260,926	84,260,926
Notes receivable	3,705,925,000	3,705,925,000	3,705,925,000	3,705,925,000
Trade and other receivables:				
Trade receivables	535,263,891	535,263,891	468,516,351	468,516,351
Nontrade and others	12,553,662	12,553,662	235,734	235,734
	<b>6,690,061,819</b>	<b>6,690,061,819</b>	<b>6,477,249,536</b>	<b>6,477,249,536</b>
<b>AFS Investment</b>				
Quoted shares	248,076,557	248,076,557	287,372,730	287,372,730
Unquoted shares	81,100	81,100	81,100	81,100
	<b>248,157,657</b>	<b>248,157,657</b>	<b>287,453,830</b>	<b>287,453,830</b>
	<b>6,938,219,476</b>	<b>6,938,219,476</b>	<b>6,764,703,366</b>	<b>6,764,703,366</b>
<b>Loans and Borrowings</b>				
Accrued expenses & other liabilities*	<b>973,616,568</b>	<b>973,616,568</b>	<b>1,160,658,897</b>	<b>1,160,658,897</b>

\*excluding statutory payables amounting to -Php2.8 million and P3.8 million as at March 31, 2021 and December 31, 2020, respectively.

#### Other Required Disclosures

- A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2020.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to March 31, 2021 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2020, as of March 31, 2021.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

## **Analysis of Results of Operations and Financial Condition – 2020 compared to 2019**

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2020	2019	Increase (Decrease)		2020	2019
			Amount	%	%	%
REVENUE						
Gaming revenue share	635,217,388	2,976,366,472	(2,341,149,084)	-79%	66%	75%
Equipment rental	293,104,496	681,483,757	(388,379,261)	-57%	30%	17%
Commission and distribution income	35,333,625	308,381,639	(273,048,014)	-89%	4%	8%
	963,655,509	3,966,231,868	(3,002,576,359)	-76%	100%	100%
COST AND EXPENSES						
Cost of services	503,896,574	986,207,833	(482,311,259)	-49%	52%	25%
General and administrative expenses	955,482,263	961,494,609	(6,012,346)	-1%	99%	24%
Amortization of intangible asset	238,472,484	238,472,484	-	0%	25%	6%
	1,697,851,321	2,186,174,926	(488,323,605)	-22%	176%	55%
OTHER INCOME (EXPENSES)						
Interest income	217,963,792	279,857,146	(61,893,354)	-22%	23%	7%
Dividend income	22,353,086	24,708,086	(2,355,000)	-10%	2%	1%
Finance charges	(6,800,483)	(9,525,989)	2,725,506	-29%	-1%	0%
Other expense - net	821,339,171	(32,888,983)	854,228,154	-2597%	85%	-1%
	1,054,855,566	262,150,260	792,705,306	302%	109%	7%
INCOME BEFORE INCOME TAX	320,659,754	2,042,207,202	(1,721,547,448)	-84%	33%	51%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	28,076,028	22,422,019	5,654,009	25%	3%	1%
Deferred	(31,132,712)	(81,838,677)	50,705,965	-62%	-3%	-2%
	(3,056,684)	(59,416,658)	56,359,974	-95%	0%	-1%
NET INCOME	323,716,438	2,101,623,860	(1,777,907,422)	-85%	34%	53%
Net Income Attributable to:						
Equity holders of the parent	517,573,391	2,261,962,747	(1,744,389,356)	-77%	54%	57%
Non-controlling interests	(193,856,953)	(160,338,887)	(33,518,066)	21%	-20%	-4%
	323,716,438	2,101,623,860	(1,777,907,422)	-85%	34%	53%

Premium Leisure Corp. reported net income of Php323.7 million for 2020 despite the challenges that the year posed on the Philippine economy and particularly on the gaming and hospitality industry. The effects of Covid-19 pandemic impacted gaming operations of City of Dreams Manila and the national lottery operations of PCSO.

Total revenues are at Php963.7 million, down by 76% versus 2019 figures. Expenses, on the other hand are at Php1,697.9 million, improving by 22% from previous year due to the Company's initiatives on cost efficiency to improve profitability.

The Company's consistent profitability from previous years and its strong financial management enabled PLC to declare a regular cash dividend of Php0.04075 per share on April 14, 2021, for a total dividend payment of approximately Php1,288.8 million to its shareholders.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2020	2019	Increase (Decrease)		2020	2019
			Amount	%	%	%
<b>NET INCOME</b>	<b>323,716,438</b>	2,101,623,860	(1,777,907,422)	-85%	34%	53%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	(47,062,201)	(53,228,230)	6,166,029	-12%	-5%	-1%
Remeasurement gain (loss) on net retirement benefits - net of tax	3,599,814	(18,152,998)	21,752,812	-120%	0%	0%
	(43,462,387)	(71,381,228)	27,918,841	-39%	-5%	-2%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>280,254,051</b>	2,030,242,632	(1,749,988,581)	-86%	29%	51%
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	481,628,857	2,210,284,612	(1,728,655,755)	-78%	50%	56%
Non-controlling interests	(201,374,806)	(180,041,980)	(21,332,826)	12%	-21%	-5%
	280,254,051	2,030,242,632	(1,749,988,581)	-86%	29%	51%

PLC recognized comprehensive income of Php280.3 million for 2020 versus Php2,030.2 million in 2019.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2020.

## Consolidated Statements of Financial Position

(Amounts in Peso except percentages)

	December 31		Horizontal Analysis		Vertical Analysis	
	2020	2019	Increase (Decrease) Amount	%	2020 %	2019 %
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,218,311,525	3,537,075,479	(1,318,763,954)	-37%	12%	18%
Investments held for trading	84,260,926	140,456,581	(56,195,655)	-40%	0%	1%
Receivables	468,752,085	337,535,176	131,216,909	39%	3%	2%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	21%	19%
Contract assets	39,903,188	40,510,763	(607,575)	-1%	0%	0%
Other current assets	218,007,449	268,546,967	(50,539,518)	-19%	1%	1%
Total Current Assets	6,735,160,173	8,030,049,966	(1,294,889,793)	-16%	38%	40%
<b>Noncurrent Assets</b>						
Intangible asset	8,952,654,519	9,191,127,003	(238,472,484)	-3%	50%	46%
Financial assets at fair value through OCI	287,453,830	334,516,031	(47,062,201)	-14%	2%	2%
Property and equipment	83,505,713	107,432,510	(23,926,797)	-22%	0%	1%
Investment property	285,510,452	285,510,452	-	0%	2%	1%
Goodwill	926,007,748	1,358,298,121	(432,290,373)	-32%	5%	7%
Deferred tax assets	82,414,559	52,824,625	29,589,934	56%	0%	0%
Retirement asset	-	10,311,588	(10,311,588)	-100%	0%	0%
Right of use assets	10,119,536	73,225,966	(63,106,430)	-86%	0%	0%
Contract assets - net of current portion	46,302,455	89,612,359	(43,309,904)	-48%	0%	0%
Other noncurrent assets	383,885,079	398,013,734	(14,128,655)	-4%	2%	2%
Total Noncurrent Assets	11,057,853,891	11,900,872,389	(843,018,498)	-7%	62%	60%
<b>TOTAL ASSETS</b>	<b>17,793,014,064</b>	<b>19,930,922,355</b>	<b>(2,137,908,291)</b>	<b>-11%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	1,164,524,630	1,618,365,470	(453,840,840)	-28%	7%	8%
Loans payable	-	150,000,000	(150,000,000)	-100%	0%	1%
Lease liabilities - current portion	7,676,824	75,030,683	(67,353,859)	-90%	0%	0%
Income tax payable	6,146	4,274,940	(4,268,794)	-100%	0%	0%
Total Current Liabilities	1,172,207,600	1,847,671,093	(675,463,493)	-37%	7%	9%
<b>Noncurrent Liabilities</b>						
Lease liabilities - net of current portion	3,928,543	16,576,645	(12,648,102)	-76%	1%	0%
Retirement liability	59,290,772	48,950,570	10,340,202	21%	0%	0%
Total Noncurrent Liabilities	63,219,315	65,527,215	(2,307,900)	-4%	1%	0%
Total Liabilities	1,235,426,915	1,913,198,308	(677,771,393)	-35%	7%	10%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	44%	40%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	41%	36%
Treasury shares	(220,430,080)	(29,430,080)	(191,000,000)	649%	-1%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(824,553,084)	(788,608,550)	(35,944,534)	5%	-5%	-4%
Retained earnings	2,629,106,978	3,660,924,536	(1,031,817,558)	-28%	15%	18%
Total Equity Attr to Equity Holders of the Parent	16,220,076,183	17,478,838,275	(1,258,762,092)	-7%	90%	88%
<b>Non-controlling Interests</b>	<b>337,510,966</b>	<b>538,885,772</b>	<b>(201,374,806)</b>	<b>-37%</b>	<b>2%</b>	<b>3%</b>
Total Equity	16,557,587,149	18,017,724,047	(1,460,136,898)	-8%	93%	90%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17,793,014,064</b>	<b>19,930,922,355</b>	<b>(2,137,908,291)</b>	<b>-11%</b>	<b>100%</b>	<b>100%</b>



### Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents decreased by 37% (Php1,318.8 million) to Php2,218.3 million in 2020 due mostly to the dividends paid during the first quarter of 2020 amounting to around Php1,388.8 million.

### Investments held for trading

Investments held for trading decreased by 40% mainly due mark-to-market gains and losses due to changes in share prices.

### Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila as well as operational advances to customers, suppliers and employees. The Company recorded net increase of 39% or Php131.2 million in receivables.

### Notes receivable

Notes receivable includes interest-bearing short-term notes due on demand.

### Intangible asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the account is brought about by the amortization of the intangible asset.

### Financial assets at fair value through OCI

This account pertains to the Company's investments in equity securities classified as financial assets at FVOCI. This pertains mostly to share in Belle Corporation and club shares. The 14% decrease in the account is due mainly to the changes in fair value of the shares.

### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php23.9 million in the account compared to balances at December 31, 2019 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

### Goodwill

Goodwill pertains to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the impairment of goodwill amounting to Php432.3 million in 2020.

### Total Liabilities

Total liabilities decreased by Php677.8 million or 35% as at December 31, 2020 from total liabilities of Php1,913.2 million as at December 31, 2019. The decrease is due mostly to the decrease in trade and other payables, payment of loans payable (short-term, interest-bearing loan) that the Company's subsidiary availed of, and decrease in lease liabilities for 2020.

### Equity

Stockholders' equity decreased by Php1,460.1 million as of December 31, 2020 from Php18,017.7 million as of December 31, 2019 to Php16,557.6 million as of December 31, 2020. The decrease was due mainly to the declaration and payment of dividends during the first quarter of the year, offset in part by the net income recognized for the period.

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

Ratio	Manner in which the financial ratios are computed	December 31, 2020	December 31, 2019
Current ratio	Current assets divided by current liabilities	5.75 : 1.00	4.35 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	1.72%	10.74%
Return on equity	Net income (loss) divided by average total equity during the period	1.87%	11.82%
Asset to equity	Total assets divided by total equity	1.07 : 1.00	1.11 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.00 : 1.00	0.01 : 1.00
Interest rate coverage	Earnings before interest and taxes divided by interest expense	48.15	215.38

The current ratio of the Company increased from 4.35 in 2019 to 5.75 in 2020.

Return on assets (from 10.74% to 1.72%) and return on equity (from 11.82% to 1.87%) declined significantly in 2020 due to the substantial drop in the Company's net income because of the effect of the Covid-19 pandemic.

Interest-bearing debt refers to the short-term loan of the Company. Debt to equity ratio for 2020 is zero because the Company paid off its short-term loan within the year.

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, 2020, 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;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

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

### **2021 Plan of Operations**

Given the current state of gaming industry and the continuing effects of the Covid-19 pandemic, the Company is focused on streamlining operations to curtail costs and looking for ways to improve profitability and cost efficiency. It also maintains prudent financial management in decision making to uphold its strong financial position.

Nevertheless, PLC remains committed to look for various opportunities for growth through profitable investments that will increase the company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

## Analysis of Results of Operations and Financial Condition – 2019 compared to 2018

(Amounts in Peso except percentages)		Years Ended December 31		Horizontal Analysis		Vertical Analysis	
		2019	2018	Increase (Decrease)		2019	2018
				Amount	%		
<b>REVENUE</b>							
Gaming revenue share		2,976,366,472	3,211,856,964	(235,490,492)	-7%	75%	62%
Commission and distribution income		308,381,639	487,626,385	(179,244,746)	-37%	8%	9%
Equipment rental		681,483,757	1,448,317,610	(766,833,853)	-53%	17%	28%
		3,966,231,868	5,147,800,959	(1,181,569,091)	-23%	100%	100%
<b>COST AND EXPENSES</b>							
Cost of services		986,207,833	1,297,488,594	(311,280,761)	-24%	25%	25%
General and administrative expenses		961,494,609	1,532,830,606	(571,335,997)	-37%	24%	30%
Amortization of intangible asset		238,472,484	238,472,484	-	0%	6%	5%
		2,186,174,926	3,068,791,684	(882,616,758)	-29%	55%	60%
<b>OTHER INCOME (EXPENSES)</b>							
Interest income		279,857,146	157,453,311	122,403,835	78%	7%	3%
Dividend income		24,708,086	24,952,521	(244,435)	-1%	1%	0%
Finance charges		(9,525,989)	(6,187,352)	(3,338,637)	54%	0%	0%
Other expense - net		(32,888,983)	235,430,085	(268,319,068)	-114%	-1%	5%
		262,150,260	411,648,565	(149,498,305)	-36%	7%	8%
<b>INCOME BEFORE INCOME TAX</b>		2,042,207,202	2,490,657,840	(448,450,638)	-18%	51%	48%
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>							
Current		22,422,019	133,572,412	(111,150,393)	-83%	1%	3%
Deferred		(81,838,677)	47,432,314	(129,270,991)	-273%	-2%	1%
		(59,416,658)	181,004,726	(240,421,384)	-133%	-1%	4%
<b>NET INCOME</b>		2,101,623,860	2,309,653,114	(208,029,254)	-9%	53%	45%
<b>Net Income Attributable to:</b>							
Equity holders of the parent		2,261,962,747	2,157,768,639	104,194,108	5%	57%	42%
Non-controlling interests		(160,338,887)	151,884,475	(312,223,362)	-206%	-4%	3%
		2,101,623,860	2,309,653,114	(208,029,254)	-9%	53%	45%

Premium Leisure Corp. recognized net income of Php2,101.6 million for full-year 2019, lower by 9% (or Php208.0 million) compared with the 2018 reported net income of Php2,309.7 million. Operating EBITDA (proxy for cash flow) for the year is at Php2,604.8 million, 2% down versus the EBITDA of Php2,655.0 million in 2018.

PLC's operations was affected by the weaker performance of its subsidiary, POSC. POSC, which leases online lottery equipment for Lotto and KENO to the PCSO, recorded a 49% decrease in revenues for 2019 due mainly to the increased competition from small-town lottery and the temporary suspension of Lotto, KENO and scratch ticket games in the third quarter of the year. POSC is working closely with the PCSO to boost the attractiveness of its games as well as to implement cost efficiency measures across its operations.

PLC's 2019 gaming share revenue decreased by 7%, from Php3,211.9 million to Php2,976.4 million. To mitigate the lower revenues, costs and expenses declined by Php882.6 million or 29% in 2019 mostly due to lower direct costs and consultancy fees.

Despite the lower overall net income, the Company's consistent profitability from its gaming revenue share enabled PLC to declare a regular cash dividend of Php0.05024 per share on February 21, 2020, for a total dividend payment of approximately Php1,588.8 million, payable on March 20, 2020 to shareholders of record as of March 6, 2020.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease)		2019	2018
			Amount	%		
<b>NET INCOME</b>	<b>2,101,623,860</b>	<b>2,309,653,114</b>	<b>(208,029,254)</b>	<b>-9%</b>	<b>53%</b>	<b>45%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	<b>(53,228,230)</b>	(261,173,629)	207,945,399	-80%	-1%	-5%
Remeasurement gain (loss) on net retirement benefits - net of tax	<b>(18,152,998)</b>	12,297,225	(30,450,223)	-248%	0%	0%
	<b>(71,381,228)</b>	(248,876,404)	177,495,176	-71%	-2%	-5%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,030,242,632</b>	<b>2,060,776,710</b>	<b>(30,534,078)</b>	<b>-1%</b>	<b>51%</b>	<b>40%</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	<b>2,210,284,612</b>	1,954,907,883	255,376,729	13%	56%	38%
Non-controlling interests	<b>(180,041,980)</b>	105,868,827	(285,910,807)	-270%	-5%	2%
	<b>2,030,242,632</b>	<b>2,060,776,710</b>	<b>(30,534,078)</b>	<b>-1%</b>	<b>51%</b>	<b>40%</b>

PLC recognized comprehensive income of Php2.03 billion for 2019 versus Php2.06 billion in 2018.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2019.

## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2019	2018	Increase (Decrease) Amount	%	2019	2018
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	3,537,075,479	2,314,012,081	1,223,063,398	53%	18%	12%
Investments held for trading	140,456,581	155,704,892	(15,248,311)	-10%	1%	1%
Receivables	337,535,176	350,735,545	(13,200,369)	-4%	2%	2%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	19%	19%
Contract assets	40,510,763	37,892,531	2,618,232	7%	0%	0%
Other current assets	268,546,967	319,087,307	(50,540,340)	-16%	1%	2%
Total Current Assets	8,030,049,966	6,883,357,356	1,146,692,610	17%	40%	36%
<b>Noncurrent Assets</b>						
Intangible asset	9,191,127,003	9,429,599,487	(238,472,484)	-3%	46%	49%
Financial assets at fair value through OCI	334,516,031	387,744,261	(53,228,230)	-14%	2%	2%
Property and equipment	107,432,510	259,903,572	(152,471,062)	-59%	1%	1%
Investment property	285,510,452	285,510,452	-	0%	1%	1%
Goodwill	1,358,298,121	1,721,326,738	(363,028,617)	-21%	7%	9%
Deferred tax assets	52,824,625	8,864,126	43,960,499	496%	0%	0%
Retirement asset	10,311,588	7,855,553	2,456,035	31%	0%	0%
Right of use assets	73,225,966	-	73,225,966	100%	0%	0%
Contract assets - net of current portion	89,612,359	130,123,123	(40,510,764)	-31%	0%	1%
Other noncurrent assets	398,013,734	75,504,420	322,509,314	427%	2%	0%
Total Noncurrent Assets	11,900,872,389	12,306,431,732	(405,559,343)	-3%	60%	64%
<b>TOTAL ASSETS</b>	<b>19,930,922,355</b>	<b>19,189,789,088</b>	<b>741,133,267</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	1,618,365,470	1,535,792,345	82,573,125	5%	8%	8%
Loans payable	150,000,000	-	150,000,000	100%	1%	0%
Lease liabilities - current portion	75,030,683	-	75,030,683	100%	0%	0%
Current portion of obligations under finance lease	-	19,379,463	(19,379,463)	-100%	0%	0%
Income tax payable	4,274,940	9,415,467	(5,140,527)	-55%	0%	0%
Total Current Liabilities	1,847,671,093	1,564,587,275	283,083,818	18%	9%	8%
<b>Noncurrent Liabilities</b>						
Deferred tax liability	-	46,161,265	(46,161,265)	-100%	0%	0%
Lease liabilities - net of current portion	16,576,645	-	16,576,645	100%	0%	0%
Obligation under finance lease	-	15,995,011	(15,995,011)	-100%	0%	0%
Retirement liability	48,950,570	6,981,493	41,969,077	601%	0%	0%
Total Noncurrent Liabilities	65,527,215	69,137,769	(3,610,554)	-5%	1%	0%
Total Liabilities	1,913,198,308	1,633,725,044	279,473,264	17%	10%	9%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	40%	41%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	36%	38%
Treasury shares	(29,430,080)	(29,430,080)	-	0%	0%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(788,608,550)	(736,930,415)	(51,678,135)	7%	-4%	-4%
Retained earnings	3,660,924,536	2,967,544,418	693,380,118	23%	18%	15%
Total Equity Attr to Equity Holders of the Parent	17,478,838,275	16,837,136,292	641,701,983	4%	88%	88%
<b>Non-controlling Interests</b>	<b>538,885,772</b>	<b>718,927,752</b>	<b>(180,041,980)</b>	<b>-25%</b>	<b>3%</b>	<b>4%</b>
Total Equity	18,017,724,047	17,556,064,044	461,660,003	3%	90%	91%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,930,922,355</b>	<b>19,189,789,088</b>	<b>741,133,267</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2019, PLC's total assets amounted to Php19,930.9 million, higher by Php741.1 million, or 4% versus total assets as at December 31, 2018. Key movements in balance sheet items are as follows:

#### Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents increased by 53% (Php1.22 billion) to Php3.54 billion in 2019. This is because in 2018, the Company increased its notes receivable, thereby contributing to the lower cash at the end of that year.

#### Investments held for trading

Investments held for trading decreased by 10% mainly due mark-to-market gains and losses due to changes in share prices.

#### Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 4% or Php13.20 million in receivables.

#### Notes Receivable

Notes receivable includes interest-bearing short-term notes due on demand.

#### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). On April 1, 2016, the Company implemented a change in accounting estimate extending of the life of the intangible asset to concur with the term of PAGCOR's Congressional Franchise which is renewable for another twenty-five (25) years upon its expiration in 2033.

The decrease in the intangible asset account is brought about by the amortization of the intangible asset.

#### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php152.47 million in the account compared to balances at December 31, 2018 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

#### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the impairment of goodwill amounting to Php363.03 million in 2019.

#### Total Liabilities

Total liabilities increased by Php279.47 million or 17% as at December 31, 2019 from total liabilities of Php1.63 billion as at December 31, 2018. The increase is due mostly to the increase in trade and other payables, loans payable (short-term, interest-bearing loan) that the Company availed of, and lease liabilities due to the adoption of PFRS 16 on leases during the year.

#### Equity

Stockholders' equity increased by Php461.66 million as of December 31, 2019 from Php17.56 billion as of December 31, 2018. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php538.9 million as at December 31, 2019.

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

Ratio	Manner in which the financial ratios are computed	December 31, 2019	December 31, 2018
Current ratio	Current assets divided by current liabilities	4.35 : 1.00	4.40 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	10.74%	12.21%
Return on equity	Net income (loss) divided by average total equity during the period	11.82%	13.34%
Asset to equity	Total assets divided by total equity	1.11 : 1.00	1.09 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.01 : 1.00	0.00 : 1.00
Interest rate coverage	Earnings before interest and taxes divided by interest expense	215.38	428.57

The current ratio of the Company decreased slightly in 2019 from 4.40 to 4.35.

Return on assets (from 12.21% to 10.74%) and return on equity (from 13.34% to 11.82%) declined in 2019. This is mainly because of the decrease in net income for 2019 compared with previous year.

Interest-bearing debt refers to the short-term loan of the Company. This is minimal compared with the Company's total equity.

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, 2019, 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;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

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

## **2020 Plan of Operations**

PLC remains committed to look for various opportunities for growth through profitable investments that will increase the company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.



## **Analysis of Results of Operations and Financial Condition – 2018 compared to 2017**

*(Amounts in Peso except percentages)*

	<b>Years Ended December 31</b>		<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>		<b>2018</b>	<b>2017</b>
			<b>Amount</b>	<b>%</b>		
<b>REVENUE</b>						
Gaming revenue share	3,211,856,964	2,609,352,639	602,504,325	23%	62%	53%
Equipment lease rentals	1,448,317,610	1,840,520,991	(392,203,381)	-21%	28%	37%
Commission and distribution income	487,626,385	479,472,385	8,154,000	2%	10%	10%
	<b>5,147,800,959</b>	<b>4,929,346,015</b>	<b>218,454,944</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	1,297,488,594	1,539,038,409	(241,549,815)	-16%	25%	31%
General and administrative expenses	1,532,830,606	1,018,683,377	514,147,229	50%	30%	21%
Amortization of intangible asset	238,472,484	238,472,484	-	0%	5%	5%
	<b>3,068,791,684</b>	<b>2,796,194,270</b>	<b>272,597,414</b>	<b>10%</b>	<b>60%</b>	<b>57%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	157,453,311	75,918,013	81,535,298	107%	3%	2%
Dividend income	24,952,521	20,927,342	4,025,179	19%	0%	0%
Finance charges	(6,187,352)	(10,859,855)	4,672,503	-43%	0%	0%
Other expense - net	235,430,085	19,006,861	216,423,224	1139%	6%	0%
	<b>411,648,565</b>	<b>104,992,361</b>	<b>306,656,204</b>	<b>292%</b>	<b>8%</b>	<b>2%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,490,657,840</b>	<b>2,238,144,106</b>	<b>252,513,734</b>	<b>11%</b>	<b>49%</b>	<b>45%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	133,572,412	235,892,039	(102,319,627)	-43%	3%	5%
Deferred	47,432,314	(413,893)	47,846,207	-11560%	1%	0%
	<b>181,004,726</b>	<b>235,478,146</b>	<b>(54,473,420)</b>	<b>-23%</b>	<b>4%</b>	<b>5%</b>
<b>NET INCOME</b>	<b>2,309,653,114</b>	<b>2,002,665,960</b>	<b>306,987,154</b>	<b>15%</b>	<b>45%</b>	<b>41%</b>
<b>Net Income Attributable to:</b>						
Equity holders of the parent	2,157,768,639	1,756,459,152	401,309,487	23%	42%	36%
Non-controlling interests	151,884,475	246,206,808	(94,322,333)	-38%	3%	5%
	<b>2,309,653,114</b>	<b>2,002,665,960</b>	<b>306,987,154</b>	<b>15%</b>	<b>45%</b>	<b>41%</b>

Premium Leisure Corp. recognized consolidated net income of Php2.3 billion for full-year 2018, which is higher by 15% (or Php307.0 million) compared with the 2017 reported net income of Php2.0 billion. Operating EBITDA (proxy for cash flow) for the year is at Php2.7 billion, 2% more than its reported EBITDA of Php2.6 billion in 2017.

The Company's consistent profitability enabled PLC to declare a regular cash dividend of Php0.05024 per share on February 22, 2019, for a total dividend payment of approximately Php1,588.8 million, payable on March 22, 2019 to shareholders of record as of March 8, 2019. This cash dividend is 14% higher than the dividends declared and paid in 2018.

2018 gaming revenue share increased considerably by 23%, from Php2.6 billion to Php3.2 billion. This increase was brought about by the growth in the gaming segments of City of Dreams Manila, especially driven by the strong mass market. This increase was reduced in part by the decrease in revenue from equipment lease rentals by 21% (Php392 million) in 2018 due the decrease in lotto and KENO ticket sales volume immediately after the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law which drove the increase in ticket prices because of the documentary stamp tax and at the same time lowered the prize payout due to the tax on winnings.

Costs and expenses increased by Php272.6 million or 10% in 2018. Other income increased by 292% or Php306.7 million to Php411.6 million in 2018 due to an increase in the Company's passive income.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2018	2017	Increase (Decrease)		2018	2017
			Amount	%		
<b>NET INCOME</b>	<b>2,309,653,114</b>	<b>2,002,665,960</b>	<b>306,987,154</b>	<b>15%</b>	<b>45%</b>	<b>41%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	-	132,500,049	(132,500,049)	-100%	0%	3%
Realized loss transferred to profit or loss	-	31,647,929	(31,647,929)	100%	0%	1%
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>						
Marked-to-market losses on financial assets at fair value through OCI	(261,173,629)	-	(261,173,629)	100%	-5%	0%
Remeasurement gain (loss) on net retirement benefits - net of tax	12,297,225	1,248,964	11,048,261	885%	0%	0%
	(248,876,404)	165,396,942	(414,273,346)	-250%	-5%	3%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,060,776,710</b>	<b>2,168,062,902</b>	<b>(107,286,192)</b>	<b>-5%</b>	<b>40%</b>	<b>44%</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	1,954,907,883	1,873,300,753	81,607,130	4%	38%	38%
Non-controlling interests	105,868,827	294,762,149	(188,893,322)	-64%	2%	6%
	<b>2,060,776,710</b>	<b>2,168,062,902</b>	<b>(107,286,192)</b>	<b>-5%</b>	<b>40%</b>	<b>44%</b>

PLC recognized comprehensive income of Php2.1 billion for 2018 versus Php2.2 billion in 2017. This is mainly due to unrealized marked-to-market losses on financial assets of the Company versus gains in the previous year.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2018.

## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2018	2017	Increase (Decrease) Amount	%	2018	2017
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,314,012,081	2,962,635,687	(648,623,606)	-22%	12%	16%
Investments held for trading	155,704,892	178,482,842	(22,777,950)	-13%	1%	1%
Receivables	350,735,545	700,656,306	(349,920,761)	-50%	2%	4%
Notes receivable	3,705,925,000	1,605,925,000	2,100,000,000	131%	19%	9%
Contract assets	37,892,531	-	37,892,531	100%	0%	0%
Other current assets	319,087,307	205,657,568	113,429,739	55%	2%	1%
	6,883,357,356	5,653,357,403	1,229,999,953	22%	36%	30%
Noncurrent asset held for sale	-	285,510,452	(285,510,452)	-100%	0%	2%
<b>Total Current Assets</b>	<b>6,883,357,356</b>	<b>5,938,867,855</b>	<b>944,489,501</b>	<b>16%</b>	<b>36%</b>	<b>32%</b>
<b>Noncurrent Assets</b>						
Intangible asset	9,429,599,487	9,668,071,971	(238,472,484)	-2%	49%	52%
Available-for-sale financial assets	-	648,597,890	(648,597,890)	-100%	0%	4%
Financial assets at fair value through OCI	387,744,261	-	387,744,261	100%	2%	0%
Property and equipment	259,903,572	438,063,955	(178,160,383)	-41%	1%	2%
Investment property	285,510,452	-	285,510,452	100%	2%	0%
Goodwill	1,721,326,738	1,832,260,734	(110,933,996)	-6%	9%	10%
Deferred tax assets	8,864,126	15,439,685	(6,575,559)	-43%	0%	0%
Retirement asset	7,855,553	13,413,273	(5,557,720)	-41%	0%	0%
Contract assets - net of current portion	130,123,123	-	130,123,123	100%	1%	0%
Other noncurrent assets	75,504,420	79,307,906	(3,803,486)	-5%	0%	0%
<b>Total Noncurrent Assets</b>	<b>12,306,431,732</b>	<b>12,695,155,414</b>	<b>(388,723,682)</b>	<b>-3%</b>	<b>64%</b>	<b>68%</b>
<b>TOTAL ASSETS</b>	<b>19,189,789,088</b>	<b>18,634,023,269</b>	<b>555,765,819</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	1,535,792,345	1,443,439,925	92,352,420	6%	8%	8%
Current portion of obligations under finance lease	19,379,463	39,488,510	(20,109,047)	-51%	0%	0%
Income tax payable	9,415,467	29,434,444	(20,018,977)	-68%	0%	0%
<b>Total Current Liabilities</b>	<b>1,564,587,275</b>	<b>1,512,362,879</b>	<b>52,224,396</b>	<b>3%</b>	<b>8%</b>	<b>8%</b>
<b>Noncurrent Liabilities</b>						
Deferred tax liability	46,161,265	-	46,161,265	100%	1%	0%
Obligation under finance lease	15,995,011	35,374,474	(19,379,463)	-55%	0%	0%
Retirement liability	6,981,493	17,479,083	(10,497,590)	-60%	0%	0%
Installment payable	-	2,762,995	(2,762,995)	100%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>69,137,769</b>	<b>55,616,552</b>	<b>13,521,217</b>	<b>24%</b>	<b>1%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>1,633,725,044</b>	<b>1,567,979,431</b>	<b>65,745,613</b>	<b>4%</b>	<b>9%</b>	<b>8%</b>
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	41%	42%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	38%	39%
Treasury shares	(29,430,080)	-	(29,430,080)	100%	0%	0%
Cost of parent company shares held by a subsidiary	(509,597,055)	(475,427,035)	(34,170,020)	7%	-3%	-3%
Other reserves	(736,930,415)	40,848,816	(777,779,231)	-1904%	-4%	0%
Retained earnings	2,967,544,418	1,604,112,304	1,363,432,114	85%	15%	9%
<b>Total Equity Attr to Equity Holders of the Parent</b>	<b>16,837,136,292</b>	<b>16,315,083,509</b>	<b>522,052,783</b>	<b>3%</b>	<b>87%</b>	<b>88%</b>
<b>Non-controlling Interests</b>	<b>718,927,752</b>	<b>750,960,329</b>	<b>(32,032,577)</b>	<b>-4%</b>	<b>4%</b>	<b>4%</b>
<b>Total Equity</b>	<b>17,556,064,044</b>	<b>17,066,043,838</b>	<b>490,020,206</b>	<b>3%</b>	<b>91%</b>	<b>92%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,189,789,088</b>	<b>18,634,023,269</b>	<b>555,765,819</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2018, PLC's total assets amounted to Php19.2 billion, higher by Php555.8 million, or 3% versus total assets as at December 31, 2017. Key movements in balance sheet items are as follows:

### Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents decreased by 22% (Php648.6 million) to Php2,314.0 million in 2018. This decrease pertains to the increase in notes receivable for the Company and the payment of higher cash dividends for the year, offset in part by the collections of higher gaming share revenue and higher interest income for the year.

### Investments held for trading

Investments held for trading decreased by 13% mainly due to disposals of investments for the year as well as mark-to-market gains and losses due to changes in share prices.

### Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 50% or Php350.0 million in receivables.

### Notes Receivable

Notes receivable includes interest-bearing short-term notes due on demand.

### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). On April 1, 2016, the Company implemented a change in accounting estimate extending of the life of the intangible asset to concur with the term of PAGCOR's Congressional Franchise which is renewable for another twenty-five (25) years upon its expiration in 2033.

The decrease in the intangible asset account is brought about by the amortization of the intangible asset.

### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of Php178.2 million in the account compared to balances at December 31, 2017 due to the recognized depreciation and disposals for the year that was tempered by additions in PPE for the period.

### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. It also includes goodwill from POSC's acquisition of FRI and LCC subsidiaries. The decrease in the account pertains to the provision for impairment of goodwill from FRI worth Php110.9 million in 2018.

### Total Liabilities

Total liabilities increased by Php65.7 million or 4% as at December 31, 2018 from total liabilities of Php1,568 million as at December 31, 2017. The increase is due mostly to the increase in trade and other payables as well as increase in deferred tax liability for the year.

### Equity

Stockholders' equity increased by Php490.0 million as of December 31, 2018 from Php17,066.0 million as of December 31, 2017. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period and adjustments in other reserves pertaining to unrealized gains and losses through other comprehensive income. Minority interest is at Php718.9 million as at December 31, 2018.

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

<b>Ratio</b>	<b>Manner in which the financial ratios are computed</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Current ratio	Current assets divided by current liabilities	4.40 : 1.00	3.93 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	12.21%	11.27%
Return on equity	Net income (loss) divided by average total equity during the period	13.34%	12.04%
Asset to equity	Total assets divided by total equity	1.09 : 1.00	1.09 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.00 : 1.00	0.00 : 1.00
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	428.57	239.15

The current ratio of the Company increased in 2018 from 3.93 to 4.40. This is mainly brought about by the increase in current assets for 2018.

Return on assets (from 11.27% to 12.21%) and return on equity (from 12.04% to 13.34%) improved in 2018. This is mainly because of the increase in net income for 2018 compared with previous year.

Interest-bearing debt refers to obligations under finance lease of lottery equipment of POSC. These are minimal compared with the Company's total equity.

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, 2018, 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;
- Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and

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

### **2019 Plan of Operations**

PLC remains committed to look for various opportunities for growth through profitable investments that will increase the Company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

## **Analysis of Results of Operations and Financial Condition – 2017 compared to 2016**

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease) Amount	%	2017	2016
<b>REVENUE</b>						
Gaming revenue share	2,609,352,639	1,642,976,365	966,376,274	59%	53%	47%
Equipment lease rentals	1,840,520,991	1,579,660,972	260,860,019	17%	37%	45%
Commission and distribution income	479,472,385	308,438,496	171,033,889	55%	10%	9%
	<b>4,929,346,015</b>	<b>3,531,075,833</b>	<b>1,398,270,182</b>	<b>40%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Cost of services	1,539,038,409	1,238,853,192	300,185,217	24%	31%	35%
General and administrative expenses	1,018,683,377	561,531,251	457,152,126	81%	21%	16%
Amortization of intangible asset	238,472,484	324,769,436	(86,296,952)	-27%	5%	9%
	<b>2,796,194,270</b>	<b>2,125,153,879</b>	<b>671,040,391</b>	<b>32%</b>	<b>57%</b>	<b>60%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	75,918,013	47,139,103	28,778,910	61%	2%	1%
Dividend income	20,927,342	24,616,646	(3,689,304)	-15%	0%	1%
Finance charges	(10,859,855)	(12,748,505)	1,888,650	-15%	0%	0%
Other expense - net	19,006,861	(24,228,217)	43,235,078	-178%	0%	-1%
	<b>104,992,361</b>	<b>34,779,027</b>	<b>70,213,334</b>	<b>202%</b>	<b>2%</b>	<b>1%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,238,144,106</b>	<b>1,440,700,981</b>	<b>797,443,125</b>	<b>55%</b>	<b>45%</b>	<b>41%</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	235,892,039	254,329,643	(18,437,604)	-7%	5%	7%
Deferred	(413,893)	28,271,202	(28,685,095)	-101%	0%	1%
	<b>235,478,146</b>	<b>282,600,845</b>	<b>(47,122,699)</b>	<b>-17%</b>	<b>5%</b>	<b>8%</b>
<b>NET INCOME</b>	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>
<b>Net Income Attributable to:</b>						
Equity holders of the parent	1,756,459,152	959,849,646	796,609,506	83%	36%	27%
Non-controlling interests	246,206,808	198,250,490	47,956,318	24%	5%	6%
	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>

PLC recognized full-year 2017 audited consolidated net income of ₱2.0 billion, higher by 73% (or ₱844.6 million) than the 2016 reported net income of ₱1,158.1 million. Operating EBITDA (proxy for cash flow) for the year is at ₱2.6 billion, 37% more than its reported EBITDA of ₱1.9 billion in 2016.

The Company's consistent profitability enabled PLC to declare a regular dividend of ₱0.04391 per share on February 23, 2018, for a total dividend payment of approximately ₱1,388.8 million, payable on March 23, 2018 to shareholders of record as of March 9, 2018. This cash dividend is 56% higher than the dividends declared and paid in 2017.

2017 revenues increased considerably by 40% to ₱4.9 billion from the 2016 revenues of ₱3.5 billion due mostly to the following factors: 1) the growth in the gaming segments of City of Dreams Manila contributed ₱2.6 billion in gaming revenue share, up by 59% versus ₱1.6 billion recognized in 2016; 2) the improvement in the sales of lotto and keno tickets for 2017 provided ₱1,840.5 million in equipment lease rental revenues, increasing by 17% versus the prior year's revenues of ₱1,579.7 million; and 3) higher commission and distribution income by 55% or ₱171.0 million.

Costs and expenses increased by ₱671.0 million in 2017 due to the increase in costs of services directly attributable to the Company's gaming share revenue, equipment lease rentals, commission, distribution and instant scratch tickets income and the increase in general and administrative expenses.

## Consolidated Statements of Comprehensive Income

(Amounts in Peso except percentages)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease)		2017	2016
			Amount	%		
<b>NET INCOME</b>	<b>2,002,665,960</b>	<b>1,158,100,136</b>	<b>844,565,824</b>	<b>73%</b>	<b>41%</b>	<b>33%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Mark-to-market gains (losses) on available-for-sale financial assets	<b>132,500,049</b>	62,197,638	70,302,411	113%	3%	2%
Realized loss transferred to profit or loss	<b>31,647,929</b>	-	31,647,929	100%	1%	0%
Remeasurement gain (loss) on net retirement benefits - net of tax	<b>1,248,964</b>	(496,546)	1,745,510	-352%	0%	0%
	<b>165,396,942</b>	61,701,092	103,695,850	168%	3%	2%
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>2,168,062,902</b>	<b>1,219,801,228</b>	<b>948,261,674</b>	<b>78%</b>	<b>44%</b>	<b>35%</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the parent	<b>1,873,300,753</b>	1,005,380,815	867,919,938	86%	38%	28%
Non-controlling interests	<b>294,762,149</b>	214,420,413	80,341,736	37%	6%	6%
	<b>2,168,062,902</b>	<b>1,219,801,228</b>	<b>948,261,674</b>	<b>78%</b>	<b>44%</b>	<b>35%</b>

PLC recognized comprehensive income of ₱2.2 billion for 2017 versus ₱1.2 billion in 2016. This is mainly due to a significantly higher net income realized for 2017 as well as the recovery of the share prices of its available-for-sale investments.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC in 2017.

## Consolidated Statements of Financial Position

	December 31		Horizontal Analysis		Vertical Analysis	
	2017	2016	Increase (Decrease) Amount	%	2017	2016
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	2,962,635,687	1,811,503,962	1,151,131,725	64%	16%	11%
Investments held for trading	178,482,842	165,990,214	12,492,628	8%	1%	1%
Receivables	700,656,306	731,760,497	(31,104,191)	-4%	4%	4%
Notes receivable	1,605,925,000	805,925,000	800,000,000	99%	9%	5%
Other current assets	205,657,568	164,427,432	41,230,136	25%	1%	1%
	5,653,357,403	3,679,607,105	1,973,750,298	54%	30%	22%
Noncurrent asset held for sale	285,510,452	285,510,452	-	0%	2%	2%
Total Current Assets	5,938,867,855	3,965,117,557	1,973,750,298	50%	32%	23%
<b>Noncurrent Assets</b>						
Intangible asset	9,668,071,971	9,906,544,455	(238,472,484)	-2%	52%	59%
Available-for-sale financial assets	648,597,890	657,377,802	(8,779,912)	-1%	3%	4%
Property and equipment	438,063,955	479,088,812	(41,024,857)	-9%	2%	3%
Goodwill	1,832,260,734	1,828,577,952	3,682,782	0%	10%	11%
Deferred tax assets	15,439,685	14,576,327	863,358	6%	0%	0%
Retirement asset	13,413,273	8,630,802	4,782,471	55%	0%	0%
Other noncurrent assets	79,307,906	47,879,065	31,428,841	66%	0%	0%
Total Noncurrent Assets	12,695,155,414	12,942,675,215	(247,519,801)	-2%	68%	77%
<b>TOTAL ASSETS</b>	<b>18,634,023,269</b>	<b>16,907,792,772</b>	<b>1,726,230,497</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	1,440,759,097	544,597,585	896,161,512	165%	8%	3%
Current portion of obligations under finance lease	39,488,510	47,698,388	(8,209,878)	-17%	0%	0%
Income tax payable	29,434,444	43,000,753	(13,566,309)	-32%	0%	0%
Current portion of installment payable	2,680,828	-	2,680,828	100%	0%	0%
Total Current Liabilities	1,512,362,879	635,296,726	877,066,153	138%	8%	4%
<b>Noncurrent Liabilities</b>						
Obligation under finance lease	35,374,474	71,644,208	(36,269,734)	-51%	0%	0%
Retirement liability	17,479,083	12,549,700	4,929,383	39%	0%	0%
Installment payable	2,762,995	-	2,762,995	100%	0%	0%
Total Noncurrent Liabilities	55,616,552	84,193,908	(28,577,356)	-34%	0%	0%
Total Liabilities	1,567,979,431	719,490,634	848,488,797	118%	8%	4%
<b>Equity Attr to the Equity Holders of the Parent</b>						
Capital stock	7,906,827,500	7,906,827,500	-	0%	42%	47%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	39%	43%
Cost of parent company shares held by a subsidiary	(475,427,035)	(438,877,905)	(36,549,130)	8%	-3%	-3%
Other reserves	40,848,816	(75,992,785)	116,841,601	-154%	0%	0%
Retained earnings	1,604,112,304	727,181,016	876,931,288	121%	9%	4%
Total Equity Attr to Equity Holders of the Parent	16,315,083,509	15,357,859,750	957,223,759	6%	88%	91%
<b>Non-controlling Interests</b>						
Total Equity	17,066,043,838	16,188,302,138	877,741,700	5%	92%	96%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,634,023,269</b>	<b>16,907,792,772</b>	<b>1,726,230,497</b>	<b>10%</b>	<b>100%</b>	<b>100%</b>

As of December 31, 2017, PLC's total assets amounted to P18,634.0 million, higher by P1,726.2 million, or 10% versus total assets as at December 31, 2016. Key movements in balance sheet items are as follows:

### Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents increased by 64% (P1,151.1 million) to P2,962.6 million in 2017. This increase pertains to the collections of higher gaming revenue share, cash dividends from the Company's available for sale investments, interest income from banks and short-term investments, offset by the payment of dividends to shareholders in March 2017 and operating expenses.



#### Investments held for trading

Investments held for trading increased by 8% mainly due to additional investments for the year as well as mark-to-market gains and losses due to changes in share prices.

#### Receivables

Receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as operational advances to customers, suppliers and employees. The Company recorded net decrease of 4% or ₱31.1 million in receivables.

#### Intangible Asset

The Company's intangible asset pertains to the PAGCOR gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). On April 1, 2016, the Company implemented a change in accounting estimate extending of the life of the intangible asset to concur with the term of PAGCOR's Congressional Franchise which is renewable for another twenty-five (25) years upon its expiration in 2033.

The decrease in the intangible asset account is brought about by the amortization of the intangible asset.

#### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is an overall decrease of ₱41.0 million in the account compared to balances at December 31, 2016 due to the recognized depreciation for the year that was tempered by additions in PPE for the period.

#### Goodwill

Goodwill pertains to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015. The increase in the account pertains to additional goodwill recognized by the Company upon LCC's acquisition of 100% ownership interest in the following nine entities engaged in lotto/keno outlets and retail of scratchit tickets.

#### Total Liabilities

Total liabilities increased by ₱848.5 million or 118% as at December 31, 2017 from total liabilities of ₱719.5 million as at December 31, 2016. The increase is due mostly to the increase in trade and other payables related to POSC's operations as well as increased service fees related to the increase in gaming share revenue from City of Dreams Manila.

#### Equity

Stockholders' equity increased by ₱877.7 million as of December 31, 2017 from ₱16,907.8 million as of December 31, 2016. The increase was due mainly to the increase in retained earnings from the net income earned for the year, offset in part by the declaration and payment of dividends during the period worth approximately ₱888 million. Minority interest is at ₱751.0 million as at December 31, 2017.

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

Ratio	Manner in which the financial ratios are computed	December 31, 2017	December 31, 2016
Current ratio	Current assets divided by current liabilities	3.93 : 1.00	6.24 : 1.00
Return on assets	Net income (loss) divided by average total assets during the period	11.27%	6.95%
Return on equity	Net income (loss) divided by average total equity during the period	12.04%	7.22%
Asset to equity	Total assets divided by total equity	1.09 : 1.00	1.04 : 1.00
Debt to equity	Interest bearing debt divided by total equity	0.00 : 1.00	0.01 : 1.00
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	239.15	149.19

The current ratio of the Company decreased in 2017 from 6.24 to 3.93. This is mainly brought about by the increase in current liabilities for 2017. Despite the increase in current assets of 50%, the increase in current liabilities of 138% contributed to a lower current ratio.

Return on assets (from 6.95% to 11.27%) and return on equity (from 7.22% to 12.04%) significantly improved in 2017. This is mainly because of the 73% increase in net income for 2017 compared with previous year. Net income in 2017 amounted to ₱2.0 billion in 2017 versus ₱1.2 billion in 2016.

Interest-bearing debt refers to obligations under finance lease of lottery equipment of POSC. These are minimal compared with the Company's total equity.

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, 2017, except for what has been noted in the preceding, there were no material events or uncertainties known to Management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

## **2018 Plan of Operations**

PLC remains committed to look for various opportunities for growth through profitable investments thus increasing the Company's shareholder value for partners and investors alike. It shall likewise continue to partner with its parent Company's corporate social responsibility arm, Belle Kaagapay, to continue on enhancing quality of life for its host communities.

## **Financial Risk Management Objectives and Policies and Capital Management**

The Company's principal financial liabilities comprise trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. The Company also holds investments held for trading, notes receivable, financial assets at FVOCI, guarantee bonds and deposits included as part of "Other noncurrent assets" in the consolidated statement of financial position.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

**Credit Risk.** Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, trade receivables and others, financial assets at FVOCI and AFS financial assets.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, receivables, investments held for trading, financial assets at FVOCI, guarantee bonds and deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

<b>2020</b>							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Cash and cash equivalents*	<b>₱2,205,051,264</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,205,051,264</b>
Investment held for trading	<b>84,260,926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,260,926</b>
Receivables	<b>214,136,749</b>	<b>111,443,085</b>	<b>143,172,251</b>	<b>-</b>	<b>-</b>	<b>543,515,942</b>	<b>1,012,268,027</b>
Notes receivable	<b>3,705,925,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,705,925,000</b>
Financial assets at FVOCI	<b>287,453,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>287,453,830</b>
Advances to contractors**	<b>139,739,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,739,757</b>
Guarantee deposits**	<b>14,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,500,000</b>
Refundable deposits**	<b>5,953,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,953,851</b>
	<b>₱6,657,021,377</b>	<b>₱111,443,085</b>	<b>₱143,172,251</b>	<b>₱-</b>	<b>₱-</b>	<b>₱543,515,942</b>	<b>₱7,455,152,655</b>

\*Excluding cash on hand amounting to ₱13.3 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

<b>2019</b>							
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Cash and cash equivalents*	<b>₱3,522,420,729</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱3,522,420,729</b>
Investment held for trading	<b>140,456,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,456,581</b>
Receivables	<b>337,535,176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>429,838,329</b>	<b>767,373,505</b>
Notes receivable	<b>3,705,925,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,705,925,000</b>
Financial assets at FVOCI	<b>334,516,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>334,516,031</b>
Guarantee deposits**	<b>12,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,000,000</b>
Refundable deposits**	<b>35,424,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,424,154</b>
	<b>₱8,088,277,671</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱429,838,329</b>	<b>₱8,518,116,000</b>

\*Excluding cash on hand amounting to ₱14.7 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

## Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

*Stage 1* - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Stage 2* - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

*Stage 3* - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2020			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,205,051,264	₱—	₱—	₱2,205,051,264
Trade and other receivables	468,752,085	—	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	—	—	3,705,925,000
Advances to contractors**	139,739,757	—	—	139,739,757
Guarantee deposits**	14,500,000	—	—	14,500,000
Refundable deposits**	5,953,851	—	—	5,953,851
<b>Financial assets at FVTPL</b>	84,260,926	—	—	84,260,926
<b>Financial assets at FVOCI</b>	287,453,830	—	—	287,453,830
<b>Gross Carrying Amount</b>	<b>₱6,911,636,713</b>	<b>₱—</b>	<b>₱543,515,942</b>	<b>₱7,455,152,655</b>

\*Excluding cash on hand amounting to ₱13.3 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

	2019			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱3,522,420,729	₱—	₱—	₱3,522,420,729
Trade and other receivables	337,535,176	—	429,838,329	767,373,505
Notes receivable	3,705,925,000	—	—	3,705,925,000
Guarantee deposits**	12,000,000	—	—	12,000,000
Refundable deposits**	35,424,154	—	—	35,424,154
<b>Financial assets at FVTPL</b>	140,456,581	—	—	140,456,581
<b>Financial assets at FVOCI</b>	334,516,031	—	—	334,516,031
<b>Gross Carrying Amount</b>	<b>₱8,088,277,671</b>	<b>₱—</b>	<b>₱429,838,329</b>	<b>₱8,518,116,000</b>

\*Excluding cash on hand amounting to ₱14.7 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

**Liquidity Risk.** Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at December 31, 2020 and 2019 as the total current assets can cover the total current liabilities as they fall due.

The maturity profile of the Company's financial assets, contract assets and liabilities follow:

	2020				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	₱2,218,311,525	₱—	₱—	₱—	₱2,218,311,525
Investments held for trading	84,260,926	—	—	—	84,260,926
Receivables	798,131,278	214,136,749	—	—	1,012,268,027
Notes receivable	3,705,925,000	—	—	—	₱3,705,925,000
Financial assets at FVOCI	—	—	—	287,453,830	287,453,830
Advances to contractors	—	—	—	139,739,757	139,739,757
Refundable deposits <sup>(a)</sup>	—	—	—	5,953,851	5,953,851
Guarantee deposits <sup>(a)</sup>	—	—	—	14,500,000	14,500,000
<b>Contract Assets</b>					
Contract asset <sup>(b)</sup>	—	8,000,000	40,000,000	48,000,000	96,000,000
	<b>₱6,806,628,729</b>	<b>₱222,136,749</b>	<b>₱40,000,000</b>	<b>₱495,647,438</b>	<b>₱7,564,412,916</b>

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(b) Based on undiscounted payments

	2020				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(a)</sup>	₱12,106,426	₱113,832,958	₱112,196,669	₱—	₱238,136,053
Lease liabilities <sup>(b)</sup>	—	—	7,063,070	4,992,336	12,055,406
	<b>₱12,106,426</b>	<b>₱113,832,958</b>	<b>₱119,259,739</b>	<b>₱4,992,336</b>	<b>₱250,191,459</b>

(a) Excluding statutory liabilities, provisions and unearned income

(b) Based on undiscounted payments

	2019				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	₱3,537,075,479	₱—	₱—	₱—	₱3,537,075,479
Investments held for trading	140,456,581	—	—	—	140,456,581
Receivables	429,838,329	337,535,176	—	—	767,373,505
Notes receivable	3,705,925,000	—	—	—	3,705,925,000
Financial assets at FVOCI	—	—	—	334,516,031	334,516,031
Refundable deposits <sup>(a)</sup>	—	—	—	35,424,154	35,424,154
Guarantee deposits <sup>(a)</sup>	—	—	—	12,000,000	12,000,000
<b>Contract Assets</b>					
Contract asset <sup>(b)</sup>	—	8,000,000	40,000,000	96,000,000	144,000,000
	<b>₱7,813,295,389</b>	<b>₱345,535,176</b>	<b>₱40,000,000</b>	<b>₱477,940,185</b>	<b>₱8,676,770,750</b>

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(b) Based on undiscounted payments

	2019				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(a)</sup>	₱8,618,459	₱110,388,602	₱81,250,756	₱—	₱200,257,817
Loans payable	—	37,500,000	112,500,000	—	150,000,000
Lease liabilities <sup>(b)</sup>	—	—	76,353,121	16,748,884	93,102,005
	<b>₱8,618,459</b>	<b>₱147,888,602</b>	<b>₱270,103,877</b>	<b>₱16,748,884</b>	<b>₱443,359,822</b>

(a) Excluding statutory liabilities, provisions and unearned income

(b) Based on undiscounted payments

*Equity Price Risk.* Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI decrease as the result of changes in the value of individual stocks. The Company's exposure to equity price risk primarily to the Company's quoted investments held for trading and financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

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.

#### Financial assets at FVOCI

			2020		2019	
			Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage	increase	(decrease)				
in equity price			1%	(1%)	1%	(1%)
Effect on equity			₱2,873,726	(₱2,873,726)	₱3,344,349	(₱3,344,349)

#### Investments held for trading

			2020		2019	
			Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage	increase	(decrease)				
in equity price			5%	(5%)	5%	(5%)
Effect on profit or loss			4,213,046	(4,213,046)	₱7,022,829	(₱7,022,829)

*Foreign Currency Risk.* The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was Php48.00 and Php50.64 to US\$1, the Php to US\$ exchange rates as at December 31, 2020 and 2019, respectively. The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2020. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
2020	5% (5%)	(₱3,033,372) 3,033,372	(₱2,123,361) 2,123,361
2019	5% (5%)	(₱1,728,296) 1,728,296	(₱1,209,807) 1,209,807

#### 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 2020 and 2019.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to Php16,220.1 million and Php17,478.8 million as at December 31, 2020 and 2019, respectively.

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate. The carrying values of cash and cash equivalents, receivables, deposits and trade payables and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of investments held for trading and financial assets at FVOCI that are quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

The fair values of lease liabilities in 2020 and 2019 were calculated using Bloomberg Valuation Service (PHP BVAL) rates as at reporting date plus 0.95% and 0.012% to 0.95% spread, respectively.

The estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using Bloomberg Valuation Service (PHP BVAL) rates ranging from 6.7% to 6.9% in 2018.

The carrying value of guarantee bonds approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.

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, 2020 and 2019:

<b>2020</b>					
	<b>Date of Valuation</b>	<b>Quoted (Unadjusted) Prices in Active Markets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>Assets</b>					
<b>Assets measured at fair value:</b>					
Investments held for trading	<b>December 31, 2020</b>	<b>₱84,260,926</b>	<b>₱—</b>	<b>₱—</b>	<b>₱84,260,926</b>
Financial assets at FVOCI	<b>December 31, 2020</b>	<b>284,972,730</b>	<b>2,400,000</b>	<b>81,100</b>	<b>287,453,830</b>
<b>Asset for which fair value is disclosed -</b>					
Advances to contractors	<b>December 31, 2020</b>	<b>—</b>	<b>—</b>	<b>134,587,697</b>	<b>134,587,697</b>
<b>Liabilities</b>					
<b>Liabilities for which fair value is disclosed -</b>					
Lease liabilities	<b>December 31, 2020</b>	<b>—</b>	<b>—</b>	<b>11,854,750</b>	<b>11,854,750</b>

2019					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2019	140,456,581	–	–	140,456,581
Financial assets at FVOCI	December 31, 2019	331,634,931	2,800,000	81,100	334,516,031
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Lease liabilities	December 31, 2019	–	–	90,557,014	90,557,014

#### Other Required Disclosures

- I.) The attached financial reports were prepared in accordance with accounting standards generally accepted in the Philippines.
- J.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period.
- K.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current period.
- L.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- M.) There were no material events that occurred subsequent to December 31, 2020 and up to the date of this report that need disclosure herein.
- N.) There were no changes in the composition of the Company during the period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations, except for the disposal of POSC's subsidiary, LCC, that was discussed herein.
- O.) There were no changes in contingent liabilities or contingent assets since December 31, 2020, as of the date of this report.
- P.) There exist no material contingencies and other material events or transactions affecting the current period.



## Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2020. 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

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

The aggregate fees paid by the Company for professional services (excluding Value Added Tax) rendered by the external auditor for the audit of financial statements for the years ended 31 December 2020 and 2019 follow:

	(P000's omitted)
2020	₱478.0
2019	478.0

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

### b. Tax Fees

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

### c. All Other Fees

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

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

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

The Audit Committee has the responsibility to recommend an external auditor to be selected and appointed by the stockholders during each ASM.

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

## DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the portion of this Information Statement on "Directors and Executive Officers".

## COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

### Board Attendance

Regular meetings of the Board are scheduled at the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2020, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Premium Leisure Corp. – Attendance in Board of Directors' Meetings in 2020							
Director		02/21/20	05/06/20	06/22/20	07/30/20	10/22/20	12/11/20
1	Willy N. Ocier	✓	✓	✓	✓	✓	✓
2	Armin Antonio B. Raquel Santos	✓	✓	✓	✓	✓	✓
3	A. Bayani K. Tan	✓	✓	✓	✓	✓	✓
4	Exequiel P. Villacorta, Jr.	✓	✓	✓	✓	✓	✓
5	Roman Felipe S. Reyes	✓	✓	✓	✓	✓	✓
6	Juan Victor S. Tanjuatco	✓	✓	✓	✓	✓	✓
7	Joseph C. Tan	✓	✓	✓	✓	✓	✓

The Board of Directors during its meeting on October 22, 2020 approved the scheduling of the 2021 Board and Committee Meetings in adherence to good governance practices.

### Board Performance Evaluation

The Company conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, the Corporate Secretary and Board Advisors, and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In line with governance best practices, the board evaluations shall be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

The Board members assessed the Board as a whole based on their balance/diversity, competencies, background and experience. Board efficiency and importance as well as board activities were also given the appropriate ratings.

The six (6) Board Committees were also assessed based on their performance.

Individual performances were also assessed based on independence, participation and diligence.

Likewise, Chairperson and CEO were assessed for their leadership, integrity, diligence and adherence to corporate governance, while the following key officers were also evaluated for the over-all performance:

1. Chief Finance Officer
2. Chief Risk Officer
3. Chief Compliance Officer
4. Internal Audit Head

The said performance evaluation for 2020 was conducted on February 19, 2021.

## **Continuing Education Programs**

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. The annual training in 2020 was virtually held on October 23, 2020 and conducted by the Institute of Corporate Directors.

## **Manual on Corporate Governance**

In compliance with the initiative of the SEC, PLC submitted its Revised Manual on Corporate Governance (the “Revised Manual”) to the SEC. The Revised Manual institutionalizes the principles of good corporate governance in the entire Company. PLC believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization’s values and ethics emerge, is of utmost importance to the Company’s shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates.

The Company undertakes every effort possible to create awareness throughout the entire organization.

## **Board Committees**

Even prior to the submission of its Manual, the Company already created various Board-level committees. These committees were comprised of the following:

- 1) The Executive Committee – to oversee the management of the Company and is responsible for the Company’s goals, finances and policies;
  - 2) Audit Committee – to review financial and accounting matters;
  - 3) Compensation and Remuneration Committee – to look into an appropriate remuneration system and advancement program for employees;
  - 4) Risk Oversight Committee – to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks;
  - 5) Related Party Transactions (RPT) Committee – to assess material agreements with related parties to ensure that the RPT are conducted at market rates and on an arm’s length basis; and
  - 6) Corporate Governance Committee – to assist and advise the Board in performing corporate governance compliance responsibilities in relation with the Company’s Revised Manual on Corporate Governance, the Philippine Code of Corporate Governance, and the disclosure rules of the SEC and the PSE.
- Nomination Committee – for the selection and evaluation of qualifications of directors and officers.
- On April 24, 2017, the Nomination Committee was merged with the Corporate Governance Committee.

Each of the above is guided by their respective Committee Charters that indicates the purpose, composition, duties and responsibilities. The Board Committee Charters are reviewed annually.

## **Risk Oversight Committee**

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.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company’s risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company’s risk management system for 2020 and has found the same effective and adequate.

## **The Audit Committee**

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 Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2020.

### **Corporate Objectives**

The Board establishes the corporate objectives, which are:

- To create opportunities for growth through strategic and lucrative investments and to enhance shareholder value for PLC's partners and investors
  - Declaration of regular dividends of at least 80% of the prior year's unrestricted retained earnings, taking into consideration the Company's operating result, cash flow, regulatory requirements and other factors.
  - Adoption of good governance practices, and being assessed as one of the top 100 Philippine Publicly-Listed Companies scoring above 90% in the annual ASEAN Corporate Governance Scorecard.
  - Endeavor to realize increases in net income, surpassing operating performance in 2018-2019, by continuous exercise of financial prudence and undertaking of business risks only upon careful study and evaluation.
- To promote mutually beneficial relationship with all the stakeholders that is grounded on transparency, integrity and respect and to enhance the quality of life of the communities it serves
  - Participation in activities that uplift the quality of life in surrounding communities thru coordination with Belle Kaagapay, which is Belle Corporation's corporate social responsibility arm. Such activities include joining the Department of Education's *Brigada Eskwela*, feeding programs, medical and dental / eye and ear missions, tree-planting and livelihood programs

### **Code of Business Conduct and Ethics**

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Revised Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Revised Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website.

### **Governance Policies**

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the PLC Corporate website <https://www.premiumleisurecorp.com/governance-plc/corporate-policies>: These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Accountability, Integrity and Vigilance (Whistle-Blowing)
2. Alternative Dispute Resolution
3. Board Diversity
4. Conflict of Interest
5. Corporate Disclosures
6. Directors' Board Seats Held in Other Companies
7. Employees' Safety, Health and Welfare
8. Gifts / Hospitality / Entertainment
9. Insider Trading
10. Related Party Transactions
11. Succession Planning and Retirement Age for Directors and Key Officers
12. Tenure of Independent Directors
13. Vendor Accreditation and Selection
14. Material Related Party Transactions

## Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

PLC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																		
NAME and DESIGNATION	AGE	GEN DER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Willy N. Ocier	63	M	Bachelor of Arts in Economics																			
Chairman																						
Executive Director																						
Armin Antonio B. Raquel-Santos	52	M	Bachelor of Science Degree																			
President & CEO			Business Administration and Finance																			
Executive Director			Master of Arts in Liberal Studies																			
Roman Felipe S. Reyes	68	M	Bachelor of Science - Commerce, Maj. Accounting																			
Lead Independent Director																						
			MBA degree																			
A.Bayani K. Tan	64	M	Master of Laws Degree																			
Non-Executive Director			Bachelor of Laws Degree																			
			Bachelor of Arts - Political Science																			
Joseph C. Tan	62	M	Bachelor of Arts - Business Administration																			
Independent Director			Bachelor of Laws Degree																			
Juan Victor S. Tanjuatco	72	M	Bachelor of Arts in Economics																			
			Masters in Business Administration, major in Finance																			
Independent Director																						
Exequiel P. Villacorta, Jr.	74	M	Bachelor of Science - Business Administration																			
Non-Executive Director			Masters in Business Management																			

## Directors' disclosures on self-dealing and related party transactions.

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.

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.

All Directors, Officers and Employees are required to disclose in writing to the Management, within forty-eight (48) hours, 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.

Directors shall inhibit themselves from participating in any discussion, deliberation and decision-making concerning any issue or transaction where they may be conflicted.

The Company shall not extend loans to Directors and Officers unless these grants are conducted at arms-length basis and at prevailing market rates.

Directors, Officers and Employees are prohibited from buying or selling (trading) shares of stock of Belle Corp. using material non-public information and obtained by reason of position, contact within or other relationship with the Company. They are also prohibited from passing on such information to someone else who then buys or sells the Company's shares of stock.

Trading Restriction Period – Directors, Officers and Employees and covered persons mentioned above are prohibited from trading in Belle shares within the period five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information.

This is pursuant to Section 13.2 of the PSE Disclosure Rules – “A Director or Principal Officer of an Issuer must not deal in the Issuer’s securities during the period within which a material non-public information is obtained and up to two full trading days after the price sensitive information is disclosed.”

Reporting Requirements – Directors, Officers and Employees are required to report to the Governance, Corporate Affairs and Investor Relations (GCAIR) Department all dealings in Belle shares within three (3) business days from the date of trading. All Directors and Key Officers covered by the SEC and PSE’s reporting requirements with regard to their shareholdings in the Company shall do so immediately and correctly.

Below is a summary of our directors’ self-dealings of Belle shares as of April 30, 2021:

	Shareholdings as of 12/31/19	Acquisition	Disposition	Shareholdings as of 04/30/21		Ownership Percentage
				Direct	Indirect	
Willy N. Ocier	38,888,001	-	-	38,888,001	-	0.13
Armin Antonio B. Raquel Santos	1,000	-	-	1,000	-	0.00
Exequiel P. Villacorta, Jr.	500,001	-	-	500,001	-	0.00
Roman Felipe S. Reyes	1	-	-	1	-	0.00
Juan Victor S. Tanjuatco	1	-	-	1	-	0.00
Total	41,389,007	-	-	41,389,007	-	

### **Directorships of Non-Executive Directors in Other Listed Companies**

In February 2018, the Board of Directors has approved the setting of a maximum limit of five (5) publicly-listed corporations, including Belle Corporation, for Non-Executive Directors to simultaneously hold at any given time.

### **Tenure of Independent Directors**

Further, the Board has approved the setting of maximum tenure of nine (9) years with year 2012, or the commencements of their term assuming it is later than January 2012, as reckoning date. The Independent Director (ID) may serve as a Non-Executive Director after his term as an ID.

### **Chief Compliance Officer**

The Company, through its Chief Compliance Officer, stresses full compliance with applicable laws and adherence to ethical practices as stated in the Code of Business Conduct and Ethics (CBCE) and the Revised Manual on Corporate Governance.

The Board established the major goals, policies, and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company is not aware of any non-compliance with its Revised Manual on Corporate Governance, by any of its directors, officers or employees.

**For governance related issues or concerns, stakeholders may refer to:**

Governance and Corporate Affairs Department  
5th Floor Tower A, Two E-com Center  
Palm Coast Avenue, Mall of Asia Complex  
Pasay City 1300 Philippines  
Tel.No.:(632) 8662-8888  
Email: [governance@bellec corp.com](mailto:governance@bellec corp.com)

**Investor Relations**

Michelle T. Hernandez  
Vice President -Governance and Corporate Affairs, Belle Corporation  
5th Floor Tower A, Two E-com Center  
Palm Coast Avenue, Mall of Asia Complex  
Pasay City 1300 Philippines  
Tel.No.:(632) 8662-8888  
Email: [michelle.hernandez@bellec corp.com](mailto:michelle.hernandez@bellec corp.com)

**UNDERTAKING TO PROVIDE COPIES OF THE INFORMATION STATEMENT  
AND THE ANNUAL REPORT**

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

THE CORPORATE SECRETARY  
PREMIUM LEISURE CORP.  
5F TOWER A, TWO E-COM CENTER  
PALM COAST AVENUE  
MALL OF ASIA COMPLEX, PASAY CITY





**P R E M I U M  
LEISURE CORP.**

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila Philippines

**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 including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

**ARMIN ANTONIO B. RAQUEL SANTOS**  
President and Chief Executive Officer

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

**Signed this 14th day of April 2021**

APR 14 2021

MAKATI CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2021 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER		November 18, 2021	Manila
ARMIN ANTONIO B. RAQUEL SANTOS		January 9, 2022	Manila
JACKSON T. ONGSIP		January 24, 2030	Manila

DOC NO. : 296  
PAGE NO. : 60  
BOOK NO. : 101  
SERIES OF : 2021.

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8531012. Jan. 4, 2021 until Dec. 31, 2021 Makati City

MCLE No. VI-0016565 / Jan. 14, 2019  
G/F Fedman Suites 199 Salcedo Street  
Legaspi Village, Makati City

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	-	0	0	9	2	8	9
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### COMPANY NAME

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

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

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

Form Type

A	A	C	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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### COMPANY INFORMATION

Company's Email Address

plc@premiumleisurecorp.com

Company's Telephone Number

662-8888

Mobile Number

N/A

No. of Stockholders

359

Annual Meeting (Month / Day)

Any day in May

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Jackson T. Ongsip

Email Address

plc@premiumleisurecorp.com

Telephone Number/s

662-8888

Mobile Number

0917-5578203

### CONTACT PERSON'S ADDRESS

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

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

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



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, 1300 Pasay City

### Opinion

We have audited the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



### ***Recoverability of Goodwill in Pacific Online Systems Corporation (POSC)***

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2020, goodwill arising from the acquisition of POSC amounted to ₱926.0 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and the long-term growth rate.

The Company's disclosures about goodwill are included in Note 17 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth and long-term growth rates against the historical performance of the cash generating unit and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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





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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

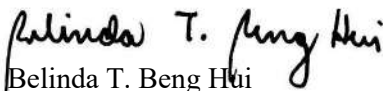
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui  
Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),  
March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-078-2020,  
December 3, 2020, valid until December 2, 2023

PTR No. 8534224, January 4, 2021, Makati City

April 14, 2021



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 30)	<b>₱2,218,311,525</b>	₱3,537,075,479
Investments held for trading (Notes 8 and 30)	<b>84,260,926</b>	140,456,581
Receivables (Notes 9, 27 and 30)	<b>468,752,085</b>	337,535,176
Notes receivable (Notes 10, 27 and 30)	<b>3,705,925,000</b>	3,705,925,000
Contract assets - current portion (Notes 30 and 32)	<b>39,903,188</b>	40,510,763
Other current assets (Note 11)	<b>218,007,449</b>	268,546,967
Total Current Assets	<b>6,735,160,173</b>	8,030,049,966
<b>Noncurrent Assets</b>		
Intangible asset (Note 12)	<b>8,952,654,519</b>	9,191,127,003
Financial assets at fair value through other comprehensive income (Notes 13, 27 and 30)	<b>287,453,830</b>	334,516,031
Property and equipment (Note 14)	<b>83,505,713</b>	107,432,510
Investment property (Note 15)	<b>285,510,452</b>	285,510,452
Goodwill (Notes 16 and 17)	<b>926,007,748</b>	1,358,298,121
Deferred tax assets - net (Note 26)	<b>82,414,559</b>	52,824,625
Retirement asset (Note 20)	<b>–</b>	10,311,588
Right-of-use assets (Note 28)	<b>10,119,536</b>	73,225,966
Contract assets - net of current portion (Notes 30 and 32)	<b>46,302,455</b>	89,612,359
Other noncurrent assets (Notes 11, 30 and 32)	<b>383,885,079</b>	398,013,734
Total Noncurrent Assets	<b>11,057,853,891</b>	11,900,872,389
<b>TOTAL ASSETS</b>	<b>₱17,793,014,064</b>	₱19,930,922,355
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 18, 20 and 30)	<b>₱1,164,524,630</b>	₱1,618,365,470
Loans payable (Notes 19 and 30)	<b>–</b>	150,000,000
Lease liabilities - current portion (Notes 28 and 30)	<b>7,676,824</b>	75,030,683
Income tax payable	<b>6,146</b>	4,274,940
Total Current Liabilities	<b>1,172,207,600</b>	1,847,671,093
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Notes 28 and 30)	<b>3,928,543</b>	16,576,645
Retirement liability (Note 20)	<b>59,290,772</b>	48,950,570
Total Noncurrent Liabilities	<b>63,219,315</b>	65,527,215
Total Liabilities	<b>1,235,426,915</b>	1,913,198,308

(Forward)





	December 31	
	2020	2019
<b>Equity Attributable to the Equity Holders of the Parent</b>		
(Notes 21 and 29)		
Capital stock	<b>₱7,906,827,500</b>	₱7,906,827,500
Additional paid-in capital	<b>7,238,721,924</b>	7,238,721,924
Treasury shares	<b>(220,430,080)</b>	(29,430,080)
Cost of Parent Company shares held by a subsidiary	<b>(509,597,055)</b>	(509,597,055)
Other reserves	<b>(824,553,084)</b>	(788,608,550)
Retained earnings	<b>2,629,106,978</b>	3,660,924,536
Total Equity Attributable to Equity Holders of the Parent	<b>16,220,076,183</b>	17,478,838,275
<b>Non-controlling Interests</b> (Note 16)	<b>337,510,966</b>	538,885,772
Total Equity	<b>16,557,587,149</b>	18,017,724,047
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱17,793,014,064</b>	₱19,930,922,355

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b>			
Gaming revenue share - net (Notes 22 and 32)	₱635,217,388	₱2,976,366,472	₱3,211,856,964
Equipment rental (Notes 28 and 32)	293,104,496	681,483,757	1,448,317,610
Commission and distribution income (Note 32)	35,333,625	308,381,639	487,626,385
	<b>963,655,509</b>	<b>3,966,231,868</b>	<b>5,147,800,959</b>
<b>COST AND EXPENSES</b>			
Cost of services (Note 23)	503,896,574	986,207,833	1,297,488,594
General and administrative expenses (Note 24)	955,482,263	961,494,609	1,532,830,606
Amortization of intangible asset (Note 12)	238,472,484	238,472,484	238,472,484
	<b>1,697,851,321</b>	<b>2,186,174,926</b>	<b>3,068,791,684</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest income (Notes 7, 10 and 32)	217,963,792	279,857,146	157,453,311
Dividend income (Notes 8 and 13)	22,353,086	24,708,086	24,952,521
Finance costs (Notes 19 and 28)	(6,800,483)	(9,525,989)	(6,187,352)
Other income (expense) - net (Note 25)	821,339,171	(32,888,983)	235,430,085
	<b>1,054,855,566</b>	<b>262,150,260</b>	<b>411,648,565</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>320,659,754</b>	<b>2,042,207,202</b>	<b>2,490,657,840</b>
<b>PROVISION FOR (BENEFIT FROM)</b>			
<b>INCOME TAX</b> (Note 26)			
Current	28,076,028	22,422,019	133,572,412
Deferred	(31,132,712)	(81,838,677)	47,432,314
	<b>(3,056,684)</b>	<b>(59,416,658)</b>	<b>181,004,726</b>
<b>NET INCOME</b>	<b>₱323,716,438</b>	<b>₱2,101,623,860</b>	<b>₱2,309,653,114</b>
<b>Net Income Attributable to:</b>			
Equity holders of the parent	₱517,573,391	₱2,261,962,747	₱2,157,768,639
Non-controlling interests	(193,856,953)	(160,338,887)	151,884,475
	<b>₱323,716,438</b>	<b>₱2,101,623,860</b>	<b>₱2,309,653,114</b>
<b>Basic/Diluted Earnings Per Common Share</b>			
<b>Attributable to Equity Holders of the Parent</b>			
(Note 29)	<b>₱0.016765</b>	<b>₱0.072448</b>	<b>₱0.069080</b>

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2020	2019	2018
<b>NET INCOME</b>	<b>₱323,716,438</b>	<b>₱2,101,623,860</b>	<b>₱2,309,653,114</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Marked-to-market losses on financial assets at fair value through other comprehensive income (Note 13)	(47,062,201)	(53,228,230)	(261,173,629)
Remeasurement gain (loss) on net retirement benefits - net of tax (Note 20)	3,599,814	(18,152,998)	12,297,225
	(43,462,387)	(71,381,228)	(248,876,404)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱280,254,051</b>	<b>₱2,030,242,632</b>	<b>₱2,060,776,710</b>
<b>Total Comprehensive Income Attributable to:</b>			
Equity holders of the parent	₱481,628,857	₱2,210,284,612	₱1,954,907,883
Non-controlling interests	(201,374,806)	(180,041,980)	105,868,827
	<b>₱280,254,051</b>	<b>₱2,030,242,632</b>	<b>₱2,060,776,710</b>

*See accompanying Notes to Consolidated Financial Statements.*



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	Other Reserves										
				Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Cumulative Unrealized Mark-to-Market Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests (Note 2)	Total
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)								
Balance at January 1, 2020	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱529,769,146)	(₱4,519,707)	(₱254,319,697)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047
Net income	—	—	—	—	—	—	—	517,573,391	517,573,391	(193,856,953)	323,716,438
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	—	—	—	—	—	1,803,512	—	—	1,803,512	1,796,302	3,599,814
Marked-to-market loss on financial assets at fair value through other comprehensive income	—	—	—	—	(37,748,046)	—	—	—	(37,748,046)	(9,314,155)	(47,062,201)
Total comprehensive income	—	—	—	—	(37,748,046)	1,803,512	—	517,573,391	481,628,857	(201,374,806)	280,254,051
Cash dividends (Note 21)	—	—	—	—	—	—	—	(1,549,390,949)	(1,549,390,949)	—	(1,549,390,949)
Purchase of treasury shares	—	—	(191,000,000)	—	—	—	—	—	(191,000,000)	—	(191,000,000)
Balance at December 31, 2020	₱7,906,827,500	₱7,238,721,924	(₱220,430,080)	(₱509,597,055)	(₱567,517,192)	(₱2,716,195)	(₱254,319,697)	₱2,629,106,978	₱16,220,076,183	₱337,510,966	₱16,557,587,149



	Other Reserves										
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)	Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Cumulative Unrealized Mark- to-Market Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests (Note 2)	Total
Balance at January 1, 2019	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱487,185,664)	₱4,574,946	(₱254,319,697)	₱2,967,544,418	₱16,837,136,292	₱718,927,752	₱17,556,064,044
Net income	—	—	—	—	—	—	—	2,261,962,747	2,261,962,747	(160,338,887)	2,101,623,860
Other comprehensive (income) loss:											
Remeasurement loss on net retirement benefits - net of tax	—	—	—	—	—	(9,094,653)	—	—	(9,094,653)	(9,058,345)	(18,152,998)
Marked-to-market loss on financial assets at fair value through other comprehensive income	—	—	—	—	(42,583,482)	—	—	—	(42,583,482)	(10,644,748)	(53,228,230)
Total comprehensive income	—	—	—	—	(42,583,482)	(9,094,653)	—	2,261,962,747	2,210,284,612	(180,041,980)	2,030,242,632
Cash dividends (Note 21)	—	—	—	—	—	—	—	(1,568,582,629)	(1,568,582,629)	—	(1,568,582,629)
Balance at December 31, 2019	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱529,769,146)	(₱4,519,707)	(₱254,319,697)	₱3,660,924,536	₱17,478,838,275	₱538,885,772	₱18,017,724,047



	Other Reserves										
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Treasury Shares (Note 21)	Cost of Parent Company Shares Held by a Subsidiary (Note 21)	Cumulative Unrealized Mark- to-Market Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 13)	Remeasurement Losses on Defined Benefit Obligation (Note 20)	Other Reserves	Retained Earnings (Note 21)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interests (Note 2)	Total
Balance at January 1, 2018	₱7,906,827,500	₱7,238,721,924	₱—	(₱475,427,035)	(₱278,203,897)	(₱1,546,065)	(₱254,319,697)	₱2,179,030,779	₱16,315,083,509	₱750,960,329	₱17,066,043,838
Net income	—	—	—	—	—	—	—	2,157,768,639	2,157,768,639	151,884,475	2,309,653,114
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	—	—	—	—	—	6,121,011	—	—	6,121,011	6,176,214	12,297,225
Marked-to-market loss on financial assets at fair value through other comprehensive income	—	—	—	—	(208,981,767)	—	—	—	(208,981,767)	(52,191,862)	(261,173,629)
Total comprehensive income	—	—	—	—	(208,981,767)	6,121,011	—	2,157,768,639	1,954,907,883	105,868,827	2,060,776,710
Parent Company shares held by a subsidiary (Note 21)	—	—	—	(34,170,020)	—	—	—	—	(34,170,020)	—	(34,170,020)
Cash dividends (Note 21)	—	—	—	—	—	—	—	(1,369,255,000)	(1,369,255,000)	—	(1,369,255,000)
Cash dividends received by non- controlling interest (Note 2)	—	—	—	—	—	—	—	—	—	(121,294,616)	(121,294,616)
Purchase of treasury shares	—	—	(29,430,080)	—	—	—	—	—	(29,430,080)	(16,606,788)	(46,036,868)
Balance at December 31, 2018	₱7,906,827,500	₱7,238,721,924	(₱29,430,080)	(₱509,597,055)	(₱487,185,664)	₱4,574,946	(₱254,319,697)	₱2,967,544,418	₱16,837,136,292	₱718,927,752	₱17,556,064,044

See accompanying Notes to Consolidated Financial Statements.



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱320,659,754</b>	₱2,042,207,202	₱2,490,657,840
Adjustments for:			
Gain from reversal of provisions (Notes 18 and 25)	<b>(756,115,335)</b>	—	—
Impairment loss on goodwill (Notes 17 and 24)	<b>432,290,373</b>	363,028,617	110,933,996
Amortization of intangible asset (Note 12)	<b>238,472,484</b>	238,472,484	238,472,484
Interest income (Notes 7, 10 and 32)	<b>(217,963,792)</b>	(279,857,146)	(157,453,311)
Depreciation and amortization of property and equipment and right-of-use assets (Notes 14 and 28)	<b>113,477,090</b>	235,948,840	223,271,046
Gain on disposal of:			
Net assets of subsidiaries (Notes 16 and 25)	<b>(70,338,145)</b>	—	—
Property and equipment (Note 25)	<b>(15,850)</b>	(839,812)	(1,038,518)
Investments held for trading (Note 25)	—	—	(1,548,225)
Dividend income (Notes 8 and 13)	<b>(22,353,086)</b>	(24,708,086)	(24,952,521)
Provision for impairment loss on right-of-use assets (Notes 24 and 28)	<b>9,324,857</b>	—	—
Marked-to-market loss of investments held for trading (Notes 8 and 25)	<b>6,195,655</b>	15,248,311	11,903,085
Finance costs (Notes 19 and 28)	<b>6,800,483</b>	9,525,989	6,187,352
Gain on termination of leases (Notes 25 and 28)	<b>(1,165,723)</b>	—	—
Foreign exchange loss (Note 25)	<b>238,218</b>	1,180,826	845,519
Operating income before working capital changes	<b>59,506,983</b>	2,600,207,225	2,897,278,747
Decrease (increase) in:			
Receivables	<b>(165,298,306)</b>	2,382,904	351,483,786
Contract assets	<b>49,507,867</b>	46,492,534	(168,015,654)
Other current assets	<b>(32,845,615)</b>	34,786,133	(114,758,361)
Increase (decrease) in:			
Trade payables and other current liabilities	<b>438,940,774</b>	80,889,069	84,982,687
Retirement liability	<b>14,850,616</b>	13,580,187	12,661,865
Installment payable	—	—	3,761,219
Cash generated from operations	<b>364,662,319</b>	2,778,338,052	3,067,394,289
Income taxes paid	<b>(1,895,478)</b>	(13,924,734)	(152,262,768)
Retirement benefits paid (Note 20)	<b>(1,809,643)</b>	—	—
Interest received	<b>217,963,792</b>	282,074,609	155,890,287
Net cash provided by operating activities	<b>578,920,990</b>	3,046,487,927	3,071,021,808
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of:			
Property and equipment (Note 14)	<b>(90,839,188)</b>	(29,546,701)	(45,682,606)
Financial assets at fair value through other comprehensive income (Note 13)	—	—	(320,000)
Dividends received	<b>22,353,086</b>	24,708,086	24,952,521
Decrease (increase) in:			
Other noncurrent assets	<b>(9,097,146)</b>	(322,509,314)	3,803,486
Notes receivable	—	—	(2,100,000,000)
Proceeds from disposal of:			
Investments held for trading (Note 8)	<b>50,000,000</b>	—	12,423,090
Net assets of subsidiaries, net of cash disposed (Note 16)	<b>74,027,310</b>	—	—
Property and equipment	<b>828,622</b>	991,675	1,610,461
Net cash used in investing activities	<b>47,272,684</b>	(326,356,254)	(2,103,213,048)

(Forward)



	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid (Note 35)	(P1,549,390,949)	(P1,568,582,629)	(P1,490,549,616)
Acquisition of treasury shares (Note 21)	(191,000,000)	—	(29,430,080)
Proceeds from (payment of) loan (Note 35)	(150,000,000)	150,000,000	—
Payment of lease liabilities (Notes 28 and 35)	(50,208,626)	(78,485,646)	—
Interest paid on loans payable (Notes 19 and 35)	(4,358,053)	—	—
Purchase of treasury shares by a subsidiary	—	—	(16,606,788)
Additional cost of parent company shares held by a subsidiary (Note 21)	—	—	(34,170,020)
Decrease in obligations under finance lease	—	—	(45,675,862)
Net cash used in financing activities	(1,944,957,628)	(1,497,068,275)	(1,616,432,366)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,318,763,954)</b>	<b>1,223,063,398</b>	<b>(648,623,606)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,537,075,479</b>	<b>2,314,012,081</b>	<b>2,962,635,687</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P2,218,311,525</b>	<b>P3,537,075,479</b>	<b>P2,314,012,081</b>

See accompanying Notes to Consolidated Financial Statements.





# PREMIUM LEISURE CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### Corporate Information

Premium Leisure Corp., formerly Sinophil Corporation, (“PLC” or “Parent Company”), incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved PLC’s application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. On September 5, 2014, the SEC approved the change in PLC’s primary purpose to that of engagement and/or investment in gaming-related businesses. On July 19, 2019 the SEC approved the change in PLC’s primary purpose to include that the Company shall not engage in real estate business activities.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 79.79% and 79.00% (direct and indirect) owned by Belle Corporation (“Belle” or “Ultimate Parent Company”) and the rest by the public as at December 31, 2020 and 2019, respectively.

PLC and its subsidiaries (collectively referred to as “the Company”) have investment portfolio consisting of investment holding, gaming business and lottery equipment leasing, distribution and others.

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.

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

	Percentage of Ownership			
	2020		2019	
	Direct	Indirect	Direct	Indirect
<b>Gaming Business</b>				
PremiumLeisure and Amusement, Inc. (PLAI)	100.00	–	100.00	–
<b>Real Estate</b>				
Foundation Capital Resources, Inc. (FCRI) <sup>(a)</sup>	100.00	–	100.00	–
<b>Public Amusement and Recreation</b>				
Sinophil Leisure and Resorts Corporation (SLRC) <sup>(a)</sup>	100.00	–	100.00	–
<b>Lottery Equipment Leasing, Distribution and Others</b>				
Pacific Online Systems Corporation (POSC)	50.10	–	50.10	–
Loto Pacific Leisure Corporation (LotoPac)	–	100.00	–	100.00
Lucky Circle Corporation (LCC) <sup>(b)</sup>	–	–	–	100.00
Athena Ventures, Inc. <sup>(b)</sup>	–	–	–	100.00
Avery Integrated Hub, Inc. <sup>(b)</sup>	–	–	–	100.00
Circle 8 Gaming Ventures, Inc. <sup>(b)</sup>	–	–	–	100.00
Luckydeal Leisure, Inc. <sup>(b)</sup>	–	–	–	100.00
Luckyfortune Business Ventures, Inc. <sup>(b)</sup>	–	–	–	100.00



	Percentage of Ownership			
	2020		2019	
	Direct	Indirect	Direct	Indirect
Luckypick Leisure Club Corp. <sup>(b)</sup>	—	—	—	100.00
Luckyventures Leisure Corp. <sup>(b)</sup>	—	—	—	100.00
Lucky Games Entertainment Ventures Inc. <sup>(b)</sup>	—	—	—	100.00
Orbis Valley Corporation <sup>(b)</sup>	—	—	—	100.00
Total Gaming Technologies, Inc. (TGTI)	—	<b>98.92</b>	—	98.92
Falcon Resources, Inc. (FRI)	—	<b>100.00</b>	—	100.00
TGTI Services, Inc.	—	<b>100.00</b>	—	100.00

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

<sup>(a)</sup> Non-operating

<sup>(b)</sup> Sold on February 13, 2020 (see Note 16).

### Authorization for the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 14, 2021.

## **2. Basis of Preparation and Consolidation and Statement of Compliance**

### Basis of Preparation

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

### Statement of Compliance

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

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020 and 2019 (see Note 1). Control is achieved when the 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 Company controls an investee if, and only if, the Company has:

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

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

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



The 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date of the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Material Partly-owned Subsidiary

The non-controlling interests of POSC are material to the Company. NCI is 49.9% as at December 31, 2020 and 2019.

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

#### Summarized Consolidated Statements of Financial Position

	2020	2019
Total current assets	<b>₱543,642,892</b>	₱864,695,033
Total noncurrent assets	<b>559,761,148</b>	858,445,984
Total current liabilities	<b>(186,366,143)</b>	(360,318,424)
Total noncurrent liabilities	<b>(53,897,344)</b>	(49,403,241)
Total equity	<b>₱863,140,553</b>	₱1,313,419,352
Attributable to:		
Equity holders of the Parent	<b>₱860,675,862</b>	₱1,308,075,909
Non-controlling interests	<b>2,464,691</b>	5,343,443
Total	<b>₱863,140,553</b>	₱1,313,419,352



### Summarized Consolidated Statements of Comprehensive Income

	2020	2019
Revenues	<b>₱328,438,121</b>	₱989,865,396
Costs and expenses	<b>(839,346,652)</b>	(1,370,091,622)
Other income (expense) – net	<b>100,224,694</b>	(15,161,445)
Loss before income tax	<b>(410,683,837)</b>	(395,387,671)
Benefit from income tax	<b>29,296,321</b>	74,415,297
Net loss	<b>(381,387,516)</b>	(320,972,374)
Other comprehensive loss	<b>(68,891,287)</b>	(126,228,049)
Total comprehensive loss	<b>(₱450,278,803)</b>	(₱447,200,423)
Attributable to:		
Equity holders of the Parent	<b>(₱447,668,007)</b>	(₱445,639,067)
Non-controlling interests	<b>(2,610,796)</b>	(1,561,356)
Total	<b>(₱450,278,803)</b>	(₱447,200,423)

### Summarized Cash Flow Information

	2020	2019
Operating	<b>₱18,099,931</b>	(₱275,108,818)
Investing	<b>126,704,277</b>	3,112,421
Financing	<b>(193,177,979)</b>	37,911,899
Net decrease in cash and cash equivalents	<b>(₱48,373,771)</b>	(₱234,084,498)

There are no dividends paid to non-controlling interests in 2020 and 2019.

### **3. Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- *Amendments to PFRS 3, Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.



- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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



The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2020. In 2020, the Company received rent concession (i.e., rent reduction) on one of its right-of-use office space. The rent reduction amounting to ₱0.3 million was accounted for as a variable lease and recognized as a reduction to rent expense (see Notes 24 and 28).

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#### 4. Future Changes in Accounting Policies

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

*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, *Financial Instruments: Disclosure*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*

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

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

The Company shall also disclose information about:

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

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

*Effective beginning on or after January 1, 2022*

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

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



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

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

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

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

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

The amendments are not expected to have a material impact on the Company.

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.



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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Company.

*Effective beginning on or after January 1, 2023*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue





them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

#### *Deferred effectivity*

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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## **5. Summary of Significant Accounting Policies**

### Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.



A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in bank and short-term deposits earn interest at the prevailing bank deposit rates.

#### Fair Value Measurement

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

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

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

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

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

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

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

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



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

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

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

#### "Day 1" Difference

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

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

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

*Date of Recognition of Financial Assets.* The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

*Initial Recognition and Subsequent Measurement of Financial Assets.* Financial assets are classified as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and FVOCI.

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

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and



measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company has no financial assets classified as FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2020 and 2019.

- *Financial Assets at FVTPL.* Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes listed equity investments held for trading. Dividends on listed equity investments are recognized as other income in the profit or loss when the right of payment has been established.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments as defined by PFRS 9. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

As at December 31, 2020 and 2019, the Company's investments held for trading are classified as financial assets at FVTPL. The Company has no derivatives designated as hedging instruments as at December 31, 2020 and 2019.

- *Financial Assets at Amortized Cost.* Financial assets at amortized cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost 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, 2020 and 2019, this category includes the Company's cash and cash equivalents, receivables, notes receivables, refundable deposits and guarantee deposits (presented as part of "other noncurrent assets").



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

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

The Company elected to classify irrevocably certain equity investments under this category. As at December 31, 2020 and 2019, this category includes the Company's investments in shares of stock.

#### Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

#### Impairment of Financial Assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit



exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

### Financial Liabilities

*Date of Recognition of Financial Liabilities.* The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

### Initial Recognition and Measurement

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

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

### Subsequent Measurement

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

- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

As at December 31, 2020 and 2019, the Company has no financial liabilities at FVTPL.

### *Financial Liabilities at Amortized Cost (Loans and Borrowing).*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

This category includes the Company's trade payables and other current liabilities, loans payable and lease liabilities.



#### Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

#### Classification of Financial Instruments between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

#### 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

#### 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, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

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

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



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

The Company made upfront payments to purchase a license. The license has been granted for a period of 18.6 years, renewable for another 25 years, by the relevant government agency. The license was assessed as having a finite life and is amortized on a straight-line basis over the period of the license (i.e., 43.6 years).

#### Property and Equipment

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

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

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

The assets' residual values, useful lives, and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

The Company applied cost model in measuring its investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, less impairment, which reflects market conditions at the reporting date.

Investment properties are derecognized when either they have been disposed of or when permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss





in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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

#### Asset Acquisition

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

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

#### Business Combinations

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

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Company at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized as part of "Additional paid-in capital" account in the equity section of the consolidated statement of financial position.

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

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



Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

#### Goodwill

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

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

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

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

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

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



The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the goodwill is allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

When goodwill has been allocated to a cash generating unit or group of cash generating units and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

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

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

#### Spare Parts and Supplies

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

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

The Company assesses at each reporting date whether there is an indication that the right-of-use assets, intangible asset 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 CGU's fair value less cost to dispose and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment



loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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

The consolidated retained earnings includes the earnings of the subsidiaries which are not available for dividend declaration.

#### Treasury shares and Cost of Parent Company Shares Held by a Subsidiary

The Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

#### NCI

NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represents the equity interest in POSC not held by the Parent Company.

#### Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for the "Commission income", the Company has concluded that it is acting as principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements because it typically controls the services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

*Gaming Revenue Share.* Revenue representing monthly payments from Melco Resorts Leisure (PHP) Corporation (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 and is measured at the fair value of the consideration received, net of Philippine Amusement and Gaming Corporation (PAGCOR) license fee.

In determining the transaction price for gaming revenue share, the Company considers the effect of variable consideration. The Company estimates the amount of consideration to which it will be entitled in exchange for transferring the service to the customer. The variable consideration is



estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

*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 Company's right to receive the payment is established.

*Equipment Rental.* Revenue is recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

*Commission and Distribution Income.* Revenues from the distribution of lottery, sweepstakes and scratch tickets to customers, including retailers and sub-distributors, representing the Company's share from the sales, are recognized upon delivery of the tickets to the customers. Revenue from the monthly fixed payment from Powerball Marketing & Logistics Corp. (PMLC), formerly Powerball Gaming and Entertainment Corporation, is recognized monthly in accordance with the Outsourcing Memorandum of Agreement (OMOA).

*Brand and trademark income.* Income is recognized at point in time upon transfer of a non-assignable, non-transferable and exclusive right to use of instant scratch tickets' brand and trademarks.

*Other Income.* These are recognized when, other than the usual business operations, control of goods and services are transferred to the customer.

#### Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets and incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in consolidated statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

#### Leases Starting January 1, 2019 (Upon Adoption of PFRS 16)

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

*Company as Lessee.* The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the



commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Lottery equipment	1 year
Warehouse and office spaces	1 year to 2 years
Corporate suites	2 years and 5 months

Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.
- *Lease Modification (As Lessee).* Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessee shall account for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.



For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

- Allocate the consideration in the modified contract;
- Determine the lease term of the modified lease; and
- Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, of the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. The lessee shall account for the remeasurement of the lease liability by:
  - Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to partial or full termination of the lease.
  - Making corresponding adjustment to the right-of-use asset for all other lease modifications.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
- There is no substantive change to other terms and conditions of the lease.

Rent concession from lessors were accounted for as negative variable lease payments in profit or loss.

*Company as Lessor.* Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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



Leases Prior to January 1, 2019 (Prior to Adoption of PFRS 16)

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

*Company as Lessee.* A lease is classified at the inception date as a finance lease or an operating lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of income on a straight-line basis over the lease term.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

*Company as Lessor.* Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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





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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a different rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed if some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined in the reporting period.

#### Foreign Currency-denominated Transactions and Translation

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the Philippine peso closing exchange rate at the reporting date. All differences arising from the settlement or translation are taken to consolidated statement of income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt within equity. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

#### Taxes

*Current Income Tax.* Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax



rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Income Tax.* Deferred income 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 liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and 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 tax credits and unused NOLCO can be utilized, except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 and liabilities 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.



The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*Value-Added Tax (VAT).* Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

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

The carrying value of input VAT is included under “Other current assets” account in the consolidated statement of financial position.

#### Earnings per Share

Basic earnings per share is computed by dividing net profit for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted earnings per share is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential common shares that would have anti-dilutive effects on earnings per share.

As the Company has no dilutive potential common shares outstanding, basic and diluted earnings per share are stated at the same amount.

#### Business Segments

The Company’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, investment property and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include investments and advances.

*Inter-segment Transactions.* Segment revenue, segment expenses, and segment performance include transfers among business segments. Such transfers are eliminated upon consolidation.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the



obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of 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 but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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## **6. 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 accompanying disclosures, and the disclosures of contingent liabilities, at the reporting date. 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 assets or liabilities affected in future periods.

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.

#### Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Business Combinations.* At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of business processes is acquired in addition to the asset acquired. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. 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.

Please refer to Note 16 for the Company's most recent business combinations.



*Determining Subsidiaries with Material Non-controlling Interests.* The Company is required to disclose certain financial information on its subsidiaries with material non-controlling interests. There are also qualitative considerations including the nature of relationship between the Company and the subsidiary and the nature of their businesses.

Management determines material subsidiaries with material non-controlling interests as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, non-controlling interests, revenues and net income.

The Company has determined POSC as a subsidiary with material non-controlling interests in 2020 and 2019.

*Determination of lease term of contracts with renewal options – Company as a lessee (Starting January 1, 2019 (Upon adoption of PFRS 16)).* The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The Company did not include the renewal period as part of the lease term of its various lease arrangements since the Company assessed that its renewal option is not enforceable.

*Operating Lease - as a Lessor.* POSC and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. POSC and TGTI has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental amounted to ₱293.1 million, ₱681.5 million and ₱1,448.3 million in 2020, 2019 and 2018, respectively (see Note 28).

*Operating Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16).* The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱126.6 million in 2018 (see Note 28).

*Finance Lease - as a Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16).* POSC entered into various finance lease agreements covering certain lottery equipment. POSC determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

#### 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.



The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Provision for Expected Credit Losses of Financial Assets at Amortized Cost and Contract Assets.* The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company recognized provision for ECL amounting to ₱139.7 million, ₱2.1 million and nil in 2020, 2019 and 2018, respectively (see Notes 9, 24 and 32). Allowance for doubtful accounts amounted to ₱569.5 million and ₱429.8 million as at December 31, 2020 and 2019, respectively. The aggregate carrying values of receivables, notes receivables and contract assets amounted to ₱4,260.9 million and ₱4,173.6 million as at December 31, 2020 and 2019, respectively (see Notes 9, 10 and 32).

*Determination of Impairment of Nonfinancial Assets (Except Goodwill).* The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Nonfinancial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

Provision for impairment loss on right-of-use asset amounted to ₱9.3 million in 2020 (see Note 24). No provision for impairment loss in 2019 and 2018.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2020 and 2019 are as follows:

	2020	2019
Intangible asset (see Note 12)	<b>₱8,952,654,519</b>	₱9,191,127,003
Investment property (see Note 15)	<b>285,510,452</b>	285,510,452
Property and equipment (see Note 14)	<b>83,505,713</b>	107,432,510
Right-of-use assets (see Note 28)	<b>10,119,536</b>	73,225,966



*Realizability of Deferred Tax Assets.* Deferred tax assets are recognized for all deductible temporary differences and unused tax credits and 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.

Recognized deferred tax assets amounted to ₱116.1 million and ₱104.1 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱143.3 million and ₱140.4 million as at December 31, 2020 and 2019, respectively (see Note 26).

*Revenue from Contracts with Customers.* The Company has identified the following estimations that significantly affect the determination of the amount and timing of revenue from contracts with customers.

- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* In estimating variable consideration for the gaming revenue share, PLAI is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

PLAI determined that the most likely amount method is more appropriate for PLAI's contract with single volume threshold.

Before including any amount of variable consideration in the transaction price, PLAI considers whether the amount of variable consideration is constrained. PLAI determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

- *Significant Financing Component in a Contract.* POSC entered into a brand and trademark license agreement, where POSC granted its customer a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademark, effective January 1, 2018. The contract provides right to use to the customer, which exists at a point in time (i.e., January 1, 2018) and the customer gains control over the brand and trademark at the beginning of the period. Thus, the revenue, from which collection shall be received over five years, shall be recognized at the beginning of the period. POSC has concluded that there is a significant financing component considering the length of time between the transfer of control and customer's payments.

*Estimation of Useful Life of Gaming License.* The useful life of the Company's gaming license recognized as "Intangible asset" account in the consolidated statement of financial position is estimated based on the period over which the asset is expected to be available for use. The estimated useful life of intangible asset is reviewed periodically and updated if expectations differ from previous estimates. The gaming license runs concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise which is set to expire in 2033, renewable for another 25 years by the Philippine Congress.

In 2020 and 2019, there were no changes in the estimated useful life of gaming license. The carrying value of the gaming license as at December 31, 2020 and 2019 amounted to ₱8,952.7 million and ₱9,191.1 million, respectively (see Note 12).



*Estimating Impairment of Goodwill.* The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGUs and to choose a suitable discount rate to calculate the present value of those cash flows.

The key assumptions used in the value in use calculations include discount rate, revenue growth rate and long-term growth rate. Impairment loss amounted to ₱432.3 million and ₱363.0 million in 2020 and 2019, respectively. The carrying values of goodwill amounted to ₱926.0 million and ₱1,358.3 million as at December 31, 2020 and 2019, respectively (see Note 17).

*Determination and Computation of Retirement Expense.* The cost of retirement expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Retirement expense charged to profit and loss amounted to ₱14.9 million, ₱20.1 million and ₱13.7 million in 2020, 2019 and 2018, respectively. Remeasurement gain (loss) on retirement benefits amounted to ₱5.1 million, (₱25.9 million) and ₱17.6 million in 2020, 2019 and 2018, respectively. The carrying values of retirement asset amounted to nil and ₱10.3 million as at December 31, 2020 and 2019, respectively. The carrying values of retirement liability amounted to ₱59.3 million and ₱49.0 million as at December 31, 2020 and 2019, respectively (see Note 20).

*Leases - Estimating the Incremental Borrowing Rate (Starting January 1, 2019 – Upon Adoption of PFRS 16).* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company “would have to pay”, which requires estimation when no observable rates are available (such as for entities within the group that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entity’s stand-alone credit rating).

The Company’s lease liabilities amounted to ₱11.6 million and ₱91.6 million as at December 31, 2020 and 2019, respectively (see Note 28).

*Evaluation of 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 (see Notes 18 and 33).





## 7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	<b>₱454,534,110</b>	₱704,732,546
Cash equivalents	<b>1,763,777,415</b>	2,832,342,933
	<b>₱2,218,311,525</b>	₱3,537,075,479

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents 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 cash equivalents amounted to ₱46.1 million, ₱57.1 million and ₱36.2 million in 2020, 2019 and 2018, respectively.

## 8. Investments Held for Trading

This account consists of the Company's investments in shares of stock of Leisure and Resorts World Corporation (LRWC), Vantage Equities, Inc., APC Group, Inc. and Philippine Long Distance Telephone Company.

Movements in this account are as follows:

	2020	2019
Balance at beginning of year	<b>₱140,456,581</b>	₱155,704,892
Disposals	<b>(50,000,000)</b>	—
Marked-to-market-loss (see Note 25)	<b>(6,195,655)</b>	(15,248,311)
Balance at end of year	<b>₱84,260,926</b>	₱140,456,581

The fair values of these securities are based on the quoted prices on the last market day of the year. The Company determines the cost of investments sold using specific identification method.

Mark-to-market loss in 2020, 2019 and 2018 amounting to ₱6.2 million, ₱15.2 million and ₱11.9 million, respectively, were recognized in "Other income (expense) - net" account in the consolidated statements of income (see Note 25).

Realized gain from sale of investments held for trading amounted to nil in 2020 and 2019 and ₱1.5 million in 2018 (see Note 25).

Dividend income realized from investments held for trading amounted ₱2.4 million, ₱4.7 million and ₱5.0 million in 2020, 2019 and 2018, respectively.



## 9. Receivables

This account consists of:

	2020	2019
Trade receivables	<b>₱468,516,351</b>	₱332,479,558
Loan assets (see Note 32)	<b>422,341,815</b>	422,341,815
Advances to LCC	<b>113,677,613</b>	—
Advances to officers and employees	<b>1,291,113</b>	4,575,259
Other receivables	<b>6,441,135</b>	7,976,873
	<b>1,012,268,027</b>	767,373,505
Less allowance for doubtful accounts	<b>543,515,942</b>	429,838,329
	<b>₱468,752,085</b>	₱337,535,176

Trade receivables are generally on a 20 to 60 days credit term. These are mostly receivables arising from equipment lease agreement with PCSO, receivables from sale of instant scratch ticket and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

Loan assets pertain to the Parent Company's receivable from Paxell Investment Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and Legend International Resort H.K. Limited ("LIR-HK") amounting to ₱422.3 million as a result of the compensation to parties who were in possession of the shares in connection with the cancellation of the remaining 2,000,000,000 undelivered PLC shares (see Note 32). The loan assets were fully provided with allowance as at December 31, 2020 and 2019.

Advances to officers and employees and other receivables are noninterest-bearing and generally collected within the next financial year.

Movement in allowance for doubtful accounts is as follows:

	2020	2019
Balance at beginning of year	<b>₱429,838,329</b>	₱427,690,938
Provision for impairment loss (see Note 24)	<b>113,677,613</b>	2,147,391
Balance at end of year	<b>₱543,515,942</b>	₱429,838,329

## 10. Notes Receivable

Notes receivable, unsecured and bearing interest rates ranging from 4.11% to 5.06% in 2020 and 4.80% to 6.38% in 2019, amounted to ₱3,705.9 million as at December 31, 2020 and 2019 (see Note 27).

Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱166.3 million, ₱214.1 million and ₱108.7 million in 2020, 2019 and 2018, respectively (see Note 27).



# 11. Other Current Assets and Other Noncurrent Assets

## Other Current Assets

This account consists of:

	2020	2019
Creditable withholding taxes (CWT)	<b>₱128,032,336</b>	₱151,493,307
Prepaid expenses	<b>69,113,193</b>	72,178,205
Spare parts and supplies - at cost	<b>62,150,636</b>	37,430,911
Advances to contractors and suppliers	<b>2,186,791</b>	2,249,254
Input VAT	<b>96,231</b>	5,232,880
Others	<b>25,280</b>	25,280
	<b>261,604,467</b>	268,609,837
Less allowance for probable loss on input VAT and spare parts and supplies	<b>43,597,018</b>	62,870
	<b>₱218,007,449</b>	₱268,546,967

Spare parts and supplies are carried at lower and cost or net realizable value. Prepaid expenses pertain to various prepayments which will be applied in the next financial year.

Advances to contractors and suppliers will be applied in future billings.

Movement of allowance for probable loss on spare parts and supplies and input VAT are as follows:

## December 31, 2020

	Spare parts and supplies	CWT	Input VAT	Total
Balance at beginning of year	₱—	₱—	₱62,870	₱62,870
Provision for probable losses (see Note 24)	43,534,148	471,422	—	44,005,570
Write-off	—	(471,422)	—	(471,422)
Balance at end of year	<b>₱43,534,148</b>	<b>₱—</b>	<b>₱62,870</b>	<b>₱43,597,018</b>

Creditable withholding taxes can be applied as tax credits against future income tax payable. In 2020, the Company written off CWT amounting to ₱0.5 million.

## December 31, 2019

	2019
Balance at beginning of year	₱62,743
Provision for probable losses (see Note 24)	127
Balance at end of year	<b>₱62,870</b>



### Other Noncurrent Assets

This account consists of:

	2020	2019
Creditable withholding taxes	<b>₱212,555,107</b>	₱197,338,032
Advances to contractors	<b>139,739,757</b>	—
Guaranteed deposits (see Note 32)	<b>14,500,000</b>	12,000,000
Software development	<b>11,136,364</b>	104,545,455
Refundable deposits	<b>5,953,851</b>	35,424,154
Prepaid service and maintenance	—	40,227,273
Others	—	8,478,820
	<b>₱383,885,079</b>	₱398,013,734

Creditable withholding taxes can be applied as tax credits against future income tax payable.

Advances to contractors are advances to a contractor that are expected to be refunded within two years.

Guaranteed deposits pertain to cash bonds held in escrow account as part of the agreement with PCSO (see Note 32).

Software development represents payments for the creation and development of new gaming solutions to enable selling of lottery tickets through different channels and enhance existing lottery system efficiencies in response to the changing economic conditions of the environment.

Refundable deposits are subject to adjustments every year if rent rates increase and shall be returned to the lessee without interest.

Prepaid service and maintenance pertain to advance payment for technical and training support service.

## 12. Intangible Asset

Intangible asset, which was part of the assets acquired from Belle in 2014, pertains to the provisional license granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. On April 29, 2015, PAGCOR granted the Regular Gaming License (License), which has the same terms and conditions of the provisional license. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress.

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

Movements in intangible asset are as follows:

	2020	2019
<b>Cost</b>		
Balance at beginning and end of year	<b>₱10,843,215,811</b>	₱10,843,215,811
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>1,652,088,808</b>	1,413,616,324
Amortization	<b>238,472,484</b>	238,472,484
Balance at end of year	<b>1,890,561,292</b>	1,652,088,808
	<b>₱8,952,654,519</b>	₱9,191,127,003



The unamortized life of the license as at December 31, 2020 and 2019 is 37.5 years and 38.5 years, respectively.

### 13. Financial Assets at Fair Value Through Other Comprehensive Income

This account pertains to investments in equity instruments classified as financial assets at FVOCI as at December 31, 2020 and 2019, consisting of the following:

	2020	2019
Quoted shares:		
Belle - common shares (see Note 27)	<b>₱284,972,730</b>	₱331,634,931
Golf club shares	<b>2,400,000</b>	2,800,000
	<b>287,372,730</b>	334,434,931
Unquoted shares:		
Others	<b>81,100</b>	81,100
	<b>₱287,453,830</b>	₱334,516,031

The movements of financial assets at FVOCI in 2020 and 2019 are as follows:

	2020	2019
<b>Cost</b>		
Balance at beginning and end of year	<b>₱890,518,604</b>	₱890,518,604
<b>Cumulative unrealized mark-to-market loss on financial assets at FVOCI</b>		
Balance at beginning of year	<b>(556,002,573)</b>	(502,774,343)
Unrealized mark-to-market loss during the year	<b>(47,062,201)</b>	(53,228,230)
Balance at end of year	<b>(603,064,774)</b>	(556,002,573)
	<b>₱287,453,830</b>	₱334,516,031

Dividend income earned from financial assets at FVOCI amounted to ₱20.0 million in 2020, 2019 and 2018.

The investment in common shares of Belle is based on the quoted price as at reporting date while the investment in golf club shares is based on secondary market prices as at reporting date.

### 14. Property and Equipment

The movements in this account follow:

	2020				
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balance at beginning of year	<b>₱742,769,119</b>	<b>₱102,167,530</b>	<b>₱202,041,348</b>	<b>₱77,325,214</b>	<b>₱1,124,303,211</b>
Additions	<b>89,370,392</b>	<b>211,114</b>	<b>1,130,182</b>	<b>127,500</b>	<b>90,839,188</b>
Disposals	<b>(17,962,170)</b>	<b>(3,007,325)</b>	<b>(4,047,891)</b>	<b>(8,249,364)</b>	<b>(33,266,750)</b>
Disposal of subsidiaries (see Note 16)	<b>—</b>	<b>(68,195,834)</b>	<b>(158,744,891)</b>	<b>(14,710,883)</b>	<b>(241,651,608)</b>
Balance at end of year	<b>814,177,341</b>	<b>31,175,485</b>	<b>40,378,748</b>	<b>54,492,467</b>	<b>940,224,041</b>

(Forward)



2020					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	₱696,805,262	₱93,203,302	₱175,151,756	₱51,710,381	₱1,016,870,701
Depreciation and amortization (see Notes 23 and 24)	71,475,894	2,321,112	8,400,464	7,550,467	89,747,937
Disposals	(17,962,170)	(3,007,325)	(4,047,891)	(7,436,592)	(32,453,978)
Disposal of subsidiaries (see Note 16)	—	(64,703,286)	(141,984,030)	(10,759,016)	(217,446,332)
Balance at end of year	750,318,986	27,813,803	37,520,299	41,065,240	856,718,328
<b>Net Book Value</b>	<b>₱63,858,355</b>	<b>₱3,361,682</b>	<b>₱2,858,449</b>	<b>₱13,427,227</b>	<b>₱83,505,713</b>

2019					
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Cost</b>					
Balances at beginning of year	₱748,290,336	₱99,270,113	₱196,967,691	₱79,101,958	₱1,123,630,098
Additions	7,759,051	2,984,917	8,836,568	9,966,165	29,546,701
Disposals	(13,280,268)	(87,500)	(3,762,911)	(11,742,909)	(28,873,588)
Balance at end of year	742,769,119	102,167,530	202,041,348	77,325,214	1,124,303,211
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	595,996,982	83,589,685	144,400,787	48,364,341	872,351,795
Depreciation and amortization (see Notes 23 and 24)	114,088,548	9,701,117	34,513,880	14,937,086	173,240,631
Disposals	(13,280,268)	(87,500)	(3,762,911)	(11,591,046)	(28,721,725)
Balance at end of year	696,805,262	93,203,302	175,151,756	51,710,381	1,016,870,701
<b>Net Book Value</b>	<b>₱45,963,857</b>	<b>₱8,964,228</b>	<b>₱26,889,592</b>	<b>₱25,614,833</b>	<b>₱107,432,510</b>

## 15. Investment Property

These accounts pertain to parcels of land amounting to ₱285.5 million classified as investment property as at December 31, 2020 and 2019.

The fair value of the investment property amounted to ₱295.2 million as at February 8, 2019, which was estimated using market approach, as determined by an independent appraiser. The value of the land was based on the sales and listings of comparable properties registered within the vicinity and within Level 3 fair value hierarchy.

While fair values of the investment properties were not determined as at December 31, 2020 and 2019, management believes that there were no conditions present as at the reporting dates that would significantly reduce the fair values of the investment properties from what was previously determined.

## 16. Business Combination

On February 6, 2020, POSC's BOD approved the sale of LCC for POSC to focus its resources on its principal business of providing modern and efficient online gaming facilities and equipment to its customers. LCC operates and/or manages several outlets throughout the Philippines which sell products of the PCSO, including lotto, keno and instant scratch tickets. LCC is included as part of "Lottery equipment, leasing, distribution and others" in the Company's reportable segment.



On February 13, 2020, POSC has concluded the sale of all of the POSC's equity interest in LCC, equivalent to 127.0 million shares for ₱1.082 per share to a third party for a total consideration of ₱137.4 million. Gain from the disposal of the net assets of LCC group in 2020 amounting to ₱70.3 million was recognized under "Other income (expense) - net" (see Note 25).

## 17. Goodwill

Goodwill acquired from the business combination as at December 31, 2020 and 2019 consists of:

	2020	2019
POSC	<b>₱1,717,643,956</b>	₱1,717,643,956
FRI	<b>110,933,996</b>	110,933,996
LCC subsidiaries	—	3,682,782
	<b>1,828,577,952</b>	1,832,260,734
Less: allowance for impairment	<b>902,570,204</b>	473,962,613
	<b>₱926,007,748</b>	₱1,358,298,121

Movements in this account are as follow:

	2020	2019
Balance at beginning of year	<b>₱1,358,298,121</b>	₱1,721,326,738
Impairment loss (see Note 24)	<b>(432,290,373)</b>	(363,028,617)
Balance at end of year	<b>₱926,007,748</b>	₱1,358,298,121

Movements in the allowance for impairment loss is as follows:

	2020	2019
Balance at beginning of year	<b>₱473,962,613</b>	₱110,933,996
Impairment loss during the year (see Note 24)	<b>432,290,373</b>	363,028,617
Disposal of subsidiaries (see Note 16)	<b>(3,682,782)</b>	—
Balance at end of year	<b>₱902,570,204</b>	₱473,962,613

The goodwill from the acquisitions have been subjected to the annual impairment review in 2020 and 2019. The recoverable amounts of the operations have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections cover five years.

In 2020, the Company recognized impairment of its goodwill in POSC amounting to ₱432.3 million and derecognized goodwill in LCC subsidiaries as a result of its disposal (see Notes 16 and 24).

In 2019, the Company recognized impairment of its goodwill in POSC and LCC subsidiaries amounting to ₱359.3 million and ₱3.7 million, respectively. The Company recognized impairment of its goodwill in FRI in 2018 amounting to ₱110.9 million (see Note 24).



#### Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating units are most sensitive to the following assumptions explained as follows:

#### POSC

*Discount Rate.* Discount rate reflects management's estimate of the risks specific to the cash-generating unit. The pre-tax discount rate of 8.80% and 8.45% was used in 2020 and 2019, respectively, based on the Weighted Average Cost of Capital (WACC) of POSC.

*Revenue Growth Rate, Long-Term Growth Rate and Terminal Values.* An annual increase in revenue ranging from 5% to 87% and 3% to 8% per annum were applied in the 5-year cash flow projections in 2020 and 2019, respectively, based on historical performance of POSC. The long-term growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 5% and 4% in 2020 and 2019, respectively. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy at the end of the 5th year and onwards, with reference to growth rates compiled by industry specialist.

Management assessed that an increase in pre-tax discount rate by 1% or decrease in revenue growth rate by 1% would result to additional impairment.

#### FRI

The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others.

With the recent change in FRI's exclusivity arrangement with its principal, the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates, operating margins achievable in the relevant industry. The expected cash flows are discounted by applying a suitable WACC. The pre-tax discount rate applied to cash flow projections is 9.4% in 2018. In 2018, goodwill in FRI was fully provided with provision for impairment.

#### LCC subsidiaries

The recoverable amount of goodwill from the acquisition of LCC subsidiaries was determined based on a 5-year value-in-use calculation, using actual past results and observable market data.

Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. In 2018, the expected cash flows are discounted by applying a suitable WACC. The discount rate and long-term growth rate applied to pretax cash flow projections was 10.2% and 3.0%, respectively, for the terminal growth rate in 2018. In 2019, goodwill in LCC was fully provided with provision for impairment. In 2020, the goodwill in LCC was included in the net assets derecognized as a result of disposal of LCC (see Note 17).





## 18. Trade Payables and Other Current Liabilities

This account consists of:

	2020	2019
Trade payables	<b>₱80,208,348</b>	₱75,397,172
Accrued expenses and other payables	<b>484,453,060</b>	1,244,486,435
Unearned income	<b>486,046,818</b>	212,652,281
Professional, service and management fees (see Note 27)	<b>28,358,274</b>	25,181,600
Communication, rental and utilities	<b>24,566,120</b>	17,666,835
Consultancy, software and license fees payable	<b>38,592,855</b>	17,207,061
Withholding taxes payable	<b>2,988,924</b>	5,478,560
Others (see Note 27)	<b>19,310,231</b>	20,295,526
	<b>₱1,164,524,630</b>	₱1,618,365,470

Trade payables are generally on a 30-days credit term.

Accrued expenses and other payables mainly represent provisions. Other than provisions, accruals are usually payable within 30 days term upon receipt of billing. The Company regularly provides provisions for its usual potential liabilities. Provisions represents estimated probable losses. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position. In 2020, reversal of provisions amounting to ₱756.1 million was recognized in "Other income (expense) - net" account in the consolidated statement of income (see Note 25).

Unearned income pertains to the advance payment from Melco, which will be applied as payment of PLAI's future gaming revenue share.

Professional, service and management fees, withholding taxes payable, and communication, rental and utilities are normally settled within the next financial year.

Consultancy, software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system (see Note 32). These are normally settled within the next financial year.

## 19. Loans Payable

On December 18, 2019, POSC availed an unsecured ₱150.0 million loan from a local bank with an interest rate of 5.25% per annum payable in equal monthly installment for a period of one (1) year. The loan was fully paid as of December 31, 2020.

In 2020, interest expense from loans payable amounting to ₱4.4 million was recognized as part of "Finance charges" account in the consolidated statement of income.



## 20. Retirement Benefits

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement costs recognized in the consolidated statements of income and consolidated statements of comprehensive income and the retirement benefits recognized in the consolidated statements of financial position:

Changes in the retirement benefits of the Company in 2020 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2020	<b>₱98,915,237</b>	<b>(₱137,554,219)</b>	<b>(₱38,638,982)</b>
Net retirement income (costs) in profit or loss:			
Current service cost	—	(12,424,104)	(12,424,104)
Net interest	3,501,669	(5,928,181)	(2,426,512)
	<b>3,501,669</b>	<b>(18,352,285)</b>	<b>(14,850,616)</b>
Benefits paid	<b>(4,975,993)</b>	<b>6,785,636</b>	<b>1,809,643</b>
Disposal of subsidiaries (see Note 16)	<b>(32,764,424)</b>	<b>20,011,015</b>	<b>(12,753,409)</b>
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	16,894,421	16,894,421
Actuarial changes arising from changes in financial assumptions	—	(17,716,460)	(17,716,460)
Actual return excluding amount included in net interest cost	<b>(3,909,818)</b>	—	<b>(3,909,818)</b>
Effect of asset ceiling	327,897	—	327,897
Disposal of a subsidiary (see Note 16)	<b>3,165,259</b>	<b>6,381,293</b>	<b>9,546,552</b>
	<b>(416,662)</b>	<b>5,559,254</b>	<b>5,142,592</b>
At December 31, 2020	<b>₱64,259,827</b>	<b>(₱123,550,599)</b>	<b>(₱59,290,772)</b>

Changes in the retirement benefits of the Company in 2019 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2019	<b>₱80,768,327</b>	<b>(₱79,894,267)</b>	<b>₱874,060</b>
Net retirement income (costs) in profit or loss:			
Current service cost	—	(11,099,386)	(11,099,386)
Past service cost	—	(9,357,392)	(9,357,392)
Net interest	6,658,849	(6,282,258)	376,591
	<b>6,658,849</b>	<b>(26,739,036)</b>	<b>(20,080,187)</b>

(Forward)



	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
Contributions	₱6,500,000	₱—	₱6,500,000
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	—	681,139	681,139
Actuarial changes arising from changes in financial assumptions	—	(33,150,515)	(33,150,515)
Actual return excluding amount included in net interest cost	(293,111)	—	(293,111)
Actuarial changes due to changes in demographic assumptions	—	1,548,460	1,548,460
Effect of asset ceiling	5,281,172	—	5,281,172
	4,988,061	(30,920,916)	(25,932,855)
At December 31, 2019	₱98,915,237	(₱137,554,219)	(₱38,638,982)

The retirement benefits are presented in the consolidated statement of financial position as at December 31, 2020 and 2019 are as follows:

	2020	2019
Retirement asset	₱—	₱10,311,588
Retirement liability	(59,290,772)	(48,950,570)
Net retirement liability	(₱59,290,772)	(₱38,638,982)

The latest actuarial valuation of the Company is as at December 31, 2020.

The following table presents the fair values of the plan assets of the Company as at December 31:

	2020	2019
Cash and cash equivalents	₱19,847	₱6,462,731
Debt instruments - government bonds	25,196,150	49,620,862
Debt instruments - other bonds	3,772,126	2,994,707
Unit investment trust funds	37,324,296	38,169,995
Others	(2,052,592)	1,666,942
	₱64,259,827	₱98,915,237

The Company's plan assets is administered by a Trustee. The Company and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2020	2019
Discount rate	3.95%-7.62%	5.10 %-7.62%
Rate of compensation increase	6.00%-8.00%	5.00%-8.00%



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019 assuming if all other assumptions were held constant:

	2020		2019	
	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	1.00% (1.00%)	(P15,177,057) 17,876,101	1.00% (1.00%)	(P15,318,357) 18,829,785
Salary increase rate	1.00% (1.00%)	18,787,393 (14,838,551)	1.00% (1.00%)	18,267,320 (15,201,197)

The average duration of the defined benefit obligation is 9.9 years to 14.9 years in 2020.

The maturity analysis of the undiscounted benefit payments follows:

	2020	2019
Less than 1 year	P24,780,257	P28,318,747
More than 1 year to 5 years	8,475,747	10,979,223
More than 5 years to 10 years	42,675,019	54,506,564

## 21. Equity

### Preferred Stock

As at December 31, 2020 and 2019, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of P0.25. Under the provision of the 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

Common stock as at December 31, 2020 and 2019 consists of the following:

	Number of Shares	Amount
Authorized - P0.25 par value per share	37,630,000,000	P9,407,500,000
Issued and Subscribed -		
Balance at beginning and end of year	31,627,310,000	P7,906,827,500

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
<b>Common stock</b>			
1995	100,000,000,000	1,000,000,000	P0.01
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

(Forward)



Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
June 24, 2008	(1,000,000,000)	(1,000,000,000)	₱1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
<b>Total – Common stock</b>	<b>37,630,000,000</b>	<b>31,627,310,000</b>	

<b>Preferred stock</b>			
1997	6,000,000,000	–	₱1.00*
<b>Total – Preferred stock</b>	<b>6,000,000,000</b>	–	

*\*On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.*

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 32).

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 32).

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 32).

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 32).

As discussed in Note 32, 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 Memorandum of Agreement (MOA) rescinding the Swap Agreement with Metroplex and LIR-HK.



On May 29, 2014, the SEC approved the PLC's application for equity restructuring which included the following:

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

#### Additional Paid-in Capital

Additional paid-in capital as at December 31, 2020 and 2019 consists of the following:

Subscription and/or issuance of shares	₱6,941,634,391
Business combination	297,087,533
	<u>₱7,238,721,924</u>

Additional paid-in capital arising from business combination pertains to the excess of consideration from the carrying values of net assets acquired from the step acquisition of POSC in 2015, which was accounted for as business combination under common control using pooling of interest method.

#### Treasury Shares

The BOD has authorized the buy-back of the Company's common shares to enhance the shareholder value. The Company is authorized to repurchase up to ₱500.0 million worth of common shares. On March 19, 2018, the Company commenced its share buyback program. As at December 31, 2020 and 2019, 410,379,000 and 28,379,000 shares have been bought back by the Company with a cost of ₱191.0 million and ₱29.4 million, respectively. This is presented as "Treasury shares" and are treated as a reduction in equity. The carrying value of treasury shares as of December 31, 2020 and 2019 amounted to ₱220.4 million and ₱29.4 million, respectively.

#### Parent Company Shares Held by a Subsidiary

POSC holds common shares of the Parent Company totaling 377,143,000 shares as at December 31, 2020 and 2019 with a cost of ₱509.6 million as at December 31, 2020 and 2019. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

#### Retained Earnings

On February 21, 2020, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,568.3 million to shareholders of record as at March 6, 2020. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.



On February 22, 2019, the Parent Company's BOD approved the declaration of cash dividends of ₱0.05024 per share amounting to approximately ₱1,587.5 million to shareholders of record as at March 8, 2019. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱18.9 million.

On February 23, 2018, the Parent Company's BOD approved the declaration of cash dividends of ₱0.04391 per share amounting to ₱1,388.8 million to shareholders of record as at March 10, 2018. Total dividends are inclusive of dividends paid to related party shareholders amounting to ₱19.5 million.

The consolidated retained earnings as at December 31, 2020 and 2019 includes the earnings of the subsidiaries which are not currently available for dividend declaration unless declared by the subsidiaries of the Parent Company. The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱2,604.9 million and ₱2,441.1 million as at December 31, 2020 and 2019, respectively.

## 22. Gaming Revenue Share

PLAI's gaming revenue share is determined in accordance with PLAI's operating agreement with Melco as follows:

	2020	2019	2018
Gaming revenue share - gross	<b>₱1,017,666,745</b>	₱5,954,695,862	₱7,551,166,234
Less PAGCOR license fee paid by Melco	<b>382,449,357</b>	2,978,329,390	4,339,309,270
Gaming revenue share - net (see Note 31)	<b>₱635,217,388</b>	₱2,976,366,472	₱3,211,856,964

## 23. Cost of Services

This account consists of:

	2020	2019	2018
Online lottery system expenses	<b>₱225,685,647</b>	₱285,445,503	₱237,205,391
Depreciation and amortization (see Notes 14 and 28)	<b>97,892,775</b>	184,639,676	199,846,955
Communication	<b>74,763,898</b>	120,030,518	112,113,845
Software and license fees (see Notes 28 and 32)	<b>40,565,718</b>	136,317,928	195,747,032
Payroll and related expenses	<b>35,630,729</b>	138,274,529	157,827,139
Rental and utilities (see Note 28)	<b>19,979,826</b>	79,467,734	159,011,768
Operating supplies	<b>8,010,209</b>	37,993,331	150,145,617
Consultancy fees (see Note 32)	—	—	75,987,317
Others	<b>1,367,772</b>	4,038,614	9,603,530
	<b>₱503,896,574</b>	₱986,207,833	₱1,297,488,594



## 24. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Impairment loss on goodwill (see Note 17)	<b>₱432,290,373</b>	₱363,028,617	₱110,933,996
Provision for doubtful accounts (see Notes 9 and 32)	<b>139,677,613</b>	2,147,391	—
Transportation and travel	<b>89,630,415</b>	83,502,861	77,390,533
Salaries, wages and benefits	<b>74,107,138</b>	136,935,936	140,133,637
Outside services (see Note 27)	<b>70,101,954</b>	158,370,084	60,275,106
Provision for probable loss on spare parts and supplies, CWT and input VAT (see Note 11)	<b>44,005,570</b>	127	127
Taxes and licenses	<b>23,229,561</b>	38,047,179	43,579,008
Depreciation and amortization (see Notes 14 and 28)	<b>15,584,315</b>	51,309,164	23,424,091
Professional, service and management fees (see Notes 27 and 32)	<b>15,093,380</b>	31,690,978	29,226,287
Rental and utilities (see Note 28)	<b>9,584,270</b>	26,172,052	25,616,335
Provision for impairment loss on right-of-use assets (see Note 28)	<b>9,324,857</b>	—	—
Representation and entertainment	<b>5,116,544</b>	11,135,287	35,268,666
Communication	<b>4,558,347</b>	5,007,231	12,963,789
Insurance	<b>4,056,583</b>	8,442,836	803,164
Placement and listing fee	<b>1,844,432</b>	2,027,292	2,075,678
Repairs and maintenance	<b>1,688,333</b>	6,956,373	19,976,689
Marketing, advertising and promotion (see Note 27)	<b>229,029</b>	1,563,541	16,779,397
Termination cost (see Note 32)	—	—	327,614,359
Miscellaneous (see Note 18)	<b>15,359,549</b>	35,157,660	606,769,744
	<b>₱955,482,263</b>	₱961,494,609	₱1,532,830,606

Miscellaneous expense includes regular provisions of the Company (see Note 18).

## 25. Other Income (Expense) - net

This account consists of:

	2020	2019	2018
Gain from reversal of provisions (see Note 18)	<b>₱756,115,335</b>	₱—	₱—
Gain from disposal of net assets of subsidiaries (see Note 16)	<b>70,338,145</b>	—	—
Marked-to-market loss on investments held for trading (see Note 8)	<b>(6,195,655)</b>	(15,248,311)	(11,903,085)
Gain on termination of lease (see Note 28)	<b>1,165,723</b>	—	—
Foreign exchange loss	<b>(949,730)</b>	(1,180,826)	(845,519)
Gain on sale of property and equipment	<b>15,850</b>	839,812	1,038,518
Gain on sale of investments held for trading (see Note 8)	—	—	1,548,225
Brand and trademark income (see Note 32)	—	—	203,459,171
Other income (expense) – net	<b>849,503</b>	(17,299,658)	42,132,775
	<b>₱821,339,171</b>	(₱32,888,983)	₱235,430,085

Other income includes excess standard input VAT from transactions with government and service income earned in providing repairs and maintenance services.





## 26. Income Taxes

The components of income tax expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current income tax	<b>₱28,076,028</b>	₱22,422,019	₱133,572,412
Deferred income tax relating to origination and reversal of temporary difference	<b>(31,132,712)</b>	(81,838,677)	47,432,314
	<b>(₱3,056,684)</b>	(₱59,416,658)	₱181,004,726

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who's revenues are exempt from income tax.

The components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2020	2019
Deferred tax assets:		
NOLCO	<b>₱97,300,220</b>	₱71,861,151
Unamortized past service costs	<b>11,786,820</b>	11,988,761
Retirement liability	<b>6,002,792</b>	7,506,311
Accrued expenses	<b>812,905</b>	1,067,844
Unrealized foreign exchange gain	<b>173,635</b>	322,060
Right-of-use assets	—	7,201,599
Allowance for doubtful accounts on receivables	—	4,186,152
	<b>116,076,372</b>	104,133,878
Deferred tax liabilities:		
Contract asset	<b>33,661,813</b>	40,984,696
Lease liabilities	—	6,878,369
Retirement asset	—	2,730,737
Others	—	715,451
	<b>33,661,813</b>	51,309,253
Deferred tax assets – net	<b>₱82,414,559</b>	₱52,824,625

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

	2020	2019
Allowance for doubtful accounts on receivables	<b>₱427,690,938</b>	₱427,690,938
Allowance for deferred oil exploration and development costs	<b>18,377,841</b>	18,377,841
Excess MCIT over regular corporate income tax	<b>1,503,015</b>	1,503,015
NOLCO	<b>26,652,823</b>	17,048,667
	<b>₱474,224,617</b>	₱464,620,461

Deferred tax assets amounting to ₱143.3 million and ₱140.4 million as at December 31, 2020 and 2019, respectively, were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.



As of December 31, 2020 and 2019, the carryforward benefits of MCIT incurred in 2018 amounting to ₱1.5 million can be claimed as deduction from RCIT due until December 31, 2021.

The movements in MCIT follow:

	2020	2019
MCIT:		
Balance at beginning of year	<b>₱1,503,015</b>	₱2,830,747
Application	—	(671,126)
Expirations	—	(656,606)
Balance at end of year	<b>₱1,503,015</b>	₱1,503,015

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

As of December 31, 2020, the Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO reversed	NOLCO unapplied
2017	2018-2020	₱29,380	(₱29,380)	₱—	₱—
2018	2019-2021	8,705,228	—	—	8,705,228
2019	2020-2022	247,851,219	—	(59,878,723)	187,972,496
		<b>₱256,585,827</b>	<b>(₱29,380)</b>	<b>(₱59,878,723)</b>	<b>₱196,677,724</b>

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO reversed	NOLCO unapplied
2020	2021-2025	₱154,309,166	₱—	₱—	₱154,309,166

The reconciliation of the provision for income tax computed at statutory income tax rate on income before income tax to the provision for income tax as shown in the consolidated statements of income is as follows:

	2020	2019	2018
Income tax computed at statutory tax rate	<b>₱103,488,629</b>	₱612,662,161	₱747,197,352
Income tax effect of:			
Income not subject to income tax	<b>(204,561,845)</b>	(900,322,367)	(908,018,484)
Nondeductible expenses	<b>83,492,911</b>	243,018,136	338,235,727
Reversal of deferred tax assets	<b>24,367,842</b>	—	—
Interest income subject to final tax	<b>(13,854,624)</b>	(17,138,335)	(2,450,189)
Change in unrecognized deferred tax assets	<b>2,881,247</b>	3,157,036	1,511,904
Expired NOLCO	<b>29,380</b>	39,690	91,885
Others	<b>1,099,776</b>	(832,979)	4,436,531
	<b>(₱3,056,684)</b>	<b>(₱59,416,658)</b>	<b>₱181,004,726</b>



Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and higher creditable withholding taxes as of December 31, 2020, amounting to ₱25.8 million and ₱338.3 million, respectively, or a reduction of ₱2.3 million and an increase of ₱2.3 million, respectively. The reduced and increased amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱13.7 million and ₱12.8 million, respectively. These reductions will be recognized in the 2021 financial statements.

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## 27. Related Party Disclosures

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise,



key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD.

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

#### 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 advances and service and management fees. The outstanding balances at year-end are due on demand. There have been no guarantees provided or received for any related party receivables or payables and settlements occur in cash.

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction	Transaction Amounts	Outstanding Balance Assets (Liabilities)	Terms	Condition
Belle	Parent	Share in expenses (see Note 18)	2020 <b>₱76,666</b> 2019 270,054 2018 668,842	( <b>₱4,514,211</b> ) (4,590,877) (4,320,823)	Noninterest-bearing, on demand	Unsecured
		Notes receivable (see Note 10)	2020 — 2019 — 2018 2,100,000,000	<b>3,705,925,000</b> 3,705,925,000 3,705,925,000	4.11% to 6.38% interest-bearing, due on demand	Unsecured, no impairment
		Financial assets at FVOCI (see Note 13)	2020 — 2019 — 2018 320,000	<b>284,972,730</b> 331,634,931 384,963,161	Noninterest-bearing	Unsecured, no impairment
		Interest income (see Note 10)	2020 <b>166,344,251</b> 2019 214,129,362 2018 108,707,037	— — 2,217,463	Noninterest-bearing, 30 days	Unsecured, no impairment
		Service and management fee (see Note 24)	2020 <b>54,000,000</b> 2019 54,000,000 2018 54,000,000	— — (9,900,000)	Noninterest-bearing, 30 days	Unsecured
		Others	2020 — 2019 — 2018 —	— — 5,443,618	Noninterest-bearing, due on demand	Unsecured, no impairment
		Service fees (see Note 24)	2020 — 2019 — 2018 327,614,359	— — —	Noninterest-bearing, 30 days	Unsecured
		Others (see Notes 24 and 28)	2020 <b>4,500,000</b> 2019 18,000,000 2018 18,900,000	— — (4,950,000)	Noninterest-bearing, 30 days	Unsecured
		Rental expense (see Note 23)	2020 — 2019 — 2018 27,208,158	— — —	Noninterest-bearing, 30 days	Unsecured
Belle Grande	Affiliate	Service fees (see Note 24)	2020 — 2019 — 2018 327,614,359	— — —	Noninterest-bearing, 30 days	Unsecured
SM Arena Complex Corporation	Affiliate	Others (see Notes 24 and 28)	2020 <b>4,500,000</b> 2019 18,000,000 2018 18,900,000	— — (4,950,000)	Noninterest-bearing, 30 days	Unsecured
SM Prime Holdings, Inc.	Affiliate	Rental expense (see Note 23)	2020 — 2019 — 2018 27,208,158	— — —	Noninterest-bearing, 30 days	Unsecured

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. Effective January 1, 2018, PLAI transferred its Service Agreement with Belle to the Parent Company. Management and service fees amounting to ₱54.0 million in 2020, 2019 and 2018 were



presented as part of “Outside services” under general and administrative expenses in the consolidated statements of income (see Note 24).

#### Other Transactions

Compensation of key management personnel of the Company are as follows:

	2020	2019	2018
Short-term employee benefits	<b>₱32,503,805</b>	₱46,432,466	₱42,714,891
Retirement benefits costs	<b>3,581,139</b>	3,567,771	3,881,441
	<b>₱36,084,944</b>	₱50,000,237	₱46,596,332

## 28. Leases

### Starting January 1, 2019 - Upon adoption of PFRS 16

*As Lessee.* The Company has various lease contracts for office spaces, warehouses, retail equipment, retail outlets and corporate suites. The leases generally have lease terms of between 2 and 5 years. As at January 1, 2019, the remaining lease term is from 1 to 3 years. Previously, these leases were classified as operating leases under PAS 17 except for the lease contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot which were classified as finance leases.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the “short-term lease” recognition exemptions for these leases. Rent expense on short-term lease amounted to ₱23.0 million and ₱89.0 million for 2020 and 2019, respectively (see Notes 23 and 24).

In 2020, rent concession (i.e., rent reduction) on one of the Company’s right-of-use office space amounting to ₱0.3 million was recognized as variable lease, adjusted against rent expense (see Note 24).

In 2020, PLC and SM Arena Complex Corporation agreed to terminate the original term of the lease of corporate suites. Gain on termination of the lease recognized under “Other income (expense) - net” account amounted to ₱1.2 million (see Note 25).

### Right-of-use Assets

The rollforward analysis of right-of-use assets is follows:

	Right-of-use Corporate Suites	Right-of-use Equipment	Right-of-use Office and Warehouse	Right-of-use Total
<b>Cost</b>				
At January 1, 2020	<b>₱39,502,279</b>	<b>₱163,499,020</b>	<b>₱87,806,627</b>	<b>₱290,807,926</b>
Additions	—	—	14,788,800	14,788,800
Termination of lease	(39,502,279)	—	—	(39,502,279)
Derecognition from disposal of subsidiaries (see Note 16)	—	—	(47,805,452)	(47,805,452)
At December 31, 2020	—	163,499,020	54,789,975	218,288,995
<b>Accumulated Depreciation and Amortization and Impairment loss</b>				
At January 1, 2020	16,574,383	163,499,020	37,508,557	217,581,960
Depreciation (see Notes 23 and 24)	4,143,596	—	19,585,557	23,729,153
Impairment loss (see Note 24)	—	—	9,324,857	9,324,857
Termination of lease	(20,717,979)	—	—	(20,717,979)
Derecognition from disposal of subsidiaries (see Note 16)	—	—	(21,748,532)	(21,748,532)
At December 31, 2020	—	163,499,020	44,670,439	208,169,459
Net Book Value	<b>₱—</b>	<b>₱—</b>	<b>₱10,119,536</b>	<b>₱10,119,536</b>



	Right-of-use Corporate Suites	Right-of-use Equipment	Right-of-use Office and Warehouse	Right-of-use Total
<b>Cost</b>				
At January 1, 2019	₱39,502,279	₱163,499,020	₱70,434,635	₱273,435,934
Additions	—	—	17,371,992	17,371,992
At December 31, 2019	39,502,279	163,499,020	87,806,627	290,807,926
<b>Accumulated Depreciation and Amortization</b>				
At January 1, 2019	—	154,873,751	—	154,873,751
Depreciation (see Notes 23 and 24)	16,574,383	8,625,269	37,508,557	62,708,209
At December 31, 2019	16,574,383	163,499,020	37,508,557	217,581,960
Net Book Value	₱22,927,896	₱—	₱50,298,070	₱73,225,966

The following are the amounts recognized in the consolidated statements of income:

	2020	2019
Depreciation expense of right-of-use assets (see Note 23 and 24)	<b>₱23,729,153</b>	₱62,708,209
Interest expense on lease liabilities	<b>2,442,430</b>	9,525,989
Expenses relating to short-term leases (see Notes 23 and 24)	<b>22,988,476</b>	89,024,069
Impairment loss of right-of-use assets (see Note 24)	<b>9,324,857</b>	—
Gain on termination of lease (see Note 25)	<b>(1,165,723)</b>	—
Total amount recognized in consolidated statements of income	<b>₱57,319,193</b>	₱161,258,267

#### Lease Liabilities

The rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	<b>₱91,607,328</b>	₱143,194,993
Additions	<b>14,788,800</b>	17,371,992
Interest expense	<b>2,442,430</b>	9,525,989
Payments	<b>(50,208,626)</b>	(78,485,646)
Derecognition from disposal of subsidiaries (see Note 16)	<b>(27,074,542)</b>	—
Termination of lease	<b>(19,950,023)</b>	—
As at December 31	<b>₱11,605,367</b>	₱91,607,328

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
1 year	<b>₱7,063,070</b>	₱76,353,121
more than 1 years to 2 years	<b>4,992,336</b>	16,748,884

*As Lessor.* POSC leases online lotto equipment and accessories to PCSO for a period of 1 year until July 31, 2020 as provided in the 2019 Amended ELA (see Note 32). The ELA was renewed for another year starting August 1, 2020 to July 31, 2021. Rental payments are based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱245.9 million and ₱427.9 million in 2020 and 2019, respectively.



Future minimum rental income as at December 31, 2020 and 2019 for the remaining lease term of one year is ₱68.8 million and ₱82.2 million, respectively.

TGTI leases “Online KENO” equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. In 2020, the ELA was extended until March 31, 2021. Rental payment by PCSO is based on certain percentage of gross amount of “Online KENO” games from the operation of all PCSO’s terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statements of income amounted to ₱47.2 million and ₱253.6 million in 2020 and 2019, respectively.

Future minimum rental income as at December 31, 2020 for the remaining lease term of three months is ₱11.8 million.

#### Prior to January 1, 2019 – Prior to Adoption of PFRS 16

##### a. Finance Lease

*Lottery Equipment.* The contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is classified as finance lease. These related equipment are included as part of Lottery equipment under “Property and Equipment” in the consolidated statements of financial position.

Payment to Scientific Games is based on a pre-agreed percentage of POSC’s revenue from PCSO’s conduct of online lottery games running under the system provided by Scientific Games. Payment to Intralot is based on pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery operations or a fixed amount of US\$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as “Software and license fees” under “Cost and expenses” in the consolidated statements of income (see Note 23). The interest component of the payments recognized as “Finance costs” account in the consolidated statement of income amounted to ₱6.2 million in 2018.

Payment to Intralot is based on a percentage of the gross receipts of PCSO from its “Online KENO” game or a fixed amount of US\$60 per terminal per month, whichever is higher.

The Company initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

##### b. Operating Lease

###### As Lessor

Rental payments is based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO’s lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱788.6 million in 2018.

TGTI leases “Online KENO” equipment and accessories to PCSO for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of “Online KENO” games from the operation of all PCSO’s terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is



higher. Rental income recognized in the consolidated statement of income amounted to ₱659.7 million in 2018.

As Lessee

- a. POSC leases certain office spaces for periods of one to three years up to 2019. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5% to 10%. Rent expense recognized in the consolidated statement of income amounted to ₱18.6 million in 2018.
- b. LotoPac, LCC and FRI lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the consolidated statement of income amounted to ₱97.4 million in 2018, respectively.
- c. TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years which commenced on February 1, 2011 expired on January 31, 2016 which was renewed for a period of two years which commenced on February 1, 2016 to January 31, 2018, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expired on July 31, 2017 which was also renewed up to July 2020, and (3) George W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱10.6 million in 2018.

The above operating leases have no restrictions and contingent rental provisions.

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**29. Basic/Diluted Earnings Per Common Share**

As at December 31, 2020, 2019 and 2018, basic/diluted earnings per share were computed as follows:

	2020	2019	2018
Net income attributable to the equity holders of the Parent (a)	<b>₱517,573,391</b>	₱2,261,962,747	₱2,157,768,639
Weighted average common shares, beginning	<b>31,627,310,000</b>	31,627,310,000	31,627,310,000
Number of parent company common shares held by subsidiaries	<b>(377,143,000)</b>	(377,143,000)	(371,880,036)
Weighted average number of treasury shares	<b>(378,545,667)</b>	(28,379,000)	(19,849,526)
Weighted average common shares, end (b)	<b>30,871,621,333</b>	31,221,788,000	31,235,580,438
Earnings per common share (a/b)	<b>₱0.016765</b>	₱0.072448	₱0.069080

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**30. Financial Assets and Financial Liabilities**

Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial liabilities comprise trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. The Company also holds investments held for trading, notes receivable, financial assets at FVOCI, guarantee bonds and deposits included as part of "Other noncurrent assets" in the consolidated statement of financial position





The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

**Credit Risk.** Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, receivables, and financial assets at FVOCI.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, investments held for trading, financial assets at FVOCI, guarantee bonds and deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

2020							
		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*	₱2,205,051,264	₱–	₱–	₱–	₱–	₱–	₱2,205,051,264
Investment held for trading	84,260,926	–	–	–	–	–	84,260,926
Receivables	214,136,749	111,443,085	143,172,251	–	–	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	–	–	–	–	–	3,705,925,000
Financial assets at FVOCI	287,453,830	–	–	–	–	–	287,453,830
Advances to contractors**	139,739,757	–	–	–	–	–	139,739,757
Guaranteed deposits**	14,500,000	–	–	–	–	–	14,500,000
Refundable deposits**	5,953,851	–	–	–	–	–	5,953,851
	₱6,657,021,377	₱111,443,085	₱143,172,251	₱–	₱–	₱543,515,942	₱7,455,152,655

\*Excluding cash on hand amounting to ₱13.3 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

		2019					
	Neither Past Due nor Impaired	Past Due but not Impaired			Over 3 Years	Impaired	Total
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years			
Cash and cash equivalents*	₱3,522,420,729	₱—	₱—	₱—	₱—	₱—	₱3,522,420,729
Investment held for trading	140,456,581	—	—	—	—	—	140,456,581
Receivables	337,535,176	—	—	—	—	429,838,329	767,373,505
Notes receivable	3,705,925,000	—	—	—	—	—	3,705,925,000
Financial assets at FVOCI	334,516,031	—	—	—	—	—	334,516,031
Guaranteed deposits**	12,000,000	—	—	—	—	—	12,000,000
Refundable deposits**	35,424,154	—	—	—	—	—	35,424,154
	₱8,088,277,671	₱—	₱—	₱—	₱—	₱429,838,329	₱8,518,116,000

\*Excluding cash on hand amounting to ₱14.7 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position



### Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

*Stage 1* - those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Stage 2* - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

*Stage 3* - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2020			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱2,205,051,264	₱-	₱-	₱2,205,051,264
Receivables	468,752,085	-	543,515,942	1,012,268,027
Notes receivable	3,705,925,000	-	-	3,705,925,000
Advances to contractors**	139,739,757	-	-	139,739,757
Guaranteed deposits**	14,500,000	-	-	14,500,000
Refundable deposits**	5,953,851	-	-	5,953,851
<b>Financial assets at FVTPL</b>	84,260,926	-	-	84,260,926
<b>Financial assets at FVOCI</b>	287,453,830	-	-	287,453,830
<b>Gross Carrying Amount</b>	<b>₱6,911,636,713</b>	<b>₱-</b>	<b>₱543,515,942</b>	<b>₱7,455,152,655</b>

\*Excluding cash on hand amounting to ₱13.3 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

	2019			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost</b>				
Cash and cash equivalents*	₱3,522,420,729	₱-	₱-	₱3,522,420,729
Receivables	337,535,176	-	429,838,329	767,373,505
Notes receivable	3,705,925,000	-	-	3,705,925,000
Guaranteed deposits**	12,000,000	-	-	12,000,000
Refundable deposits**	35,424,154	-	-	35,424,154
<b>Financial assets at FVTPL</b>	140,456,581	-	-	140,456,581
<b>Financial assets at FVOCI</b>	334,516,031	-	-	334,516,031
<b>Gross Carrying Amount</b>	<b>₱8,088,277,671</b>	<b>₱-</b>	<b>₱429,838,329</b>	<b>₱8,518,116,000</b>

\*Excluding cash on hand amounting to ₱14.7 million.

\*\*Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

**Liquidity Risk.** Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal



as at December 31, 2020 and 2019 as the total current assets can cover the total current liabilities as they fall due.

The maturity profile of the Company's financial assets, contract assets and liabilities follow:

	2020				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	₱2,218,311,525	₱—	₱—	₱—	₱2,218,311,525
Investments held for trading	84,260,926	—	—	—	84,260,926
Receivables	798,131,278	214,136,749	—	—	1,012,268,027
Notes receivable	3,705,925,000	—	—	—	3,705,925,000
Financial assets at FVOCI	—	—	—	287,453,830	287,453,830
Advances to contractors	—	—	—	139,739,757	139,739,757
Refundable deposits <sup>(a)</sup>	—	—	—	5,953,851	5,953,851
Guaranteed deposits <sup>(a)</sup>	—	—	—	14,500,000	14,500,000
<b>Contract Assets</b>					
Contract asset <sup>(b)</sup>	—	8,000,000	40,000,000	48,000,000	96,000,000
	<b>₱6,806,628,729</b>	<b>₱222,136,749</b>	<b>₱40,000,000</b>	<b>₱495,647,438</b>	<b>₱7,564,412,916</b>

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(b) Based on undiscounted payments

	2020				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(a)</sup>	₱12,106,426	₱113,832,958	₱112,196,669	₱—	₱238,136,053
Lease liabilities <sup>(b)</sup>	—	—	7,063,070	4,992,336	12,055,406
	<b>₱12,106,426</b>	<b>₱113,832,958</b>	<b>₱119,259,739</b>	<b>₱4,992,336</b>	<b>₱250,191,459</b>

(a) Excluding statutory liabilities, provisions and unearned income

(b) Based on undiscounted payments

	2019				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	₱3,537,075,479	₱—	₱—	₱—	₱3,537,075,479
Investments held for trading	140,456,581	—	—	—	140,456,581
Receivables	429,838,329	337,535,176	—	—	767,373,505
Notes receivable	3,705,925,000	—	—	—	3,705,925,000
Financial assets at FVOCI	—	—	—	334,516,031	334,516,031
Refundable deposits <sup>(a)</sup>	—	—	—	35,424,154	35,424,154
Guaranteed deposits <sup>(a)</sup>	—	—	—	12,000,000	12,000,000
<b>Contract Assets</b>					
Contract asset <sup>(b)</sup>	—	8,000,000	40,000,000	96,000,000	144,000,000
	<b>₱7,813,295,389</b>	<b>₱345,535,176</b>	<b>₱40,000,000</b>	<b>₱477,940,185</b>	<b>₱8,676,770,750</b>

(a) Included as part of "Other noncurrent assets" account in the consolidated statements of financial position

(b) Based on undiscounted payments



	2019				Total
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	
<b>Financial Liabilities</b>					
Trade payables and other current liabilities <sup>(a)</sup>	₱8,618,459	₱110,388,602	₱81,250,756	₱—	₱200,257,817
Loans payable	—	37,500,000	112,500,000	—	150,000,000
Lease liabilities <sup>(b)</sup>	—	—	76,353,121	16,748,884	93,102,005
	₱8,618,459	₱147,888,602	₱270,103,877	₱16,748,884	₱443,359,822

(a) Excluding statutory liabilities, provisions and unearned income

(b) Based on undiscounted payments

**Equity Price Risk.** Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI decrease as the result of changes in the value of individual stocks. The Company's exposure to equity price risk primarily to the Company's quoted investments held for trading and financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

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.

#### Financial assets at FVOCI

	2020		2019	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	1%	(1%)	1%	(1%)
Effect on equity	₱2,873,726	(₱2,873,726)	₱3,344,349	(₱3,344,349)

#### Investments held for trading

	2020		2019	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	5%	(5%)	5%	(5%)
Effect on profit or loss	4,213,046	(4,213,046)	₱7,022,829	(₱7,022,829)

**Foreign Currency Risk.** The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy, software and license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was ₱48.00 and ₱50.64 to US\$1, the Php to US\$ exchange rates as at December 31, 2020 and 2019, respectively.



The following table demonstrates the sensitivity to a reasonably possible change in the Php-US\$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2020. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase (Decrease) in US\$ Exchange Rate	Effect on Income before Income Tax	Effect on Equity
<b>2020</b>	<b>5%</b>	<b>(P3,033,372)</b>	<b>(P2,123,361)</b>
	<b>(5%)</b>	<b>3,033,372</b>	<b>2,123,361</b>
2019	5%	(P1,728,296)	(P1,209,807)
	(5%)	1,728,296	1,209,807

#### 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 2020 and 2019.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to P16,220.1 million and P17,478.8 million as at December 31, 2020 and 2019, respectively.

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of cash and cash equivalents, receivables, notes receivable, deposits and trade payables and other current liabilities (excluding statutory liabilities, provisions and unearned income) approximate their fair values due to the short-term nature of the transactions.

The fair values of investments held for trading and financial assets at FVOCI that are quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

The fair values of lease liabilities and advances to contractors in 2020 and 2019 were calculated using Bloomberg Valuation Service (PHP BVAL) rates plus 0.95% and 0.012% to 0.95% spread, respectively.

The carrying value of guaranteed deposits and refundable deposits approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide reasonable basis for the fair value measurement.



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, 2020 and 2019:

2020					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2020	₱84,260,926	₱—	₱—	₱84,260,926
Financial assets at FVOCI	December 31, 2020	284,972,730	2,400,000	81,100	287,453,830
Asset for which fair value is disclosed -					
Advances to contractors	December 31, 2020	—	—	134,587,697	134,587,697
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Lease liabilities	December 31, 2020	—	—	11,854,750	11,854,750
2019					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value:					
Investments held for trading	December 31, 2019	₱140,456,581	₱—	₱—	₱140,456,581
Financial assets at FVOCI	December 31, 2019	331,634,931	2,800,000	81,100	334,516,031
<b>Liabilities</b>					
Liabilities for which fair value is disclosed -					
Lease liabilities	December 31, 2019	—	—	90,557,014	90,557,014

There were no transfers between fair value measurements in 2020 and 2019.



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### 31. 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, 2020 and 2019, the Company is organized into five business segments, namely: investment holding, real estate, public amusement recreation, gaming business and lottery equipment leasing, distribution and others.



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

	2020						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P-	P-	P-	P635,217,388	P328,438,121	P-	P963,655,509
Internal	2,938,947,664					(2,938,947,664)	-
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	(1,157,078,323)	(20,601)	(20,667)	(114,473,282)	(729,765,305)	1,087,746,804	(913,611,374)
Interest income	179,744,580	1,309	-	31,934,377	6,283,526	-	217,963,792
Finance charges	(444,693)	-	-	-	(6,355,790)	-	(6,800,483)
Dividend income	11,998,526	-	-	-	10,354,560	-	22,353,086
Depreciation and amortization	(4,147,003)	-	-	(2,787)	(109,327,300)	(238,472,484)	(351,949,574)
Other income	1,165,723	-	-	756,115,335	64,058,113	-	821,339,171
Impairment loss on goodwill	(432,290,373)	-	-	-	-	-	(432,290,373)
Provision for income tax	(28,076,028)	-	-	-	29,296,321	1,836,391	3,056,684
Net income (loss) for the year	1,509,820,073	(19,292)	(20,667)	1,308,791,031	(407,017,754)	(2,087,836,953)	323,716,438
<b>Other information</b>							
Investments held for trading and Financial assets at FVOCI	173,460,100	-	-	-	366,083,291	(167,828,635)	371,714,756
Total assets	18,747,446,772	761,922	29,679,524	2,246,079,454	1,103,404,040	(4,334,357,648)	17,793,014,064
Total liabilities	1,789,442,296	260,412,138	10,055	936,449,227	240,263,487	(1,991,150,288)	1,235,426,915
Capital expenditure	-	-	-	-	90,839,188	-	90,839,188
Goodwill	-	-	-	-	926,007,748	-	926,007,748
Earnings before interest taxes, depreciation and amortization (EBITDA)	-	-	-	-	-	-	551,188,125





2019

	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>							
Revenue:							
External	P-	P-	P-	P2,976,366,472	P989,865,396	P-	P3,966,231,868
Internal	1,468,947,664	-	-	-	-	(1,468,947,664)	-
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	(145,053,371)	(16,997)	(14,243)	(52,902,194)	(1,150,738,180)	-	(1,348,724,985)
Interest income	225,696,122	1,551	-	44,009,957	10,149,516	-	279,857,146
Finance charges	(2,503,051)	-	-	-	(7,022,938)	-	(9,525,989)
Dividend income	11,998,526	-	-	-	12,709,560	-	24,708,086
Depreciation and amortization	(16,577,474)	-	-	(17,924)	(219,353,441)	(238,472,484)	(474,421,324)
Other income (loss)	-	-	-	10,000	(49,945,249)	17,046,266	(32,888,983)
Impairment loss on goodwill	(359,345,835)	-	-	-	(3,682,782)	-	(363,028,617)
Provision for income tax	(14,675,409)	-	-	-	74,415,297	(323,230)	59,416,658
Net income (loss) for the year	1,168,487,172	(15,445)	(14,243)	2,967,466,311	(343,602,821)	(1,690,697,113)	2,101,623,860
<b>Other information</b>							
Investments held for trading and Financial assets at FVOCI	201,856,661	-	-	-	488,087,461	(214,971,510)	474,972,612
Total assets	18,886,415,855	774,394	29,695,135	4,341,232,443	1,723,141,011	(5,050,336,483)	19,930,922,355
Total liabilities	2,063,838,988	260,405,318	5,000	1,420,393,246	409,721,657	(2,241,165,901)	1,913,198,308
Capital expenditure	-	-	-	-	29,546,701	-	29,546,701
Goodwill	-	-	-	-	1,358,298,121	-	1,358,298,121
Earnings before interest taxes, depreciation and amortization (EBITDA)	-	-	-	-	-	-	2,559,043,498



2018

	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Lottery equipment leasing, distribution and others	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	₱—	₱—	₱—	₱3,211,856,964	₱1,935,943,995	₱—	₱5,147,800,959
Internal	1,634,568,242	—	—	—	16,128,450	(1,650,696,692)	—
Cost and expenses, excluding impairment loss on goodwill, depreciation and amortization	(106,463,099)	(11,808)	(10,141)	(998,341,000)	(1,391,288,110)	—	(2,496,114,158)
Interest income	115,028,840	1,577	—	28,391,280	14,031,614	—	157,453,311
Finance charges	—	—	—	—	(6,187,352)	—	(6,187,352)
Dividend income	11,998,526	—	—	—	12,953,995	—	24,952,521
Depreciation and amortization	(6,852)	—	—	(64,113)	(223,200,081)	(238,472,484)	(461,743,530)
Other income	—	—	—	—	235,430,085	—	235,430,085
Impairment loss on goodwill	—	—	—	—	(110,933,996)	—	(110,933,996)
Provision for income tax	(2,174,141)	—	—	—	(178,830,585)	—	(181,004,726)
Net income (loss) for the year	1,652,951,516	(10,231)	(10,141)	2,241,843,131	304,048,015	(1,889,169,176)	2,309,653,114
Other information							
Investments held for trading and Financial assets at FVOCI	233,752,731	—	—	—	611,410,822	(301,714,400)	543,449,153
Total assets	19,091,936,495	787,224	29,704,378	2,607,727,905	2,111,943,509	(4,652,310,423)	19,189,789,088
Total liabilities	2,158,818,606	260,402,703	—	1,204,355,019	351,323,731	(2,341,175,015)	1,633,725,044
Capital expenditure	—	—	—	—	45,682,606	—	45,682,606
Goodwill	—	—	—	—	1,721,326,738	—	1,721,326,738
Earnings before interest taxes, depreciation and amortization (EBITDA)	—	—	—	—	—	—	2,723,158,637



Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2020 and 2019:

Type of Service	2020		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
Gaming revenue share – net	<b>₱635,217,388</b>	<b>₱–</b>	<b>₱635,217,388</b>
Commission and distribution income	–	<b>35,333,625</b>	<b>35,333,625</b>
Total revenue from contracts with customers	<b>₱635,217,388</b>	<b>₱35,333,625</b>	<b>₱670,551,013</b>

Type of Service	2019		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
Gaming revenue share – net	₱2,976,366,472	₱–	₱2,976,366,472
Commission and distribution income	–	308,381,639	308,381,639
Total revenue from contracts with customers	₱2,976,366,472	₱308,381,639	₱3,284,748,111

All revenue from contracts with customers enumerated above are all transferred over time.

Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information follows:

Type of Service	2020		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
External customer	<b>₱635,217,388</b>	<b>₱328,438,121</b>	<b>₱963,655,509</b>
Equipment rental (presented separately from revenues from contract with customers)	–	<b>(293,104,496)</b>	<b>(293,104,496)</b>
Total revenue from contracts with customers	<b>₱635,217,388</b>	<b>₱35,333,625</b>	<b>₱670,551,013</b>

Type of Service	2019		
	Gaming Business	Lottery Equipment Leasing, Distribution and Others	Total
External customer	₱2,976,366,472	₱989,865,396	₱3,966,231,868
Equipment rental (presented separately from revenues from contract with customers)	–	(681,483,757)	(681,483,757)
Total revenue from contracts with customers	₱2,976,366,472	₱308,381,639	₱3,284,748,111

EBITDA pertains to the Company's income before tax, excluding other income (expense) and before interest, taxes, depreciation and amortization.



Revenue from gaming business segment amounting to ₱635.2 million, ₱2,976.4 million and ₱3,211.9 million in 2020, 2019 and 2018, respectively, are solely collectible from Melco and revenue from lottery equipment leasing, distribution and others business segment amounting to ₱328.4 million, ₱989.9 million and ₱1,935.9 million in 2020, 2019 and 2018, respectively, are solely collectible from PCSO.

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

	2020	2019	2018
<b>Net Profit for the Year</b>			
Total profit for reportable segments	<b>₱2,411,553,391</b>	₱3,792,320,973	₱4,198,822,290
Elimination for intercompany profits	<b>(2,087,836,953)</b>	(1,690,697,113)	(1,889,169,176)
Consolidated net profit	<b>₱323,716,438</b>	₱2,101,623,860	₱2,309,653,114
<b>Assets</b>			
Total assets for reportable segments	<b>₱17,421,299,308</b>	₱19,455,949,743	₱18,646,339,935
Investments and advances	<b>371,714,756</b>	474,972,612	543,449,153
Consolidated assets	<b>₱17,793,014,064</b>	₱19,930,922,355	₱19,189,789,088

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments.

## 32. 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. In 2015, the Company and its co-licensees have complied with the Investment Commitment and were granted with regular casino license.

The other salient provisions of the License are: (i) creation of an escrow account of at least US\$100.0 million to be used exclusively for the project, with a maintaining balance of US\$50.0 million; (ii) issuance of performance bond of US\$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US\$100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted. In May 2013, the Escrow was terminated as Melco deposited its own Escrow Fund to replace that of the Company.



#### Operating Agreement with Melco

On March 13, 2013, Belle, together with PLAI, entered into an Operating Agreement with MPHIL Holdings No. 2 Corporation, MPHIL Holdings No. 1 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, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2020, 2019, and 2018 amounted to ₱635.2 million, ₱2,976.4 million and ₱3,211.9 million, respectively (see Notes 22 and 31).

#### Advisory Services by AB Leisure Global, Inc. (ABLGI) and Belle Grande

ABLGI agreed to act in an advisory capacity to Belle and PLAI subject to certain limitations for a consideration equivalent to a percentage of PLAI's income from gaming revenue share.

Effective 2017, ABLGI, Belle and PLAI entered into an agreement to assign the ABLGI's advisory and consulting services to Belle Grande.

In 2018, PLAI entered into a termination of advisory services agreement with Belle Grande. Termination cost paid to Belle Grande recognized under "General and administrative expenses" amounted to ₱327.6 million (see Note 24).

#### Share Swap Agreement

In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Metroplex whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a MOA was entered into by and among Belle, PLC, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

- a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of PLC to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.
- b. PLC shall surrender the LIR-HK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, PLC's 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, additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million (see Note 9). 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 21).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Note 33). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA.

However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

- (i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
- (ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

On June 20, 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. As a result, investment



in LIR-HK was reduced by ₱1,501.5 million in 2014. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively.

Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Notes 9 and 21).

#### Equipment Lease Agreement (ELA) between POSC and PCSO

*ELA.* POSC has an ELA with PCSO for the lease of not less than 800 lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment of PCSO for its Visayas-Mindanao (VISMIND) operations for a period of eight years from April 1, 2005 to March 31, 2013.

*2012 Amended ELA.* On May 22, 2012, the ELA was amended to include the lease of lotto terminals in some of PCSO's lottery operations in Luzon which resulted in the reduction of fees. The amendment also includes supplying betting slips and ticket paper rolls to PCSO, incorporating maintenance and repair services as part of the fees, and giving PCSO an option to purchase the equipment related to its VISMIND operations at the end of the lease period for ₱15.0 million.

*2013 Amended ELA.* On March 26, 2013, the POSC and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIND operations, POSC agreed to reduce the rental fee on the lotto terminals for the VISMIND operations and shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIND operations.

*2015 Amended ELA.* On July 15, 2015, the POSC and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required POSC to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" in the consolidated statements of financial position.

*2018 Amended ELA.* On September 12, 2018, the ELA was amended to extend the term from August 1, 2018 to July 31, 2019. The amendment required POSC to post an additional deposit of ₱7.0 million cash bond. The total cash bond of ₱12.0 million is included under "Other noncurrent assets" in the consolidated statements of financial position.

*2019 Amended ELA.* On August 1, 2019, the ELA was amended to extend the term from August 1, 2019 to July 31, 2020. The said extension was intended for PCSO to complete the bidding process for the Philippine Lottery System (PLS) under Republic Act No. 9184, as amended, until a new lottery system is fully realized and to ensure unhampered and uninterrupted operations of the online lottery and to avoid the loss of funds to PCSO.

*2020 Amended ELA.* On September 9, 2020, the term of the ELA was extended on a month-to-month basis effective August 1, 2020 but not to exceed one (1) year, commensurate to the necessity and immediacy to complete the bidding process of the new lottery system. POSC undertakes not to pull-out the lottery terminals until after the 7th month after the expiration of the ELA.



The PCSO announced that a bidding for its customized PCSO Lottery System, also known as the “2021 PLS Project”, will be conducted during the early part of 2021. POSC has expressed its readiness to participate in the said bidding.

The rental fee, presented as “Equipment rental” in the consolidated statements of income, is based on a percentage of gross sales of lotto tickets from PCSO’s VISMIN and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. The number of installed lotto terminals totaled 3,370 and 3,785 as at December 31, 2020 and 2019, respectively. POSC’s revenue from equipment rental amounted to ₱249.5 million, ₱427.9 million and ₱788.6 million in 2020, 2019 and 2018, respectively

*Instant Scratch Tickets.* On March 25, 2009, POSC entered into a non-exclusive MOA with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009 until December 1, 2016. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA’s effectivity. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. In 2018, POSC received a certification from PCSO for the release of the cash bond.

On March 31, 2015, POSC entered into an OMOA with PMLC for the authorization of PMLC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PMLC agreed to assume POSC’s commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PMLC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting April 2015. This fee is included as part of “Commission and distribution income” under “Revenues” in the consolidated statements of income.

POSC shall continue to pay the share of PCSO and the cash bond pursuant to the MOA, however, PMLC agreed to guarantee payment of the share of PCSO to POSC beginning April 2015. An existing consultancy agreement between POSC and PMLC for the scratch ticket operations was immediately terminated upon execution of the OMOA.

The MOA with POSC expired on November 30, 2016 and the OMOA with PMLC also expired accordingly. All tickets distributed to the retailers and agents, shall be allowed to be marketed continuously until fully sold and the corresponding winnings thereof shall be honored and paid even after the period of the MOA with PCSO.

In 2018, POSC received a certification from the PCSO stating the fulfillment of POSC’s obligation under the MOA and thereby clearing POSC of any accountability thereunder. PCSO certified that POSC is entitled to the release of the ₱10.0 million cash bond. In 2019, the ₱10.0 million cash bond was collected.





#### Brand and Trademark Agreement with PMLC

In January 2018, POSC entered into a Brand and Trademark License Agreement (BTLA) with PMLC granting the latter a non-assignable, non-transferable and exclusive right to use POSC's instant scratch tickets' brand and trademarks. The agreement has an initial term of five (5) years effective on January 1, 2018, subject to adjustment to conform to and coincide with term of the PMLC's agreement with PCSO for the supply and distribution of its instant scratch tickets. In consideration of the BTLA, PMLC agreed to pay POSC a guaranteed fixed monthly fee of ₱4.0 million starting January 2018. The agreement with PMLC was accounted for as sale of right to use the brand and trademark. POSC already transferred the control over the brand and trademark to PMLC on January 1, 2018 and there are no other performance obligation to be provided to PMLC. Thus, in 2018, POSC recognized revenue on the use of the brand and trademark amounting to ₱203.5 million (see Note 25). Interest income earned in 2020, 2019 and 2018 amounted to ₱5.6 million, ₱8.6 million and ₱12.5 million, respectively.

Contract asset was recognized for the earned consideration but not yet collected. The carrying value of contract assets are as follows:

	2020	2019
Contract asset	<b>₱112,205,643</b>	₱130,123,122
Less allowance for doubtful accounts	<b>26,000,000</b>	—
	<b>86,205,643</b>	130,123,122
Current portion	<b>39,903,188</b>	40,510,763
	<b>₱46,302,455</b>	₱89,612,359

Movement of allowance for doubtful accounts in 2020 is as follows:

	2020
Balance at beginning of year	₱—
Provision for impairment loss (see Note 24)	26,000,000
Balance at end of year	<b>₱26,000,000</b>

#### TGTI Equipment Rental

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 150 "Online KENO" outlets to September 30, 2020. This covers PCSO's online KENO lottery operations. The lease includes online KENO equipment and accessories. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties. TGTI's revenue from equipment rental amounted to ₱47.2 million, ₱253.6 million and ₱659.7 million in 2020, 2019 and 2018, respectively.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure paper supplies for the "Online KENO" operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all "Online KENO" terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2020 and 2019, there are 1,180 and 1,833 "Online KENO" terminals in operation, respectively.



On October 1, 2019, the ELA was amended to a lower lease rate, inclusive of VAT. The minimum price per KENO bet was reduced from ₱12 to ₱10, inclusive of documentary stamp tax.

On December 11, 2020, the ELA was amended to extend the term for six (6) months, effective October 1, 2020 until March 31, 2021. The amendment also required TGTI to post a cash bond and performance security bond with aggregate amount of ₱2.5 million. The cash bond is included under “Other noncurrent assets” in the consolidated statements of financial position.

#### POSC’s Consultancy Agreements, Scientific Games, Intralot, Management Agreement

##### a. Consultancy Agreements

POSC and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO.

##### b. Scientific Games

On February 15, 2005, POSC entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the “Contract for the Supply of the Visayas-Mindanao Online Lottery System (CVMOLS),” Scientific Games provided 900 online lottery terminals and terminal software necessary for POSC’s leasing operations. In consideration, POSC shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO’s conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as POSC’s ELA with PCSO is in effect.

On October 2, 2012, POSC and Scientific Games amended the contract to extend the period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals.

On November 20, 2015, POSC and Scientific Games further amended the contract to extend the period from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to POSC. The amended contract also removed the provision for the Inactive Terminal Fee of US\$25.00 per terminal per month for any additional terminals not connected to the software provided by Scientific Games.

On August 2018, the contract with Scientific Games was further amended to extend the period until July 31, 2019.

On September 4, 2019, the contract with Scientific Games was further amended to extend the period until July 31, 2020.

##### c. Intralot

- i) On March 13, 2006, POSC entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the CVMOLS, Intralot provided POSC the hardware, operating system software and terminals and the required training. In consideration, POSC shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery operation or a fixed amount of US\$110 per terminal per month, whichever is higher. The contract shall continue as long as POSC’s ELA with PCSO is in effect.



On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with POSC, including all its rights and obligations arising from it.

On August 16, 2012, POSC and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable POSC to serve the requirements of PCSO in the 2012 Amended ELA. However, POSC has the option to order from Intralot brand new lotto terminals at a higher price per unit. POSC paid Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US\$110.00 per terminal, whichever is higher.

On September 6, 2013, POSC and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable POSC to expand its online lottery operations. Furthermore, effective April 1, 2013, POSC and Intralot agreed to lower the percentage of revenues paid by POSC to Intralot.

In April 2016, POSC and Intralot again amended the contract for Intralot to supply additional reconditioned or refurbished lotto terminals to POSC and extend the term of the contract until August 31, 2018.

On September 25, 2018, the contract with Intralot was further amended to extend the period until July 31, 2019.

On July 1, 2019, the contract with Intralot was further amended to extend the period until July 31, 2020.

- ii) TGTI has a contract with Intralot effective until September 30, 2020 for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from its ELA, Intralot now receive monthly remuneration calculated on a percentage basis of the gross receipts of PCSO from its "Online KENO" games. On March 22, 2011, the contract was further amended for Intralot to supply additional online keno terminals to TGTI and reduced the percentage charged by Intralot to TGTI or US\$60.00 per terminal per month on an average basis, whichever is higher. TGTI also undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee deposit is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

d. Management Agreement

POSC and TGTI entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, POSC shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA) while TGTI will pay a certain percentage of its EBITDA.



Software and license fee recognized as part of “Cost of services” arising from Scientific Games contract and Intralot contracts above amounted to ₱40.6 million, ₱136.3 million and ₱195.7 million in 2020, 2019 and 2018, respectively (see Note 23).

Consultancy and management fees recognized under “Consultancy fees” as part of “Cost of services” amounted to ₱76.0 million in 2018 (see Note 23). Consultancy fees recognized under “Professional, service and management fees” as part of “General and Administrative Expenses” amounted to ₱25.9 million in 2018 (see Note 24).

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### 33. Contingencies

- a) The Parent Company is a party to a civil case filed by Metroplex before the Court of Appeals (CA) to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 32). On July 17, 2013, CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the Supreme Court on September 4, 2014. As at April 14, 2021, the Supreme Court has yet to resolve this petition. However, as discussed in Note 32, the cancellation of the Swap Agreement was implemented following the Parent Company’s filing with the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.
- b) The management is assessing the possible impact of the on-going litigation between Philippine Gaming Management Corporation (PGMC) and PCSO that, if resolved in favor of PGMC, would have the effect of cancelling the existing terminals currently operating in Luzon, as leased by POSC to PCSO. The main issue in the case before the RTC-Makati involves the claim by PGMC that the 2012 ELA conferred on it the exclusive right to install or operate equipment for online lottery operations in Luzon. On September 5, 2012, a Writ of Preliminary Injunction (Injunction) was issued by Branch 143 of the Regional Trial Court of Makati. The Injunction orders PCSO to refrain from: 1) implementing, enforcing or exercising any right arising from the 2012 ELA between the POSC and PCSO, 2) ordering PCSO to refrain from allowing POSC, or any third party, to install or operate any equipment, computer or terminal relating to online lottery operations in Luzon, and 3) committing any act that in any way violates or otherwise interferes with the ELA between PGMC and PCSO. POSC filed a case with the Supreme Court to nullify the Injunction. PCSO also filed a case with the Court of Appeals likewise questioning the Injunction. On July 17, 2013, the Supreme Court decided that the case brought by POSC be consolidated with the case between PGMC and PCSO in the Court of Appeals, thus making the POSC a party to the case before the Court of Appeals.

Meanwhile, PGMC and PCSO entered into an Interim Settlement whereby they agreed, among others, to maintain the status quo insofar as the terminals already installed in Luzon by POSC are concerned. In the same Interim Settlement, PGMC and PCSO also agreed to submit to arbitration before the International Court of Arbitration (ICA) the issue of the alleged exclusivity conferred by the ELA to PGMC for online lotto operations in Luzon. POSC tried to join the arbitration but its Request for Arbitration dated May 12, 2014 was denied by the ICA on July 17, 2014, due to PCSO’s opposition. An Urgent Motion to resolve was filed by POSC with the Court of Appeals to compel the court to issue an order to PGMC and PCSO to include POSC in the negotiations.

On January 29, 2016, PCSO filed a Manifestation with Motion to Dismiss dated January 12, 2016 with RTC-Makati, stating that the presiding Judge approved PGMC and PCSO’s “Interim Settlement” dated December 11, 2013 wherein it was agreed that the case will be archived pending arbitration. PCSO also averred that, on December 13, 2015, PGMC and PCSO executed a “Supplemental and Status Quo Agreement” wherein the parties agreed to dismiss all pending



judicial and civil actions between them but shall continue with the arbitration proceedings. Thus, pursuant to said agreement, PCSO withdrew its Petition for Certiorari in the Court of Appeals, which was granted by virtue of the Resolution dated March 1, 2016. PCSO also prayed for the dismissal of the RTC case, but this was denied by the RTC Makati after PGMC opposed PCSO's motion to dismiss.

In the meantime, the Court of Appeals required the parties to file their respective Memoranda in the case. On September 13, 2017, POSC filed its Memorandum. PCSO opted not to file its own Memorandum but manifested instead that it was adopting the Memorandum of POSC.

On January 8, 2019, POSC's counsel received a Decision by the Court of Appeals dated December 17, 2018 dismissing POSC's Petition for Certiorari and Prohibition. POSC decided to no longer pursue a Motion for Reconsideration. To a certain extent, the Petition served its purpose as after the same was filed, the RTC Makati put on hold the hasty implementation of the injunction. Subsequent events have rendered moot the issues in the case. Aside from the ICA arbitration decision, the ELA at issue in the case has also been amended and superseded thrice. Moreover, the ELAs of both POSC and PGMC were extended for one year starting 1 August 2018, and then again for another year through July 31, 2020 to give PCSO enough time to prepare for the required public bidding for lotto equipment supply. With this development, the adverse effect against POSC - the reason that this case was initiated in the first place - is no longer attendant.

#### 34. Events after the Reporting Period

On April 14, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.04075 per share amounting to approximately ₱1,288.8 million to shareholders of record as at April 28, 2021. Payments will be made on May 12, 2021.

#### 35. Supplemental Disclosure of Cash Flow Information

##### Changes in Liabilities Arising from Financing Activities

	January 1, 2020	Additions (reversals)	Finance costs	Cash flows	December 31, 2020
Lease liabilities	₱91,607,328	(₱32,235,765)	₱2,442,430	(₱50,208,626)	₱11,605,367
Dividends payables	—	1,549,390,949	—	(1,549,390,949)	—
Loans payables	150,000,000	—	—	(150,000,000)	—
Interest payable	—	—	4,358,053	(4,358,053)	—
Total liabilities from financing activities	₱241,607,328	₱1,517,155,184	₱6,800,483	(₱1,753,957,628)	₱11,605,367

	January 1, 2019	Additions	Finance costs	Cash flows	December 31, 2019
Lease liabilities	₱143,194,993	₱17,371,992	₱9,525,989	(₱78,485,646)	₱91,607,328
Dividends payables	—	1,568,582,629	—	(1,568,582,629)	—
Loans payables	—	—	—	150,000,000	150,000,000
Total liabilities from financing activities	₱143,194,993	₱1,585,954,621	₱9,525,989	(₱1,497,068,275)	₱241,607,328

Finance costs pertains to accretion of lease liabilities and obligations under finance lease in 2020 and 2019, respectively.

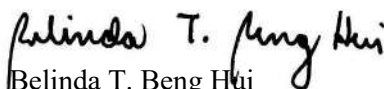


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-078-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534224, January 4, 2021, Makati City

April 14, 2021

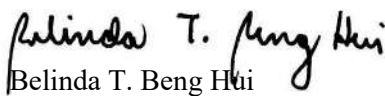


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Premium Leisure Corp.  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, 1300 Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Premium Leisure Corp. and its subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0943-AR-3 (Group A),

March 14, 2019, valid until March 13, 2022

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-078-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534224, January 4, 2021, Makati City

April 14, 2021



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Index to the Consolidated Financial Statements and**  
**Supplementary Schedules**  
**December 31, 2020**

Schedule I:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule II.	Map of the Relationships of the Companies Within the Group
Schedule III.	Supplementary Schedules Required by Paragraph 7D, Part II Under Revised SRC Rule 68



**SCHEDULE I**

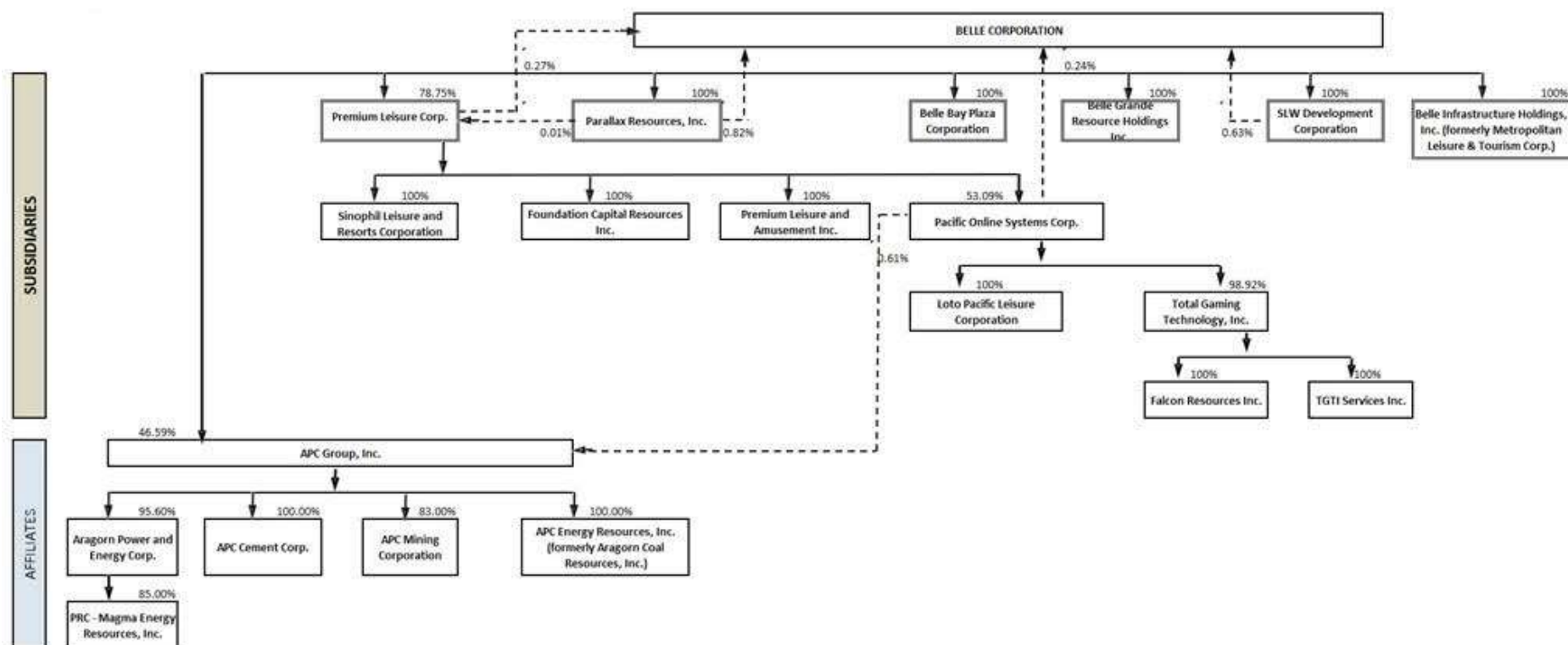
**PREMIUM LEISURE CORP.**  
**Reconciliation of Retained Earnings**  
**Available for Dividend Declaration**  
**As at December 31, 2020**

Unappropriated retained earnings available for dividend distribution, at December 31, 2019	₱2,470,553,310
Net income during the year closed to retained earnings	1,923,162,781
Less: Dividend declarations during the year	(1,568,338,613)
Treasury shares	(220,430,080)
Total retained earnings as at December 31, 2020 available for dividend declaration	₱2,604,947,398

## SCHEDULE II

### PREMIUM LEISURE CORP. AND SUBSIDIARIES

Map of the Relationship of the Companies within the Group  
December 31, 2020



**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Supplementary Schedules Required by Paragraph 7D, Part II**  
**Under Revised SRC Rule 68**  
**December 31, 2020**

**Schedule A. Financial Assets**

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents	₱2,218,311,525	₱2,218,311,525	N/A	₱46,029,153
Notes receivable	3,705,925,000	3,705,925,000	N/A	166,344,251
Receivables	468,752,085	468,752,085	N/A	—
Advances to contractors	139,739,757	139,739,757	N/A	—
Guaranteed deposits	14,500,000	14,500,000	N/A	—
Refundable deposits	5,953,851	5,953,851	N/A	—
	₱6,553,182,218	₱6,553,182,218		₱212,373,404
<b>Financial assets at fair value through profit or loss</b>				
APC Group, Inc.	45,821,000	₱18,557,505	₱18,557,505	—
Leisure & Resorts World Corp.	10,724,792	20,591,601	20,591,601	—
Vantage Equities, Inc.	43,376,750	45,111,820	45,111,820	—
		₱84,260,926		—
<b>Financial assets at fair value through other comprehensive income</b>				
Belle Corporation	166,650,719	₱284,972,730	₱284,972,730	—
Tagaytay Highlands				
International Golf Club	2	1,300,000	1,300,000	—
Tagaytay Midlands Golf Club	2	1,100,000	1,100,000	—
Asian Petroleum		11,100		—
PLDT		70,000		—
		₱287,453,830		—
		<b>₱6,924,896,974</b>		<b>₱212,373,404</b>

**Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)**

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱4,575,259	₱—	(₱3,284,146)	₱—	₱1,291,113	₱—	₱1,291,113

**Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Non Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱6,824,938	₱—	₱—	₱—	₱—	₱6,824,938	₱6,824,938
Pacific Online Systems Corporation (Subsidiary)	—	—	—	—	—	—	—
PremiumLeisure and Amusement, Inc. (Subsidiary)	—	—	—	—	—	—	—
Premium Leisure Corp. (Parent)	1,879,695,135	30,000,000	(280,015,611)	—	—	1,629,679,524	1,629,679,524

**Schedule D. Long Term Debt**

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet
Obligations under finance lease	₱—	₱—	₱—

**Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

	Balance at beginning of period	Balance at end of period
None	₱—	₱—

## Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	—	—	—	—

## Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,216,931,000	—	24,904,904,324	41,409,007	6,270,617,669
Preferred stock	6,000,000,000	—	—	—	—	—

**PREMIUM LEISURE CORP. AND SUBSIDIARIES**  
**Components of Financial Soundness Indicators**  
**December 31, 2020**

<b>Ratio</b>	<b>Formula</b>	<b>2020</b>	<b>2019</b>
<b>Current Ratio</b>	<b>Total Current Assets divided by Total Current Liabilities</b>	<b>5.75</b>	<b>4.35</b>
	Total Current Assets	₱6,735,160,173	
	Divide by: Total Current Liabilities	1,172,207,600	
	Current Ratio	5.75	
<b>Acid Test Ratio</b>	<b>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</b>	<b>5.56</b>	<b>4.20</b>
	Quick Assets	₱6,517,152,724	
	Divided by: Total Current Liabilities	1,172,207,600	
	Current Ratio	5.56	
<b>Solvency Ratio</b>	<b>Net Income add Non-cash Expenses divide by Total Liabilities</b>	<b>0.95</b>	<b>1.54</b>
	Net Income	₱323,716,438	
	Add: Non-cash expenses	844,004,247	
		1,167,720,685	
	Divided by: Total Liabilities	1,235,426,915	
		0.95	
<b>Debt-to-Equity Ratio</b>	<b>Total Interest-Bearing Debt divided by Total Stockholder's Equity</b>	<b>—</b>	<b>0.008</b>
	Total interest-bearing debt	₱—	
	Divided by: Total stockholder's equity	16,557,587,149	
	Debt-to-Equity Ratio	—	
<b>Asset-to-Equity Ratio</b>	<b>Total Assets divided by Total Stockholder's Equity</b>	<b>1.07</b>	<b>1.11</b>
	Total Assets	₱17,793,014,064	
	Divided by: Total Stockholder's Equity	16,557,587,149	
	Asset-to-Equity Ratio	1.07	
<b>Interest Rate Coverage Ratio</b>	<b>Earnings Before Interest and Taxes divided by Total Interest Expense</b>	<b>48.15</b>	<b>215.38</b>
	Earnings Before Interest and Taxes	₱327,460,237	
	Divided by: Interest Expense	6,800,483	
		48.15	

<b>Return on Equity</b>	<b>Net Income divided by Average Total Stockholder's Equity</b>	<b>1.87%</b>	11.82%
	Net Income	₱323,716,438	
	Divided by: Average Total Stockholders	17,287,655,598	
	Return on Equity	1.87%	
<b>Return on Assets</b>	<b>Net Income divided by Average Total Assets</b>	<b>1.72%</b>	10.74%
	Net Income	₱323,716,438	
	Divided by: Average Total Assets	18,861,968,210	
	Return on Assets	1.72%	
<b>Net Profit Margin</b>	<b>Net Income divided by Total Revenue</b>	<b>33.59%</b>	52.99%
	Net Income	₱323,716,438	
	Divided by: Total Revenue	963,655,509	
		33.59%	

MINUTES OF THE ANNUAL MEETING OF THE  
STOCKHOLDERS OF

**PREMIUM LEISURE CORP.**

On 22 June 2020  
(via Remote Communication)

**DIRECTORS PRESENT:**

**WILLY N. OCIER**

Chairman of the Board  
Chairman, Executive Committee

**ARMIN ANTONIO B. RAQUEL SANTOS**

President and Chief Executive Officer  
Member, Executive Committee  
Member, Compensation & Remuneration  
Committee

**A. BAYANI K. TAN**

Member, Executive Committee  
Member, Related Party Transactions Committee

**EXEQUIEL P. VILLACORTA, JR.**

Member, Audit Committee  
Member, Risk Oversight Committee

**ROMAN FELIPE S. REYES**

Lead Independent Director  
Chairman, Audit Committee  
Member, Risk Oversight Committee  
Member, Related Party Transactions Committee  
Member, Corporate Governance Committee

**JUAN VICTOR S. TANJUATCO**

Chairman, Corporate Governance Committee  
Chairman, Related Party Transactions Committee  
Chairman, Compensation & Remuneration  
Committee  
Member, Audit Committee  
Member, Risk Oversight Committee

**JOSEPH C. TAN**

Chairman, Risk Oversight Committee  
Member, Audit Committee  
Member, Corporate Governance Committee  
Member, Compensation & Remuneration  
Committee



**ALSO PRESENT:**

**ELMER B. SERRANO**  
**JACKSON T. ONGSIP**  
**ARTHUR A. SY**  
**PHIL IVAN A. CHAN**  
**TRISTAN B. CHOA**  
**SGV Representatives**

Corporate Secretary  
Chief Financial Officer and Treasurer  
Assistant Corporate Secretary  
Assistant Corporate Secretary  
Investor Relations

Stockholders present in person or  
represented by proxy

28,003,382,794 shares (Please see Record of  
Attendance here attached as **Annex A**)

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**1. Call to Order**

The meeting opened with an invocation followed by the Philippine National Anthem. The host then acknowledged the presence of all directors and key officers of **Premium Leisure Corp. (the Company)**, with directors and officers attending the meeting remotely.

Mr. Willy N. Ocier, Chairman of the Board, welcomed stockholders and guests to the first ever virtual Annual Stockholders' Meeting of the Company, streaming live via Zoom Webinar. The Chairman thanked the stockholders for joining the meeting.

The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

**2. Certification of Notice and Quorum**

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE and posted on the Company's website on 4 June 2020. Further, the Corporate Secretary certified that the same notice of meeting was published in the following newspapers of general circulation, both in print and online formats: (1) PhilStar Global on 22 May 2020; (2) The Philippine Star on 25 May 2020 and 26 May 2020; (3) Business World on 25 May 2020 and 26 May 2020; and (4) Business World Online on 26 May 2020.

The Corporate Secretary also certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 28,003,382,794 common shares, representing 89.71% of the issued and outstanding capital stock of the Company as of record date of 21 May 2020. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that Alberto, Pascual & Associates has been engaged as third-party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

### 3. Approval of Minutes of the Annual Stockholders' Meeting held on 22 April 2019

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of stockholders held on 22 April 2019. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
28,003,382,794	100%	0	0	0	0

With the above votes in favor, the following resolution was passed and adopted:

**"RESOLVED**, that the minutes of the annual meeting of stockholders held on 22 April 2019 are approved."

### 4. Approval of 2019 Annual Report and 2019 Audited Financial Statements

The Chairman then requested Mr. Armin Antonio B. Raquel Santos, President and Chief Executive Officer, to render his report on the results of operations for 2019. Mr. Raquel Santos reported as follows:

"Good morning, Ladies and Gentlemen.

"Welcome, and thank you for joining us today in the 2020 Annual Shareholders' Meeting of Premium Leisure Corp.

"2019 was a challenging year for PLC. While we continued to benefit from the robust integrated resorts industry in the Philippines through our investment in City of Dreams Manila, we experienced headwinds in our pari-mutuel business at Pacific Online Systems Corporation.

"In the competitive environment within the Entertainment City, City of Dreams Manila continued to cater to a diverse clientele of both local and foreign customers. With its reputation for providing a luxury gaming experience amidst award winning hotels and restaurants, PLC, through its wholly-owned subsidiary, PremiumLeisure and Amusement

("PLAI"), recorded a share in gaming revenues of Php3.0 billion in 2019, slightly below the Php3.2 billion achieved the previous year.

"Pacific Online Systems Corporation ("POSC"), a 53% owned subsidiary of PLC involved in the national lottery sector by leasing Lotto and Keno machines to the Philippine Charity Sweepstakes Office ("PCSO") recorded revenues of Php990 million in 2019.

"This represented a 49% decline from the Php1.9 billion achieved the previous year. This was due to competition from the small town lottery, and the temporary suspension of lottery and keno operations by PCSO during the third quarter of 2019. Following the lifting of the suspension, Pacific Online has been working closely with the PCSO and its network of agents to boost the attractiveness of the pari-mutuel games it offers, and is working to implement cost efficiency measures across its operations.

"Combined, while revenues of Php4.0 billion in 2019 were 23% lower than the Php5.1 billion in 2018, efforts to contain costs helped PLC post net income of Php2.1 billion, just 9% less than the Php2.3 billion the previous year.

"Holistically, PLC exhibited an outstanding performance during 2019. As part of its commitment to look for various opportunities for growth through profitable investments that will increase its shareholder value for partners and investors alike, PLC paid a total of approximately ₱3.18 billion in cash dividends to its common shareholders as of March 8, 2019 and March 6, 2020 from PLC's unrestricted retained earnings as of December 31, 2018 and December 31, 2019, respectively.

"Being part of the social fund mandated by our PAGCOR license, your Company fully supports the activities which pave the way for the enhancement of lives of many. It also continues to partner with Belle Kaagapay, which is Belle Corporation's corporate social responsibility arm, to help produce empowered and productive citizens of the communities it serves.

"This year, COVID-19 related issues have clearly impacted our business and we are working with our many stakeholders to ensure that your company is able to thrive in whatever form the new normal will take. It is during trying times like that your continued trust and confidence is much appreciated.

"On behalf of the Management Team, I would like to thank our Board of Directors for their unwavering guidance and our employees for their dedication and tireless efforts. We look forward to working with you and our many stakeholders to weather the challenges this 2020

will bring and emerge a stronger company that is ready to create value for the long term.

“Thank you for your continued support.”

After the report, the Chairman thanked Mr. Raquel Santos for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
28,002,190,794	100	0	0	1,192,000	0

With the above votes in favor, the following resolution was passed and adopted:

**“RESOLVED**, that the 2019 Annual Report and the 2019 Audited Financial Statements are approved.”

#### 5. Approval and Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and carried out by Management during their term, or from the date of the last annual stockholders’ meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
28,002,190,794	100	0	0	1,192,000	0

With the above votes in favor of approval, the following resolution was passed and adopted:

**“RESOLVED**, that the acts of the Board of Directors and Management during their term or from the date of the last annual stockholders’ meeting up to this meeting are ratified and approved.”

#### 6. Election of Directors for 2020-2021

The next item in the agenda is the election of directors for the year 2020-2021. The Chairman requested Mr. Juan Victor S. Tanjuatco, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Tanjuatco stated that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following nominees to the Board for 2020-2021:

Mr. Willy N. Ocier  
Mr. Armin Antonio B. Raquel Santos  
Mr. A. Bayani K. Tan  
Mr. Exequiel P. Villacorta, Jr.

Independent Directors

Mr. Roman Felipe S. Reyes  
Mr. Juan Victor S. Tanjuatco  
Atty. Joseph C. Tan

The Corporate secretary thereafter presented the number of votes garnered by each of the nominees:

Nominee	In Favor	Against	Abstained
Willy N. Ocier	27,701,847,889	0	301,463,900
Armin Antonio B. Raquel Santos	28,003,382,794	0	0
A. Bayani K. Tan	28,003,382,794	0	0
Exequiel P. Villacorta, Jr.	28,003,382,794	0	0
Roman Felipe S. Reyes	28,003,382,794	0	0
Juan Victor S. Tanjuatco	28,003,382,794	0	0
Joseph C. Tan	28,003,382,794	0	0

The Corporate Secretary then announced that since there are only seven (7) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

**“RESOLVED**, that following are elected to the Board of Directors of Premium Leisure Corp. for 2020-2021, to serve as such directors until their successors have been duly qualified and elected:

Mr. Willy N. Ocier  
Mr. Armin Antonio B. Raquel Santos  
Mr. A. Bayani K. Tan  
Mr. Exequiel P. Villacorta, Jr.

Independent Directors

Mr. Roman Felipe S. Reyes  
Mr. Juan Victor S. Tanjuatco  
Atty. Joseph C. Tan

**7. Appointment of External Auditor**

The next item in the agenda is the appointment of the Company’s external auditor for 2020. Mr. Roman Felipe S. Reyes, Chairman of the Audit Committee, informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as

confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
28,003,382,794	100	0	0	0	0

With the above votes in favor of approval, the following resolution was passed and adopted:

**“RESOLVED**, that the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020 is approved.”

## 8. Open Forum

The Chairman then proceeded with the Question and Answer portion of the meeting. He explained that all stockholders of record were allowed to submit questions in advance via email to [plccorsec@premiumleisurecorp.com](mailto:plccorsec@premiumleisurecorp.com), and through the chat box of the meeting livestream. He explained that the Company will endeavor to answer questions not addressed during the meeting via email. The Chairman thanked the stockholders for sending their questions and comments.

The Chairman requested the host to read some of the questions received from the stockholders.

The host began reading a question sent by email. The first question read, “What is the impact of COVID-19 on your businesses and what are you doing to mitigate the risk that it presents as part of the new normal?”

Mr. Raquel Santos answered that in compliance with the government’s directive, gaming and hotel operations of City of Dreams Manila as well as Lotto and Keno operations of Pacific Online have been closed for 3 months. As a result, the Company expects some impact in its businesses. At the same time, the Company is preparing for reopening to assure by a consistent implementation of safety protocols. Finally, the Company is currently on the lookout for possible business growth opportunities.

The host then read the next and final question which came from the Q&A portal. The question read, “What is your outlook for the gaming industry given this pandemic?”

Mr. Raquel Santos responded that their outlook for the gaming industry remains very positive. The domestic and international market segment will open its borders very soon and the gaming industry will continue to grow.

The Chairman thanked the host for reading the questions.

**9. Other Matters**

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

**10. Adjournment**

There being no further business to transact, the Chairman thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

**CERTIFIED CORRECT:**

**ELMER B. SERRANO**  
*Corporate Secretary*

**ATTESTED BY:**

**WILLY N. OCIER**  
*Chairman*

**Premium Leisure Corp.**  
Annual Stockholders' Meeting  
22 June 2020, 11:00 a.m.

**Record of Attendance**

Total number of voting shares outstanding	31,216,931,000
Total number of shares present by proxy	27,963,433,788
Total number of shares participating remotely	39,949,006
Total number of shares represented	28,003,382,794
<b>Attendance percentage</b>	<b>89.71%</b>



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Jaime J. Bautista**, Filipino, of legal age and a resident of  
after having been duly sworn to in accordance with law do hereby declare that:

- 1. I am a nominee for independent director of **Premium Leisure Corp.** (the "Corporation").
- 2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Bank of Communications	Director	July 2020 to present
Cosco Capital, Inc.	Director	August 2020 to present
Philippine Eagle Foundation, Inc.	Trustee	December 2016 to present
University of the East	Trustee	August 1991 to present
UE Ramon Magsaysay Medical Memorial Center	Trustee	August 1991 to present
International School of Sustainable Tourism	Trustee	February 2020 to present
Air Speed International Inc.	Director	January 2020 to present
Alphaland Corporation	Director	September 2019 to present
Gothong Southern Shipping, Inc.	Director	March 2020 to present

- 3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.
- 4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

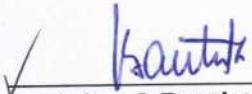
NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
-not applicable-		

- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
-not applicable-		

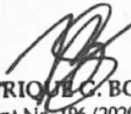
- 6. I am not in government service/affiliated with a government agency or GOCC.
- 7. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
- 8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 27th day of April 2021, at Pasig City.

  
Jaime J. Bautista

SUBSCRIBED AND SWORN to before me this 27th day of April 2021 at Pasig City,  
affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card with  
TIN \_\_\_\_\_ Passport No. \_\_\_\_\_ valid until October 11, 2022 issued at DFA Manila.

Doc. No. 19;  
Page No. 5;  
Book No. II;  
Series of 2021;

  
VICTOR ENRIQUE C. BOLINAO  
Appointment No. 196 (2020-2021)  
Notary Public  
Until December 31, 2021  
33rd Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR Receipt No. 7233542; 01.05.21; Pasig City  
IBP Receipt No. 137825; 01.05.21; RSM  
Admitted to the Bar July 8, 2020



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Jerry C. Tiu**, Filipino, of legal age and a resident of \_\_\_\_\_  
after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of **Premium Leisure Corp.** (the "Corporation").
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Pacific Online Systems Corporation	Independent Director	February 21, 2007 to present
Tagaytay Highlands Community Condominium Association, Inc.	Director and President	June 26, 2003
Tagaytay Midlands Community Homeowners' Association, Inc.	Director	September 3, 2002 to present
	President	June 27, 2009 to present
Greenlands Community Homeowners' Association, Inc.	Director	April 26, 2006 to present
	President	Sep. 20, 2006 to present
Tagaytay Highlands International Golf Club, Inc.	President and Director	1999 – present
The Country Club at Tagaytay Highlands, Inc.	President and Director	2000 - present
Tagaytay Midlands Golf Club, Inc.	President and Director	1999 - present
The Spa & Lodge at Tagaytay Highlands, Inc.	President and Director	2001 – present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other Securities and Exchange Commission (SEC) issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable		

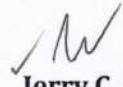
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable		

6. I am not in government service/affiliated with a government agency or government-owned and controlled corporation.


7. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 27 day of April 2021, at Pasig City.

  
Jerry C. Tiu

SUBSCRIBED AND SWORN to before me this 27 day of April 2021 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card with TIN \_\_\_\_\_ Passport No. \_\_\_\_\_ valid until 22 January 2030 issued at DFA NCR EAST.

Doc. No. 21;  
Page No. 6;  
Book No. II;  
Series of 2021

  
VICTOR ENRIQUE C. BOLINAO  
Appointment No. 196 (2020-2021)  
Notary Public  
Until December 31, 2021

33rd Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR Receipt No. 7233542; 01.05.21; Pasig City  
IBP Receipt No. 137825; 01.05.21; RSM  
Admitted to the Bar July 8, 2020



## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Juan Victor S. Tanjuatco**, Filipino, of legal age and a resident of \_\_\_\_\_ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of Premium Leisure Corp. (the "Corporation") and have been its ID since July 2014.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
IP Ventures, Inc.	ID	2011 to present
Ketmar Fast Food Corporation	Director	2004 to present
Sumulong Tanjuatco Amalgamated Realty Inc.	Director	2005 to present
Tanjuatco Development Corp.	Director	1972 to present
Tanjuatco Holdings Corp.	Director	2005 to present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of the Corporation.
5. To the best of my knowledge, I disclose that I am the one of the subjects of the following criminal/administrative investigation or proceeding initiated by the Philippine Deposit Insurance Corporation in connection with my previous employment:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Violation of Section 21 (f) (10) of Republic Act (R.A.) No. 3591, Section 21 (f) (4) of R.A. No. 3591 and Sections 55, 56 and 66 of R.A. No. 8791 in relation to Section 36 of R.A. No. 7653	Department of Justice (DOJ)	The complaint was dismissed in a Resolution dated 9 April 2014 and PDIC's Motion for Reconsideration was denied. Both are the subject of a Petition for Review before the Secretary of Justice. There is no resolution on the petition to date.
Violation of Sections 55, 56 and 66 of R.A. No. 8791	Court of Appeals	The same complaint filed with the DOJ in the above proceeding was filed with the Bangko Sentral ng Pilipinas (BSP). Three of the five respondents, myself included, were found administratively liable and were fined the amount of P20,000.00 each. BSP's decision is presently subject of an appeal before the Court of Appeals.

Violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689, and Section 21 (f) (10) of R.A. No. 3591, as amended	DOJ	In a Resolution dated 01 March 2017 (copy received by respondents only on 11 December 2018), five of the seven respondents, myself included, were charged only with the violation of Section 21 (f) (10) of R.A. No. 3591, as amended. However, in a Joint Resolution dated 01 February 2019, the Resolution dated 01 March 2017 was subsequently modified to dismiss the said complaint for violation of Section 21 (f) (10) of R.A. No. 3591, as amended, against all five respondents. PDIC filed a Petition for Review before the Secretary of Justice. There is no resolution on the petition to date.
Violation of Section 37 of R.A. No. 7653	BSP	The same complaint filed with the DOJ mentioned in the immediately preceding paragraph was filed with BSP. There is no resolution on the complaint to date.
Violation of Section 21 (f) (10) of R.A. No. 3591	Court of Appeals	In a Decision dated 25 October 2019, both accused (myself included) were acquitted of the charges for failure of the prosecution to prove their guilt beyond reasonable doubt. Private Prosecutor's Motion for Reconsideration, which was only noted but not conformed to by the Public Prosecutor, was denied. PDIC filed a Petition for Certiorari dated 29 July 2020, and private respondents filed their Comment on 06 November 2020. The matter is presently pending resolution.
Violation of Section 21 (f) (10) of R.A. No. 3591	BSP	The same complaint which gave rise to the case in the immediately preceding paragraph was filed with the BSP. There is no resolution to date.


6. I am not connected with any government agency or its instrumentalities.
7. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 11 2021 day of \_\_\_\_\_, at MAKATI CITY.

  
Juan Victor S. Tanjuatco

SUBSCRIBED AND SWORN to before me this MAR 11 2021 day of \_\_\_\_\_ at MAKATI CITY  
affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card  
with TIN

Doc. No. 234 ;  
Page No. 42 ;  
Book No. X ;  
Series of 2021

  
ATTY. ARTHUR A. SY  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2021  
N.C. NO. M-314 / 06 19 20 / MAKATI CITY  
PTR NO. 8543075 / 01 08 21 / MAKATI CITY

MCLE NO. VI - 0024893 / 04 17 19 - 04 14 22



## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Maria Gracia M. Pulido-Tan**, Filipino, of legal age and a resident of \_\_\_\_\_ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of Premium Leisure Corp. (the "Corporation").
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Asia United Bank Corporation	Independent Director	July 2016 to present
International Budget Partnership in Washington D.C., U.S.A.	Trustee	Sept. 2017 to present
Trifels, Inc.	Director	May 2016 to present
Philippine Dispute Resolution Center Inc.	Arbitrator	2020 to present
Construction Industry Arbitration Commission	Arbitrator	2016 to present
University of the Philippines College of Law	Professorial Lecturer, Mandatory Continuing Legal Education	On call

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other Securities and Exchange Commission (SEC) issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable		

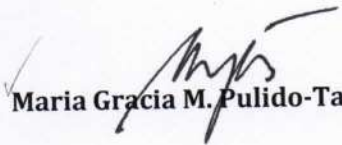
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the (head of the agency/department) to be an ID in the Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – NOT APPLICABLE
7. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.




Done, this 27 day of April 2021, at Pasig City.

  
Maria Gracia M. Pulido-Tan

SUBSCRIBED AND SWORN to before me this 27 day of April 2021 at  
Pasig City, affiant personally appeared before me and exhibited to me her Tax  
Identification Number (TIN) Card with TIN \_\_\_\_\_ Passport No. P2249419B valid until 21 May 2029  
issued at DFA NCR CENTRAL.

Doc. No. 20;  
Page No. 5;  
Book No. II;  
Series of 2021

  
VICTOR ENRIQUE C. BOLINAO  
Appointment No. 196 (2020-2021)  
Notary Public  
Until December 31, 2021

33rd Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR Receipt No. 7233542; 01.05.21; Pasig City  
IBP Receipt No. 137825; 01.05.21; RSM  
Admitted to the Bar July 8, 2020

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY ) S.S.

**SECRETARY'S CERTIFICATE**

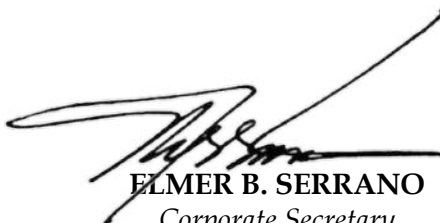
I, **ELMER B. SERRANO**, Filipino, of legal age, with office address at the 33<sup>rd</sup> Floor, The Orient Square F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **PREMIUM LEISURE CORP.** (the **Corporation**), a corporation duly organized and existing under the laws of the Philippines, with offices at the 5/F Tower A, Two E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City, Philippines 1300;

2. No director or officer of the Corporation is connected with any government agencies or instrumentalities; and


3. The foregoing is in accordance with the records of the Corporation presently in my custody.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature on this April 27, 2021 at Pasig City.

  
**ELMER B. SERRANO**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this April 27, 2021 at Pasig City, affiant exhibited to me his Tax Identification No.

Doc. No. 522 ;  
Page No. 106 ;  
Doc No. 1 ;  
Series of 2021.

  
**VINA MARIE S. VILLARROYA**  
Appointment No. 183 (2020-2021)  
Notary Public for Pasig City  
Until December 31, 2021  
Attorney's Roll No.  
33<sup>rd</sup> Floor, The Orient Square  
F. Ortigas, Jr. Road, Ortigas Center, Pasig City  
PTR No. 7233530; 01.05.21; Pasig City  
IBP No. 01.05.21; RSM  
MCLE Compliance No. VI-0012267; 4.14.22

# COVER SHEET

AS093009289

S.E.C. Registration Number

PREMIUM LEISURE CORP AND SUBSIDIARIES

(Company's Full Name)

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

(Business Address: No. Street City / Town / Province)

JACKSON T. ONGSIP

Contact Person

(632) 662-8888

Company Telephone Number

12

Month

31

Day

17-Q

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

359

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks - pls. Use black ink for scanning purposes

SEC Number AS093-009289  
File Number \_\_\_\_\_

**PREMIUM LEISURE CORP.**  
(Company's Full Name)

**5<sup>th</sup> Floor Tower A Two E-Com Center**  
**Palm Coast Avenue, Mall of Asia Complex,**  
**CBP-1A, Pasay City**  
(Company's Address)

**(632) 8662-8888**  
(Telephone Numbers)

**31 March 2021**  
(Quarter Ending)

**SEC FORM 17-Q**  
(Form Type)

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE**

1. For quarterly period ended **March 31, 2021**
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/organization: **Philippines**
6. 

--

 (SEC Use Only)
7. Address of Principal Office:  
**5<sup>th</sup> Floor, Tower A, Two E-Com Center, Palm Coast Avenue,  
Mall of Asia Complex, CBP-1A, Pasay City**
8. Registrant's telephone number, including area code: **(632) 8662-8888**
9. Former name, former address, and former fiscal year, if changed since last report.  
Not applicable
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class <b>Common Stock, ₱0.25<sup>1</sup> par value</b>	Number of Shares of Common Stock Outstanding <b>31,216,931,000</b>
---	---

11. Are any or all of these securities listed on the Philippine Stock Exchange (PSE).  
Yes ☒ No ☐

Out of a total of 31,216,931,000 outstanding shares, 31,216,930,995 shares are listed on the PSE. With the exception of shares initially offered to the public in August 1995, only 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 the Securities Regulation Code and under Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
  
Yes ☒ No ☐
  - b) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

<sup>1</sup>New par value of ₱0.25 was approved by the Securities and Exchange Commission on May 29, 2014.

## PART 1- FINANCIAL INFORMATION

### Item 1. Financial Statements

The following unaudited financial statements are submitted as part of this report:

- Consolidated Statements of Financial Position as of March 31, 2021 and December 31, 2020;
- Consolidated Statements of Comprehensive Income for the Three Months ended March 31, 2021 and March 31, 2020;
- Consolidated Statements of Changes in Equity for the Three Months ended March 31, 2021 and March 31, 2020;
- Consolidated Statements of Cash Flows for the Three Months ended March 31, 2021 and March 31, 2020.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

	Three Months Ended March 31		Horizontal Analysis		Vertical Analysis	
	2021 (Unaudited)	2020 (Audited)	Increase (Decrease) Amount	%	2021 %	2020 %
<b>INCOME</b>						
Gaming share revenue	431,051,182	445,037,022	-13,985,839	-3%	78%	71%
Equipment lease rentals	122,816,181	134,004,361	-11,188,180	-8%	22%	21%
Commission and distribution income	-	46,103,893	-46,103,893	-100%	0%	7%
	<b>553,867,363</b>	<b>625,145,276</b>	<b>(71,277,913)</b>	<b>-11%</b>	<b>100%</b>	<b>100%</b>
<b>COST AND EXPENSES</b>						
Salaries and payroll related expenses	31,036,167	61,799,751	-30,763,584	-50%	6%	10%
Software and license fees	20,544,420	20,582,546	-38,126	0%	4%	3%
Repairs, maintenance and communication	18,715,317	27,521,926	-8,806,609	-32%	3%	4%
Online lottery expenses	1,182,507	4,561,825	-3,379,318	-74%	0%	1%
General and administrative expenses	114,520,839	125,181,988	-10,661,149	-9%	21%	20%
Amortization of intangible	59,618,121	59,618,121	-	0%	11%	10%
Depreciation expense	37,996,239	62,344,393	-24,348,153	-39%	7%	10%
	<b>283,613,610</b>	<b>361,610,550</b>	<b>(77,996,941)</b>	<b>-22%</b>	<b>51%</b>	<b>58%</b>
<b>OTHER INCOME (EXPENSES)</b>						
Interest income	35,056,122	57,082,123	-22,026,001	-39%	6%	9%
Dividend Income	-	10,354,560	-10,354,560	-100%	0%	2%
Other income (charges)	1,585,729	(2,065,960)	3,651,690	-177%	0%	0%
	<b>36,641,851</b>	<b>65,370,723</b>	<b>(28,728,872)</b>	<b>-44%</b>	<b>7%</b>	<b>10%</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAX</b>	<b>306,895,604</b>	<b>328,905,449</b>	<b>(22,009,845)</b>	<b>-7%</b>	<b>55%</b>	<b>53%</b>
<b>PROVISION(BENEFIT FROM) INCOME TAX</b>	<b>3,376,856</b>	<b>4,941,629</b>	<b>-1,564,773</b>	<b>-32%</b>	<b>1%</b>	<b>1%</b>
<b>NET INCOME</b>	<b>303,518,748</b>	<b>323,963,820</b>	<b>(20,445,072)</b>	<b>-6%</b>	<b>55%</b>	<b>52%</b>
<i>Net income attributable to Parent</i>	<b>310,023,389</b>	<b>338,395,530</b>	<b>(28,372,140)</b>	<b>-8%</b>	<b>56%</b>	<b>54%</b>
<i>Net income attributable to Minority interest</i>	<b>(6,504,641)</b>	<b>(14,431,710)</b>	<b>7,927,069</b>	<b>-55%</b>	<b>-1%</b>	<b>-2%</b>

PLC recognized Php553.9 million consolidated revenues for the three months ended March 31, 2021, down by Php71.3 million or 11% from the same period last year.

The decline in Premium Leisure Corp.'s revenues are mainly brought about by the economic effects of the Covid-19 pandemic to the country, which include a decline in tourist arrivals to the Philippines and the implementation of the nationwide community quarantines resulting to either temporary suspensions of gaming and lottery operations or allowing operations at a significantly limited capacity to conform with the regulations set out by government regulators. Because of this, as of March 31, 2021, PLAI gaming revenue share has decreased from Php445.0 million to Php431.1 million (3%), and Pacific Online Systems Corporation's (POSC) equipment lease rental income and commission and distribution decreased from Php180.1 million to Php122.8 million versus the same period in 2020.

Costs and expenses decreased by Php78.0 million or 22% for the period due to the decrease in the Company's salaries and payroll-related expenses, general and administrative expenses, repairs, maintenance and communication, resulting from the deconsolidation of Lucky Circle Corporation, a subsidiary of POSC that was sold in February 2020.

PLC recognized Php303.5 million net income for the three months ended March 31, 2021, 6% down from its net income of Php324.0 for the same period in 2020.

Operating EBITDA (proxy for cash flow) for the period is at Php367.9 million, 5% lower than its EBITDA of Php385.5 million as of March 31, 2020.

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended March 31</b>		<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>		<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>Amount</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>NET INCOME</b>	<b>303,518,748</b>	323,963,820	(20,445,072)	-6%	55%	52%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Marked-to-market loss on financial assets at fair value through other comprehensive income (FVOCI)	(39,296,174)	(113,122,490)	73,826,316	-65%	-7%	-18%
Remeasurement loss on DBL	-	6,682,576	(6,682,576)	100%	0%	1%
Share in OCI						
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>P 264,222,574</b>	P 217,523,906	P 46,698,667	21%	48%	35%
<i>Total Comprehensive income attr to Parent</i>	<i>278,710,776</i>	251,241,100	27,469,675	11%	50%	40%
<i>Total Comprehensive income attr to Minority</i>	<i>(14,488,202)</i>	(33,717,194)	19,228,992	-57%	-3%	-5%
<b>Total</b>	<b>264,222,574</b>	217,523,906	46,698,667	21%	48%	35%

PLC's comprehensive income (loss) pertains to the unrealized gains (losses) arising from changes in market value of its financial assets at FVOCI. PLC recognized comprehensive loss amounting to Php39.3 million for the three months ending March 31, 2021 as a result of the lower share prices of its financial asset investments. As such, PLC recognized a total comprehensive income amounting to Php264.2 million (of which, Php278.71 million is attributable to parent shareholders) as of March 31, 2021.

Aside from what has been mentioned in the foregoing, there were no significant elements that arose from continuing operations, nor were there any seasonal events that had a material effect on the results of operations of PLC during the three months ended March 31, 2021.

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

	March 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
	(Unaudited)	(Audited)	Amount	%	%	%
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	P 2,355,640,786	2,218,311,525	137,329,261	6%	13%	12%
Trade and other receivables	547,817,553	468,752,085	79,065,468	17%	3%	3%
Investment held for trading	80,678,480	84,260,926	(3,582,445)	-4%	0%	0%
Notes receivable	3,705,925,000	3,705,925,000	-	0%	21%	21%
Other assets	229,800,304	257,910,637	(28,110,333)	-11%	1%	1%
<b>Total Current Assets</b>	<b>6,919,862,123</b>	<b>6,735,160,173</b>	<b>184,701,949</b>	<b>3%</b>	<b>39%</b>	<b>38%</b>
<b>Noncurrent Assets</b>						
Intangible asset	8,893,036,396	8,952,654,519	(59,618,122)	-1%	50%	50%
Financial assets at fair value through OCI	248,157,657	287,453,830	(39,296,173)	-14%	1%	2%
Investment property	285,510,452	285,510,452	-	0%	2%	2%
Property and equipment	67,633,325	83,505,713	(15,872,388)	-19%	0%	0%
Right of use asset	5,463,309	10,119,536	(4,656,227)	-46%	0%	0%
Goodwill	926,007,748	926,007,748	-	0%	5%	5%
Deferred tax assets	82,414,559	82,414,559	-	0%	0%	0%
Other non-current assets	439,033,414	430,187,534	8,845,880	2%	2%	2%
<b>Total Noncurrent Assets</b>	<b>10,947,256,860</b>	<b>11,057,853,891</b>	<b>(110,597,031)</b>	<b>-1%</b>	<b>61%</b>	<b>62%</b>
<b>Total Assets</b>	<b>P 17,867,118,983</b>	<b>P 17,793,014,064</b>	<b>74,104,919</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables and other current liabilities	P 976,436,811	1,164,524,630	(188,087,819)	-16%	5%	7%
Lease liability - ROU current	5,664,918	7,676,824	(2,011,906)	-26%	0%	0%
Income tax payable	6,146	6,146	-	0%	0%	0%
<b>Total current liabilities</b>	<b>982,107,875</b>	<b>1,172,207,600</b>	<b>(190,099,725)</b>	<b>-16%</b>	<b>5%</b>	<b>7%</b>
<b>Noncurrent Liability</b>						
Lease liability - ROU non current	1,248,544	3,928,543	(2,679,999)	100%	0%	0%
Retirement liability	61,952,837	59,290,772	2,662,065	4%	0%	0%
<b>Total non-current liabilities</b>	<b>63,201,381</b>	<b>63,219,315</b>	<b>(17,934)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Total Liabilities</b>	<b>P 1,045,309,256</b>	<b>P 1,235,426,915</b>	<b>(190,117,658)</b>	<b>-15%</b>	<b>6%</b>	<b>7%</b>
<b>Equity</b>						
Capital Stock	7,906,827,500	7,906,827,500	-	0%	44%	44%
Additional paid-in capital	7,238,721,924	7,238,721,924	-	0%	41%	41%
Treasury shares	(220,430,080)	(220,430,080)	-	0%	-1%	-1%
Cost of parent shares held by a subsidiary	(509,597,055)	(509,597,055)	-	0%	-3%	-3%
Other reserves	(855,865,695)	(824,553,084)	(31,312,611)	-4%	-5%	-5%
Retained earnings (deficit)	2,939,130,367	2,629,106,978	310,023,389	12%	16%	15%
<b>Total equity attributable to Parent</b>	<b>16,498,786,961</b>	<b>16,220,076,183</b>	<b>278,710,778</b>	<b>2%</b>	<b>92%</b>	<b>91%</b>
<b>Non-controlling interest</b>	<b>323,022,766</b>	<b>337,510,966</b>	<b>(14,488,200)</b>	<b>-4%</b>	<b>2%</b>	<b>2%</b>
<b>Total Equity</b>	<b>16,821,809,727</b>	<b>16,557,587,149</b>	<b>264,222,578</b>	<b>2%</b>	<b>94%</b>	<b>93%</b>
<b>Total Liabilities and Equity</b>	<b>P 17,867,118,983</b>	<b>P 17,793,014,064</b>	<b>74,104,919</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>

As at March 31, 2021, PLC's total assets amounted to Php17,867.1 million, higher by Php74.1 million (0.4%) versus total assets as at December 31, 2020. Key movements in balance sheet items are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term investments or cash equivalents of the Company.

Cash and cash equivalents increased by 6% (Php137.33 million) as at March 31, 2021 mainly because of the collection of gaming share, net of disbursements made, during the period.



#### Trade and other receivables

Trade and other receivables includes trade receivables from PCSO for POSC's equipment rentals and receivables from Melco for City of Dreams Manila's gaming share revenue as well as other receivables. The Company recorded net increase in trade and other receivables by ₱79.1 million (17%).

#### Investments held for trading

Investments held for trading decreased by Php3.6 million (4%) mainly due to the mark-to-market loss on share price value.

#### Intangible Asset

The Company's intangible asset pertains to the Philippine Gaming and Amusement Corporation (PAGCOR) gaming license obtained by PLC through its subsidiary, PremiumLeisure and Amusement, Inc. (PLAI). The decrease in the intangible asset account is brought about by the amortization of the license.

#### Investment Property

As at March 31, 2021 and December 31, 2020, this account pertains to investment property of the Company in Tanauan, Batangas.

#### Property and equipment

Property and equipment (PPE) of the Company pertains to online lottery equipment, leasehold improvements, office and transportation equipment. There is decrease of Php15.9 million (19%) in the account compared to balances at December 31, 2020 as the net effect of the depreciation recognized by the Company on its PPE, tempered by additions in the account for the period.

#### Goodwill

Goodwill pertains mostly to the goodwill recognized upon acquisition of controlling interest in POSC through the pooling method in 2015.

#### Total Liabilities

PLC's total liabilities is at Php1,045.3 million as at March 31, 2021. The Php190.1 million decrease in liabilities is mainly brought about by the payment of other current liabilities during the period.

#### Equity

Stockholders' equity increased from Php16,557.6 million as at December 31, 2020, to Php16,821.8 million as at March 31, 2021. This increase of Php264.22 million was mainly brought about by the net income earned for the period offset by the change in market prices of its available for share investments (under Other Reserves).

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

Ratio	Manner in which the financial ratios are computed	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Current ratio	Current assets divided by current liabilities	7.05	3.86	5.83
Quick ratio	(Current assets less invty - prepayments) / Current liabilities	6.81	3.72	5.65
Solvency ratio	Total assets / total liabilities	17.09	10.24	14.13
Asset to equity	Total assets divided by total equity	1.06	1.11	1.08
Debt to equity	Interest bearing debt divided by total equity	-	0.01	-
Interest rate coverage	Earnings before interest, tax, depreciation and amortization divided by interest expense	1,154	165	19
Debt ratio	Total debt / total assets	0.06	0.10	0.07
Return on assets	Net income (loss) divided by average total assets during the period	6.8%	6.8%	1.6%
Return on equity	Net income (loss) divided by average total equity during the period	7.3%	7.5%	1.7%

The Company does not foresee any liquidity problems over the next twelve (12) months. The changes in the key performance indicators of the Company are discussed below:

- a) Net income decreased by 6% for the three months ending March 31, 2021, accounting for the slight decrease in return on equity versus the same period in 2020.
- b) Current, quick and solvency ratios increased due to increase in cash and trade receivables.

As at March 31, 2021, 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 for the periods ended March 31, 2021 and December 31, 2020, except those mentioned in the preceding.

## **PART II - OTHER INFORMATION**

### **Financial Risk Management Objectives and Policies and Capital Management**

The Company's principal financial liabilities comprise trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. The Company also holds investments held for trading, notes receivables, financial assets at FVOCI, guarantee bonds and deposits included as part of "Other noncurrent assets" in the consolidated statement of financial position.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency risks and they are summarized below:

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, receivables and financial assets at FVOCI.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, other receivables, investments held for trading, financial assets at FVOCI, guarantee bonds and deposits, 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.

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection. The Company assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.

*Liquidity Risk.* Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs. The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at March 31, 2021 and December 31, 2020 as the total current assets can cover the total current liabilities as they fall due.

*Equity Price Risk.* Equity price risk is the risk that the fair value of quoted investment held for trading and financial assets at FVOCI decrease as the result of changes in the value of individual stocks. The Company's exposure to equity price risk is primarily to the Company's quoted investments held for trading and financial assets at FVOCI. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

*Foreign Currency Risk.* The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US\$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US\$ account to match its foreign currency requirements.

*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 2021 and 2020.

#### Fair Value of Financial Instruments

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, deposits and trade payables and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of investments held for trading and financial assets at FVOCI that are quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date.

Set out below is a comparison by category of carrying values and fair values of all the Company's financial instruments.

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial Assets</b>				
Cash and cash equivalents	2,355,640,786	2,355,640,786	2,218,311,525	2,218,311,525
Investment held for trading	80,678,480	80,678,480	84,260,926	84,260,926
Notes receivable	3,705,925,000	3,705,925,000	3,705,925,000	3,705,925,000
Trade and other receivables:				
Trade receivables	535,263,891	535,263,891	468,516,351	468,516,351
Nontrade and others	12,553,662	12,553,662	235,734	235,734
	<b>6,690,061,819</b>	<b>6,690,061,819</b>	<b>6,477,249,536</b>	<b>6,477,249,536</b>
<b>AFS Investment</b>				
Quoted shares	248,076,557	248,076,557	287,372,730	287,372,730
Unquoted shares	81,100	81,100	81,100	81,100
	<b>248,157,657</b>	<b>248,157,657</b>	<b>287,453,830</b>	<b>287,453,830</b>
	<b>6,938,219,476</b>	<b>6,938,219,476</b>	<b>6,764,703,366</b>	<b>6,764,703,366</b>
<b>Loans and Borrowings</b>				
Accrued expenses & other liabilities*	<b>973,616,568</b>	<b>973,616,568</b>	<b>1,160,658,897</b>	<b>1,160,658,897</b>

\*excluding statutory payables amounting to -Php2.8 million and P3.8 million as at March 31, 2021 and December 31, 2020, respectively.

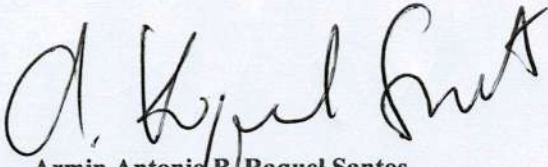
#### Other Required Disclosures

- A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2020.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
- D.) Except as disclosed in the MD&A, there were no other issuance, repurchases and repayments of debt and equity securities.
- E.) There were no material events that occurred subsequent to March 31, 2021 and up to the date of this report that need disclosure herein.
- F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations.
- G.) There were no changes in contingent liabilities or contingent assets since December 31, 2020, as of March 31, 2021.
- H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

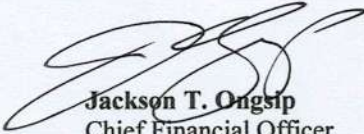
**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **Premium Leisure Corp**

A handwritten signature in black ink, appearing to read 'A. Raquel Santos', written in a cursive style.

**Armin Antonio B. Raquel Santos**  
President  
Date: May 12, 2021

A handwritten signature in black ink, appearing to read 'Jackson T. Ongsi', written in a cursive style.

**Jackson T. Ongsi**  
Chief Financial Officer  
Date: May 12, 2021

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

	March 31, 2021		December 31, 2020	
	(Unaudited)		(Audited)	
ASSETS				
Current Assets				
Cash and cash equivalents	P	2,355,640,786	P	2,218,311,525
Investment held for trading		80,678,480		84,260,926
Trade and other receivables		547,817,553		468,752,085
Notes receivable		3,705,925,000		3,705,925,000
Other current assets		229,800,304		257,910,637
Total Current Assets		6,919,862,123		6,735,160,173
Noncurrent Assets				
Intangible asset		8,893,036,396		8,952,654,519
Financial assets at fair value through OCI		248,157,657		287,453,830
Property and equipment		67,633,325		83,505,713
Investment property		285,510,452		285,510,452
Goodwill		926,007,748		926,007,748
Deferred tax assets		82,414,559		82,414,559
Right of use asset - net		5,463,309		10,119,536
Other non-current assets		439,033,414		430,187,534
Total Noncurrent Assets		10,947,256,860		11,057,853,891
Total Assets	P	17,867,118,983	P	17,793,014,064
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables and other current liabilities	P	976,436,811	P	1,164,524,630
Lease liabilities - current		5,664,918		7,676,824
Income tax payable		6,146		6,146
Total current liabilities		982,107,875		1,172,207,600
Noncurrent Liability				
Retirement liability		61,952,837		59,290,772
Lease liabilities - non current		1,248,544		3,928,543
Total non-current liabilities		63,201,381		63,219,315
	P	1,045,309,256	P	1,235,426,915
Equity				
Capital Stock		7,906,827,500		7,906,827,500
Additional paid-in capital		7,238,721,924		7,238,721,924
Treasury shares		(220,430,080)		(220,430,080)
Cost of parent shares held by a subsidiary		(509,597,055)		(509,597,055)
Other reserves		(855,865,695)		(824,553,084)
Retained earnings (deficit)		2,939,130,367		2,629,106,978
Total equity attributable to Parent		16,498,786,961		16,220,076,183
Non-controlling interest		323,022,766		337,510,966
Total Equity		16,821,809,727		16,557,587,149
Total Liabilities and Equity	P	17,867,118,983	P	17,793,014,064

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Three Months Ended March 31		This quarter	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	
<b>INCOME</b>					
Gaming share revenue	P	431,051,182	445,037,022	431,051,182	445,037,022
Equipment lease rentals		122,816,181	134,004,361	122,816,181	134,004,361
Commission and distribution income		-	46,103,893	-	46,103,893
		<b>553,867,363</b>	<b>625,145,276</b>	<b>553,867,363</b>	<b>625,145,276</b>
<b>COST AND EXPENSES</b>					
Salaries and payroll related expenses		31,036,167	61,799,751	31,036,167	61,799,751
Service and consultancy fees		-	-	-	-
Online lottery expenses		1,182,507	4,561,825	1,182,507	4,561,825
Software and license fees		20,544,420	20,582,546	20,544,420	20,582,546
Repairs, maintenance and communication		18,715,317	27,521,926	18,715,317	27,521,926
General and administrative expenses		114,520,839	125,181,988	114,520,839	125,181,988
Amortization of intangible		59,618,121	59,618,121	59,618,121	59,618,121
Depreciation expense		37,996,239	62,344,393	37,996,239	62,344,393
		<b>283,613,610</b>	<b>361,610,550</b>	<b>283,613,610</b>	<b>361,610,550</b>
<b>OTHER INCOME (EXPENSES)</b>					
Interest income		35,056,122	57,082,123	35,056,122	57,082,123
Dividend Income		-	10,354,560	-	10,354,560
Other income (charges)		1,585,729	(2,065,960)	1,585,729	(2,065,960)
		<b>36,641,851</b>	<b>65,370,723</b>	<b>36,641,851</b>	<b>65,370,723</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAX</b>		<b>306,895,604</b>	<b>328,905,449</b>	<b>306,895,603</b>	<b>328,905,449</b>
<b>PROVISION(BENEFIT FROM) INCOME TAX</b>		<b>3,376,856</b>	<b>4,941,629</b>	<b>3,376,856</b>	<b>4,941,629</b>
<b>NET INCOME(LOSS)</b>		<b>303,518,748</b>	<b>323,963,820</b>	<b>303,518,747</b>	<b>323,963,820</b>
<b>Net income attributable to Parent</b>		<b>310,023,389</b>	<b>338,395,530</b>	<b>310,023,389</b>	<b>338,395,530</b>
<b>Net income attributable to Minority interest</b>		<b>(6,504,641)</b>	<b>(14,431,710)</b>	<b>(6,504,641)</b>	<b>(14,431,710)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Unrealized gains (loss) arising from changes in market value of available for sale investments during the year		(39,296,174)	(113,122,490)	(39,296,174)	(113,122,490)
Remeasurement loss on DBL			6,682,576	-	6,682,576
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	P	<b>264,222,574</b>	<b>217,523,906</b>	P 264,222,573	P 217,523,906
<b>Total Comprehensive income attributable to Parent</b>		<b>278,710,777</b>	<b>251,241,100</b>	<b>278,710,777</b>	<b>251,241,100</b>
<b>Total Comprehensive income attributable to Minority</b>		<b>(14,488,203)</b>	<b>(33,717,194)</b>	<b>(14,488,203)</b>	<b>(33,717,194)</b>
<b>Total</b>		<b>264,222,574</b>	<b>217,523,906</b>	<b>264,222,574</b>	<b>217,523,906</b>
<b>Earnings Per Share (Basic)</b>	P	<b>0.00993</b>	P 0.01084		



**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Three Months Ended March 31	
		2021	2020
		(Unaudited)	(Audited)
<b>CAPITAL STOCK</b>	P0.25 per share		P0.25 per share
Authorized:			
Preferred shares		6,000,000,000 shares	6,000,000,000 shares
Common shares		37,630,000,000 shares	37,630,000,000 shares
Issued:			
Balance at beginning of year	P	11,384,284,906	P 11,384,284,906
Issuances (transfer from subscribed)		-	-
Balance at end of period		11,384,284,906	11,384,284,906
Subscribed:			
Balance at beginning of year		(3,477,457,406)	(3,477,457,406)
Issuances (transfer to issued)		-	-
Balance at end of period		(3,477,457,406)	(3,477,457,406)
Balance at the end of period		7,906,827,500	7,906,827,500
<b>ADDITIONAL PAID-IN CAPITAL (APIC)</b>			
Beginning balance		7,238,721,924	7,238,721,924
Other adjustments		-	-
Balance at the end of period		7,238,721,924	7,238,721,924
<b>TREASURY SHARES</b>			
Beginning balance		(220,430,080)	(29,430,080)
Additions for the year		-	(191,000,000)
Balance at the end of period		(220,430,080)	(220,430,080)
<b>Other Reserves</b>			
Balance at beginning of year		(824,553,084)	(788,608,550)
Net Unrealized loss on available-for-sale investments		(31,312,611)	(90,502,398)
Remeasurement gain on Retirement		-	3,347,970
Balance at the end of period		(855,865,695)	(875,762,978)
<b>Cost of Parent Company held by a subsidiary</b>			
Balance at beginning of year		(509,597,055)	(509,597,055)
Additional acquisition		-	-
Balance at the end of period		(509,597,055)	(509,597,055)
<b>RETAINED EARNINGS (DEFICIT)</b>			
Balance at beginning of year		2,629,106,978	3,660,924,536
Declared dividends		-	(1,549,390,950)
Net income (loss)		310,023,389	338,395,530
Balance at end of period		2,939,130,367	2,449,929,116
<b>NON-CONTROLLING INTEREST</b>		323,022,766	505,168,579
	P	16,821,809,727	P 16,494,857,005

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three Months Ended March 31

	2021 (Unaudited)	2020 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) before income tax	P 306,895,604	P 328,905,449
Adjustments for:		
Unrealized loss (gain) on marketable securities	3,582,445	14,225,217
Finance charges	318,795	2,340,487
Retirement cost	2,662,065	1,500,000
Loss(gain) on sale of marketable securities	-	-
Loss (gain) on sale of property and equipment	-	(850)
Loss (gain) on sale of AFS investment	-	-
Foreign exchange (gain) loss	399,103	(205,522)
Gain on sale of subsidiary	-	(9,547,745)
Depreciation	37,996,239	62,344,393
Amortization of Intangible	59,618,121	59,618,121
Dividend income	-	(10,354,560)
Interest income	(6,180,367)	(17,167,788)
Income before working capital changes	405,292,005	431,657,202
Decrease (Increase) in:		
Receivables and others	(79,065,468)	(296,182,973)
Other current assets	2,973,611	19,696,179
Other noncurrent assets	(8,845,880)	(26,569,334)
Right of use asset	4,656,227	-
Increase (decrease) in:		
Increase in accrued trade and other payables	(188,087,819)	(79,864,117)
Retirement contributions paid	-	-
Income tax paid	-	(356,854)
Net cash provided by operating activities	136,922,676	48,380,103
<b>CASH FLOW FROM INVESTING ACTIVITY</b>		
Acquisitions of:		
Property and equipment	(763,079)	(57,118,506)
Investment in stocks	-	-
Right of use of Asset	-	34,601,276
Dividends received		10,354,560
Interest received	6,180,367	17,167,788
Proceeds from sale of:		
Subsidiary	-	137,413,892
Marketable securities	-	50,000,000
Property and equipment	-	850
Net cash from investing activities	5,417,288	192,419,860
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Increase (Decrease) in lease liability	(4,691,908)	(7,662,233)
Payment of loan	-	(37,500,000)
Acquisition of Treasury shares	-	(191,000,000)
Interest paid	(318,795)	(2,340,487)
Dividends paid	-	(1,528,773,508)
Net cash from financing activities	(5,010,703)	(1,767,276,228)
<b>NET INCREASE IN CASH</b>	137,329,261	(1,526,476,265)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,218,311,525	3,537,075,479
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P 2,355,640,786	P 2,010,599,214

**PREMIUM LEISURE CORP AND SUBSIDIARIES**  
**SCHEDULE OF RECEIVABLES, ADVANCES AND OTHER ASSETS**  
**March 31, 2021**

<b>NAME</b>	<b>AMOUNT</b>
Notes receivables - current	3,705,925,000
Trade receivables - current	535,263,891
Other receivable	12,553,662
Other current assets	229,800,304
<b>Total Receivables and Other Assets</b>	<b><u>4,483,542,857</u></b>

*\*Current means collectible within a period of zero (0) to twelve (12) months*