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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000010020
Company Name	MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINOFRD LEISURE AND ENTERTAIN
Industry Classification	Real Estate Activities
Company Type	Stock Corporation

Document Information

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10020

S.E.C. Registration Number

MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO

(Company's Full Name)

WINFORD HOTEL AND CASINO, MJC DRIVE, STA. CRUZ, MANILA

(Business Address : No. Street City / Town / Province)

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

QUARTERLY REPORT
FOR THE PERIOD ENDED 30 JUNE 2019

12 31
Month *Day*
Fiscal Year

17-Q
FORM TYPE

06 29
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2019**

2. Commission identification number **10020** 3. BIR Tax Identification No. **000-596-509**

4. Exact name of issuer as specified in its charter

   MJC INVESTMENTS CORPORATION Doing business under the name and style of WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO

5. Province, country or other jurisdiction of incorporation or organization **Republic of the Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office — Postal Code

   Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila — **1014**

8. Issuer's telephone number, including area code **(632) 528-2300**

9. Former name, former address and former fiscal year, if changed since last report **N. A.**

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	3,174,405,821

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **Annex "A"**.

- Consolidated Statement of Financial Position as of June 30, 2019 and December 31, 2018
- Consolidated Statement of Comprehensive Income for the quarters ended June 30,2019 and 2018
- Consolidated Statement of Changes in Equity for the quarters ended June 30, 2019 and 2018
- Consolidated Statement of Cash Flow for the quarters ended June 30, 2019 and 2018
- Aging of Accounts Receivable as of June 30, 2019
- Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Please see attached **Annex "B"**.

PART II – OTHER INFORMATION

There is no material information which had not been previously reported under SEC Form 17-C.

SIGNATURES

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.

MJC INVESTMENTS CORPORATION
Doing business under the name and style of
Winford Leisure and Entertainment Complex
and Winford Hotel and Casino

August 14, 2019
Date

By:

JOEMAR L. ONNAGAN
Director for Finance and Administration

ANNEX "A"

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(With Comparative Audited Figures as at December 31, 2018)

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
ASSETS		
Current Assets		
Cash and Cash Equivalent(Note 6)	₱29,516,983	₱472,403,840
Receivables(Note 7)	248,721,242	212,430,569
Inventories(Note 8)	31,657,107	20,595,969
Current portion of input value-added tax (VAT) (Note 9)	40,240,305	33,303,677
Prepayments and other current assets (Note 10)	23,961,884	19,702,314
Total Current Assets	**374,097,521**	**758,436,369**
Noncurrent Assets		
Property and equipment (Notes 11 and 14)	4,936,915,270	5,132,755,047
Input VAT - net of current portion (Note 9)	385,052,318	367,079,972
Other noncurrent assets (Note 12)	429,683,026	442,303,457
Total Noncurrent Assets	**5,751,650,614**	**5,942,138,476**
TOTAL ASSETS	**6,125,748,135**	**6,700,574,845**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	475,476,792	554,202,301
Retention payable	32,644,285	138,453,425
Interest payable (Notes 14)	11,569,054	15,925,877
Current portion of loans payable (Note 14)	694,906,019	694,286,996
Contract Liabilities	15,305,662	12,541,411
Total Current Liabilities	**1,229,901,812**	**1,415,410,010**
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	1,744,657,511	2,092,222,591
Deposit for future stock subscription (Note 18)	2,396,501,748	2,142,201,097
Other noncurrent liabilities	8,543,475	8,222,898
Total Non-Current Liabilities	**4,149,702,734**	**4,242,646,586**
Total Liabilities	**5,379,604,546**	**5,658,056,596**
Equity		
Capital stock (Note 17)	3,174,405,821	3,174,405,821
Deficit	(2,431,057,885)	(2,134,222,083)
Actuarial gains on retirement liability	2,795,653	2,334,511
Total Equity	**746,143,589**	**1,042,518,249**
TOTAL LIABILITIES AND EQUITY	**₱ 6,125,748,135**	**₱6,700,574,845**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three months Ended June 30		For the Six months Ended June 30	
	2019	2018	**2019**	2018
REVENUE				
Revenue share in gaming operations	**₱113,597,169**	₱84,168,877	**₱229,562,790**	₱156,474,207
Hotel	**14,292,534**	20,659,391	**30,276,533**	44,049,467
Food and beverage	**20,959,123**	14,249,992	**40,497,177**	32,405,198
Bingo operations	**12,725,549**	9,207,890	**24,121,190**	17,419,382
Rental	**5,888,175**	8,964,282	**12,302,303**	16,109,274
Other revenue	**3,938,289**	5,762,500	**8,620,679**	7,087,859
	171,400,839	143,012,932	**345,380,672**	273,545,387
OPERATING COSTS AND EXPENSES (Note 20)	**(291,883,491)**	(277,833,110)	**(562,920,510)**	(535,298,954)
OPERATING LOSS	**(120,482,652)**	(134,820,178)	**(217,539,838)**	(261,753,567)
OTHER INCOME (EXPENSES)				
Interest expense (Note 14)	**(39,226,192)**	(43,957,788)	**(80,174,033)**	(99,139,347)
Interest income	**46,528**	125,468	**256,387**	436,618
Miscellaneous expenses – net	**418,412**	(112,158)	**672,934**	(134,308)
	(38,761,252)	(43,944,478)	**(79,244,712)**	(98,837,037)
LOSS BEFORE INCOME TAX	**(159,243,904)**	(178,764,656)	**(296,784,550)**	(360,590,604)
PROVISION FOR INCOME TAX	**(9,292)**	2,660,166	**(51,252)**	(81,764)
NET LOSS	**(159,253,196)**	(176,104,490)	**(296,835,802)**	(360,672,368)
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit obligation	**230,571**	461,142	**461,142**	461,142
TOTAL COMPREHENSIVE LOSS	**(159,022,625)**	(175,643,348)	**(296,374,660)**	(360,211,226)
Basic/Diluted Loss Per Share (Note 19)	**₱0.05**	₱0.06	**₱0.09**	₱0.11

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	Capital Stock (Note 17)	Deficit	Actuarial gains on retirement liability	Total
BALANCES AT DECEMBER 31, 2018	**3,174,405,821**	**(2,134,222,083)**	**2,334,511**	**1,042,518,249**
Total Comprehensive income for the period	-	**(296,835,802)**	**461,142**	**(296,374,660)**
BALANCES AT JUNE 30, 2019	**3,174,405,821**	**(2,431,057,885)**	**2,795,653**	**746,143,589**
BALANCE AT DECEMBER 31, 2017	3,174,405,821	(1,406,291,195)	688,566	1,768,803,192
Total Comprehensive income for the year	-	(360,672,368)	461,142	(360,211,226)
BALANCE AT JUNE 30, 2018	3,174,405,821	(1,766,963,563)	1,149,708	1,408,591,966

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱296,784,550)	(₱360,590,604)
Adjustments for:		
Depreciation and amortization (Notes 11 and 12)	227,761,258	258,117,832
Interest expense (Note 14)	80,174,033	99,139,347
Retirement expense	419,778	419,778
Unrealized foreign exchange loss (gain)	10,724	(31,190)
Interest Income	(256,387)	(436,618)
Miscellaneous Expense (recovery)	(2,942)	–
Operating income (loss) before working capital changes	11,321,914	(3,381,455)
Decrease (increase) in:		
Receivables (Note 7)	(34,098,339)	1,858,515
Inventories (Note 8)	(11,061,139)	3,042,991
Input VAT	(22,597,648)	(22,669,923)
Prepayment and other current assets (Note 10)	(4,259,570)	7,666,419
Increase (decrease) in:		
Accounts payable and other current liabilities (Note 13)	(81,036,838)	(108,786,751)
Retention payable	(105,809,140)	(24,421,778)
Contract Liabilities	2,764,252	–
Other noncurrent liabilities	361,941	–
Net cash used in operations	(244,414,567)	(146,691,982)
Income taxes paid	(51,252)	(81,764)
Interest received	256,387	436,618
Net cash flows used in operating activities	(244,209,432)	(146,337,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 11 and 12)	(19,168,438)	(40,511,033)
Increase in advances to contractors-current (Note 10)	(675,993)	42,087,660
Decrease in other noncurrent assets (Note 12)	(1,646,008)	(3,888)
Payment of accounts payable for construction costs	–	–
Payment of long term debt	–	–
Net cash flows provided by (used in) investing activities	(21,490,439)	1,572,739
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of deposit for future stock subscription	254,300,651	99,175,129
Payment of principal (Note 14)	(350,000,000)	(350,000,000)
Payment of interest (Note 14)	(81,476,913)	(97,682,105)
Proceeds from availment of loans	–	–
Net cash flows provided by (used in) financing activities	(177,176,262)	(348,506,976)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,724)	31,190
NET DECREASE IN CASH AND CASH EQUIVALENTS	(442,886,857)	(493,240,175)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	472,403,840	558,855,778
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱29,516,983	₱65,615,603

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

Aging of Receivable

The following summarizes the aging of the Group's receivable as of June 30, 2019:

	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade								
Non-related parties	61,466,405	7,036,178	1,959,730	3,591,186	3,377,123	45,502,186	-	-
Related parties	1,529,622	1,140,994	-	6,074	71,515	311,039	-	-
Nontrade	55,204,817	-	-	-	-	55,435	55,149,382	55,177,100
Receivable arising from PTO	512,286,202	511,372,982	-	-	-	913,220	-	-
	630,487,046	519,550,154	1,959,730	3,597,260	3,448,638	46,781,880	55,149,382	55,177,100

MJC INV ESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) and Trafalgar Square Leisure Corporation (TSLC) (collectively referred to as the "Group") are incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

Date	Corporate Name
February 12, 1997	Ebecom Holdings, Inc.
September 25, 2003	Aries Prime Resources, Inc.
September 30, 2008	MJCI Investments, Inc.
October 15, 2009	MJC Investments Corporation
June 29, 2015	MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

The registered office address of the Parent Company is Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten (10) years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. On November 25, 2015, PAGCOR extended the term of the PTO to fifteen (15) years commencing from the start of commercial operations of PAGCOR San Lazaro (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of ₱1.00 per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro (see Note 2).

2. Agreements with PAGCOR

The following are the significant contracts entered by the Group with PAGCOR:

a. PTO granted to the Parent Company

As discussed in Note 1 to the unaudited interim condensed consolidated financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, in accordance with the provisions of the PTO.

The agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.

For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross gaming revenues after deducting the players' winnings/prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

Upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree (P.D.) 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, the Parent Company's revenue share in gaming operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the "PAGCOR Charter". Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

b. Traditional Bingo Operation of the Parent Company

On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 20).

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

c. *Junket Agreement granted to TSLC*

On May 16, 2016, TSLC was granted by PAGCOR the authority to bring in pre-registered foreign players to play in designated junket gaming areas in Winford Hotel and Casino with an initial four (4) junket gaming tables. Operation of gaming tables in excess of the initial four junket gaming tables shall be subject to PAGCOR's approval. The agreement is effective for a period of three years, commencing on day 1 of the gaming operation at the junket area but not later than six months from the date of the agreement.

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee (MGF) of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 20). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.

In compliance with the junket agreement, TSLC shall also deposit to PAGCOR the following:

a) an amount equivalent to six (6) months of the minimum guaranteed fee for gaming tables for the junket gaming operations prior to the actual operation of the junket tables amounting to ₱17.0 million, which are recorded as part of "Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 12).

b) an administrative charge deposit in the amount equivalent to six months manpower cost of PAGCOR's monitoring team for the junket gaming operation prior to the actual operation amounting to ₱2.9 million, which shall be made to cover TSLC's share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The Administrative Charge Deposit is recorded as part of the "Long-term deposits" under Other noncurrent assets in the consolidated statements of financial position (see Note 12).

c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements which are recorded as part of "Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 12).

All interest income accruing out of the above deposits shall pertain to PAGCOR.

Should TSLC cease operations, for reasons such as violation of terms or conditions as stated in the agreement with PAGCOR, one year or more after the commencement of the agreement but before the end of its term, only TSLC's cash bond and administrative charge deposit shall be forfeited in favor of PAGCOR. The gaming deposit shall be returned to TSLC after deducting any unpaid fees owed by the TSLC to PAGCOR.

TSLC generated net revenue of ₱ 1.3 million for the three months ended June 30, 2019 and nil in the same period last year (presented as part of "Other revenue").

3. Basis of Preparation and Statement of Compliance

Basis of Preparation
The unaudited interim condensed consolidated financial statements are prepared using the historical cost basis. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (Peso or ₱), which is the Group's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance
The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2018.

4. Summary of Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted for the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2018 except that the Group has adopted the following new and amended standards starting January 1, 2019:

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at AC or at FVOCI, provided that the contractual cash flows represent solely payments of principal and interest (SPPI) on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. The adoption of these amendments did not result in any significant impact on the interim condensed consolidated financial statements.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group adopted PFRS 16 and shall continue to assess the impact in accordance with the requirements of the new standard.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. The Group adopted the amendments effective January 1, 2019 and will apply on future plan amendments, curtailments, or settlements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group adopted the amendments effective January 1, 2019 and will apply on future plan amendments, curtailments, or settlements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group adopted the amendments and shall continue to assess the impact in accordance with the requirements of the said amendments.

<u>Annual Improvements to PFRSs 2015-2017 Cycle</u>

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  These amendments are currently not applicable to the Group but may apply to future transactions.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- 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, *Insurance Contracts*. 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, 2021, with comparative figures required. Early application is permitted.

  PFRS 17 is not applicable to the Group.

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 FRSC 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.

5. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary where the parent has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group 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.

Subsidiary
Subsidiary is an entity controlled by the Parent Company. Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation
All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries
The financial statements of subsidiary are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements 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 the 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 the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at AC are disclosed in Note 22.

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 Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Financial Instruments - Classification and Measurement

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
- financial assets measured at AC
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at AC
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at AC include cash in banks, receivables, deposits and long-term deposits.

Financial assets at FVTPL
Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.
Additionally, even if the asset meets the AC or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of June 30, 2019, the Group does not have financial assets at FVTPL.

Financial assets at FVOCI
Debt Instruments
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of June 30, 2019, the Group does not have debt instruments at FVOCI.

Equity instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of June 30, 2019, the Group does not have equity instruments at FVOCI.

Classification of financial liabilities
Financial liabilities are measured at AC, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

No ECL is recognized for the Group's financial assets at AC.

ECLs are measured in a way that reflects the following:

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

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss Allowance
For cash in banks, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.
For receivables, deposits and long-term deposits, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Cash

Cash in the consolidated statements of financial position comprises of cash on hand and cash in banks.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for using the first-in/first-out basis. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months of within the normal operating cycle.

Advances to Contractors and Suppliers

Advances to contractors and suppliers are noninterest-bearing down payments which are applied against final billings by the contractors and suppliers. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the consolidated statements of financial position.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under "Prepayment and other current assets" in the consolidated statements of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment, except land, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	30 years
Machinery	10 years
Gaming equipment	8 years
Non-gaming equipment	5 years
Kitchen and bar equipment, computer software and hardware	3 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 statements of comprehensive income when the asset is derecognized.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Equipment
Operating equipment (shown as part of "Other noncurrent assets") includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over three years.

Impairment of Non-Financial Assets
The Group assesses, at each reporting date, whether there is an indication that the non-financial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of the asset's recoverable amount. An assets' recoverable amount is the higher of the assets' or cash generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

Contract Liabilities *(applicable starting January 1, 2018 upon the adoption of PFRS 15)*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligation under the contract.

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, deposits by hotel, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers.

Retention Payable
Retention payable represents the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.

Deposit for Future Stock Subscription
Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Group's own equity instruments, and presented in the noncurrent liabilities section of the consolidated statements of financial position. These are measured at cost and are reclassified to capital stock upon issuance of shares.

In accordance with Financial Reporting Bulletin (FRB) No. 6 issued by the SEC, the following elements should be present as of the reporting date in order for the deposits for future stock subscriptions to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit
Deficit pertains to accumulated gains and losses, and may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Revenue Recognition

Revenue Share in Gaming Operations
Revenue share in gaming operations represents a certain percentage share of gross winnings after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Group's gaming facilities and gaming equipment.

Rental Income
Rental revenue from the leasing of certain areas of the hotel held under operating lease are recognized on a straight-line basis over the periods of the respective leases.

Other Revenue
Other revenue consists of tobacco sales, laundry services, parking fees, charges for utilities consumed by lessee and income from junket operations.

Interest Income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points
The Group operates loyalty program to encourage repeat business mainly from loyal slot machine customers and table game patrons. Members earn points primarily based on gaming activities and such points can be redeemed for goods and services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Group's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Group). A portion

of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Revenue from contracts with customer

The Group's revenue from contracts with customers primarily consist of hotel accommodation services, food and beverage, bingo services and other revenue. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from Hotel

Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage

Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.

Revenue from Bingo Operations

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. Revenue is recognized at point in time upon the conduct of the bingo operations.

Operating Costs and Expenses

Costs and expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred.

Gaming Fees

As a grantee of PAGCOR, the Group is required to pay PAGCOR a percentage of its gross receipts from bingo operations. These fees are recorded as part of "Gaming fees" under "Operating costs and expenses".

Income Tax

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements comprehensive income. 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 Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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.
- In respect of deductible temporary differences associated with investments in subsidiaries, 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 asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if and only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Retirement Benefits Cost</u>

The Group does not have an established retirement plan and only conform with Republic Act (RA) 7641, Retirement Pay Law, which is a defined benefit type.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and re-measurements 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.

Re-measurements comprising actuarial gains and losses, 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 OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Leases

At the inception of the lease, the Group assesses whether a contract is, or contains, a lease. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset and whether the Group has the right to direct the use of the asset.

The Group as a Lessee

The Group recognizes a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU asset includes the present value of lease payments, plus initial direct cost and the cost of obligations to refurbish the assets, less any lease incentives received.

The ROU is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to test for impairment if there are indicators for impairment.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities are measured at the present value of lease payments to be made over the lease term.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected not to recognize ROU assets and liabilities for leases with terms of less than or equal to 12 months, or for leases of low value assets. The payments for such leases are recognized in the statement of income on a straight-line basis over the lease term.

The Group as a Lessor - Operating lease

Lease in which the Group does not transfer substantially all the risks and benefits of ownership of the assets 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 as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group as a Lessor - Finance lease
Lease in which the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

a. ownership of the asset to the lessee by the end of the lease term.
b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

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 consolidated statements of financial position. 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 statements of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT," "Deferred input VAT," or "Accounts payables and other current liabilities" in the consolidated statements of financial position.

Provisions
Provisions are recognized when the Group 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 Group 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 a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings (Loss) Per Share
Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

Segment Reporting
For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 21.

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

6. Cash

This account consists of:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Cash in banks	**₱20,307,016**	₱465,901,982
Cash on hand	**9,209,967**	6,501,858
	₱29,516,983	₱472,403,840

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.3 million and ₱0.4 million in 2019 and 2018, respectively.

7. Receivables

This account consists of:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Trade:		
Non-related parties	**₱63,713,976**	₱53,962,725
Related parties (Note 16)	**1,529,622**	1,943,276
Nontrade	**110,381,917**	110,381,917
Receivable arising from PTO related to:		
Gaming equipment (Note 15)	**63,405,565**	57,122,087
Gaming facility (Note 15)	**63,824,013**	42,774,147
Advances to employees (Note 16)	**1,043,249**	1,423,517
	303,898,342	267,607,669
Less: allowance for doubtful accounts	**55,177,100**	55,177,100
	₱248,721,242	₱212,430,569

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables are usually collected within 30 to 60 days.

Nontrade receivables mainly pertain to noninterest-bearing receivable from a third party for consideration related to certain disposed assets.

Receivable arising from PTO pertains to the outstanding balance of the Group's revenue share in gaming operations related to gaming facility and gaming equipment after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Group within 15 days of the following month in accordance with the PTO.

In 2018, management provided allowance for doubtful accounts amounting to ₱55.2 million pertaining to nontrade receivables.

8. Inventories

This account consists of:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
At cost:		
Operating supplies	**₱26,881,100**	₱17,121,808
Food, beverage, and tobacco	**4,776,007**	3,474,161
	₱31,657,107	₱20,595,969

Operating supplies include cards and seals.

No allowance for inventory obsolescence was recognized in 2019 and 2018.

9. Input VAT

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Input VAT- current	**₱40,240,305**	₱33,303,677
Noncurrent:		
Input VAT - noncurrent	**371,485,161**	351,181,565
Deferred input VAT	**13,567,157**	15,898,407
	385,052,318	367,079,972
	₱425,292,623	₱400,383,649

Input VAT pertains mainly to the Group's purchase of goods and services which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

10. Prepayments and Other Current Assets

This account consists of:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Deposits	**₱12,254,582**	₱14,191,752
Prepayments	**4,564,062**	3,231,339
CWT	**3,031,998**	2,279,223
Prepaid Expenses	**4,111,242**	–
Advances to contractor-current	**–**	–
	₱23,961,884	₱19,702,314

Deposits pertain to deposit for electricity connection and advance payments for operating supplies and payroll system.

Prepayments pertain to advance payments for software maintenance and billboard placements.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Group.

Prepaid expenses pertain to 2019 business permit and property insurance.

11. Property and Equipment

This account consists of:

	June 30, 2019 *(Unaudited)*						
	Land	Building	Machinery	Gaming equipment (Note 5)	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,346,182,947	₱218,902,742	₱–	₱453,787,351	₱636,120,176	₱6,255,793,216
Additions	–	17,537,184	331,500	–	827,616	472,138	19,168,438
Disposal/Reclassification	–	–	–	–	–	(15,620,493)	(15,620,493)
Balance at end of year	600,800,000	4,363,720,131	219,234,242	–	454,614,967	620,971,821	6,259,341,161
Accumulated depreciation							
Balance at beginning of year	–	375,123,051	51,801,794	–	207,872,872	488,240,452	1,123,038,169
Depreciation (Note 20)	–	74,206,043	12,228,202	–	46,996,365	79,382,328	212,812,938
Disposal/Reclassification	–	–	–	–	–	(13,425,216)	(13,425,216)
Balance at end of year	–	449,329,094	64,029,996	–	254,869,237	554,197,564	1,322,425,891
Net book value	₱600,800,000	₱3,914,391,037	₱155,204,246	₱–	₱199,745,730	₱66,774,257	₱4,936,915,270

	December 31, 2018 *(Audited)*						
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,156,152,679	₱207,348,587	₱330,421,219	₱431,964,951	₱620,285,115	₱6,346,972,551
Additions	–	190,030,268	11,554,155	–	21,867,362	15,835,061	239,286,846
Disposal/Reclassification	–	–	–	(330,421,219)	(44,962)	–	(330,466,181)
Balance at end of year	600,800,000	4,346,182,947	218,902,742	–	453,787,351	636,120,176	6,255,793,216
Accumulated depreciation							
Balance at beginning of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	716,644,095
Depreciation (Note 20)	–	145,515,649	30,389,042	–	90,651,931	215,347,538	481,904,160
Disposal/Reclassification	–	–	–	(75,483,109)	(26,977)	–	(75,510,086)
Balance at end of year	–	375,123,051	51,801,794	–	207,872,872	488,240,452	1,123,038,169
Net book value	₱600,800,000	₱3,971,059,896	₱167,100,948	₱–	₱245,914,479	₱147,879,724	₱5,132,755,047

As of June 30, 2019 and December 31, 2018, land and building with an aggregate carrying values of ₱ 4.5 billion and ₱4.6 billion, respectively, were pledged as collateral for the loan facility (see Note 14).

12. Other Noncurrent Assets

This account consists of:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 15)	**₱385,056,624**	₱382,234,308
Long-term deposits	**27,103,000**	27,103,000
Operating equipment	**8,347,603**	23,114,358
Advances to contractors-non current	**9,175,799**	9,851,791
	₱429,683,026	₱442,303,457

Long-term deposits pertain to guarantee payment for utility bills and deposits by TSLC to PAGCOR under Junket Agreement (see Note 2).

Movement in operating equipment are as follows:

	June 30, 2019 *(Unaudited)*			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	**₱23,562,076**	**₱70,917,497**	**4,721,248**	**₱99,200,821**
Additions	**–**	**–**	**175,677**	**175,677**
Balance at end of year	**23,562,076**	**70,917,497**	**4,795,742**	**99,376,498**
Accumulated amortization				
Balance at beginning of year	**20,591,738**	**52,383,953**	**3,110,772**	**76,086,463**
Amortization (Note 20)	**2,906,100**	**11,255,594**	**780,738**	**14,942,432**
Balance at end of year	**23,497,838**	**63,639,547**	**3,891,510**	**91,028,895**
Net book value	**₱64,238**	**₱7,277,950**	**₱904,232**	**₱8,347,603**

	December 31, 2018 *(Audited)*			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱70,667,222	₱4,690,413	₱98,919,711
Additions	–	250,275	30,835	281,110
Balance at end of year	23,562,076	70,917,497	4,721,248	99,200,821
Accumulated depreciation				
Balance at beginning of year	12,737,713	28,757,814	1,543,951	43,039,478
Amortization (Note 20)	7,854,025	23,626,139	1,566,821	33,046,985
Balance at end of year	20,591,738	52,383,953	3,110,772	76,086,463
Net book value	₱2,970,338	₱18,533,544	₱1,610,476	₱23,114,358

13. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
Accounts payable	**₱324,051,021**	₱429,415,044
Accrued expenses	**80,780,287**	61,693,012
Gaming liabilities	**34,154,486**	27,600,511
Withholding taxes payable	**3,023,925**	6,395,327
Advances from related parties (Note 16)	**4,970,819**	4,970,819
Others	**28,496,254**	24,127,588
	₱475,476,792	₱554,202,301

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days after the billing was received.

Accrued expenses pertain to accrual of payroll, other employee benefits, utilities, travel and transportation, meeting and conferences, security services and service fees, professional fees, among others, which are normally settled in the next quarters of the year.

Gaming liabilities include provision for progressive jackpot on slot machine and for points earned from point loyalty programs.

Withholding tax payable pertains to taxes withheld by the Group from its contractors and suppliers from payments made mainly in relation to the construction of building.

Others include deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

14. Loans Payable

This account consists of:

	June 30, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
Principal	**₱2,450,000,000**	₱2,800,000,000
Less unamortized debt discount	**(10,436,470)**	(13,490,413)
	2,439,563,530	2,786,509,587
Less current portion of long-term debt	**(694,906,019)**	(694,286,996)
	₱1,744,657,511	₱2,092,222,591

The movements in unamortized debt discount follow:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Unamortized debt discount at beginning of year	**₱13,490,413**	₱20,593,018
Less: amortization*	**(3,053,943)**	(7,102,605)
Unamortized debt discount at end of year	**₱10,436,470**	₱13,490,413

**Included in "Interest expense" in the consolidated statements of comprehensive income.*

Future repayment of the principal as follows:

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Within one year	**₱700,000,000**	₱700,000,000
After one year but not more than five years	**1,750,000,000**	2,100,000,000
	₱2,450,000,000	₱2,800,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax. Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million.

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Both loans will mature on November 27, 2022.

The related interest recognized amounted to ₱80.2 million and ₱99.1 million in 2019 and 2018, respectively. Total interest paid amounted to ₱81.5 million and ₱97.7 million in 2019 and 2018, respectively.

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.5 billion as of June 30, 2019 (see Note 11).

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the Parent Company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. As of December 31, 2018, the Parent Company has complied with the loan covenants and is taking measures to assure compliance for 2019.

15. Significant Commitments

PTO

As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation.

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:

(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online tokenless system of linking and networking all slot machines.

The use of slot machines and gaming tables ("Gaming Equipment") by PAGCOR will be for the major part of the Gaming Equipment's economic life.

In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company's building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building.

The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱258 million in 2019 and ₱177.6 million in 2018, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO in 2019 amounting to ₱28.4 million. Accordingly, revenue share in gaming operations for the six months ended June 30, 2019 and 2018, presented in the consolidated statements of comprehensive income, amounted to ₱229.6 million and ₱156.5 million, respectively.

The details of the revenue share in gaming operations for the six months ended June 30, 2019 and 2018 are as follows:

	June 30, 2019 *(Unaudited)*	June 30, 2018 *(Unaudited)*
Revenue share from gaming operations related to:		
Gaming facility	**₱206,384,076**	₱136,660,986
Gaming equipment	**23,178,714**	19,813,221
	₱229,562,790	₱156,474,207

The details of the revenue share in gaming operations for the three months ended June 30, 2019 and 2018 are as follows:

	June 30, 2019 *(Unaudited)*	June 30, 2018 *(Unaudited)*
Revenue share from gaming operations related to:		
Gaming facility	**₱101,834,025**	₱74,400,319
Gaming equipment	**11,763,144**	9,768,558
	₱113,597,169	₱84,168,877

The future minimum collection related to the gaming equipment follows:

	2019
Within one year	₱107,500,289
After one year but not more than five years	401,261,337
More than five years	91,955,774
	600,717,400
Less: unamortized portion of discount	(152,255,211)
	448,462,189
Less: current portion (Note 7)	(63,405,565)
Noncurrent portion (Note 12)	₱385,056,624

16. Related Party Transactions

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entity, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. 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 Group has significant transactions with related parties as follows:

			2019		2018			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	₱54,000,000	(₱291,233,646)	₱84,979,217	(₱237,233,646)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 13)	–	(4,970,819)	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b] (Note 7)	60,055	350,539	167,932	371,013	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription	200,300,651	(2,105,268,102)	971,089,239	(1,904,967,451)	Noninterest-bearing	Unsecured, unguaranteed

			2019		2018			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manila cockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[(c)(d)] (Note 7)	2,616,684	1,179,083	4,367,699	1,572,263	Noninterest-bearing; due and demandable	Unsecured, unimpaired

[(a)] The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.
[(b)] Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.
[(c)] Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.
[(d)] MCI is an affiliate through a common stockholder, MJCI.

Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱16.8 million and ₱15.3 million for the six months ended June 30, 2019 and 2018, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD received directors' fees aggregating ₱0.4 million and ₱0.4 million, respectively (Note 20).

The Group's advances to its employees amounted to ₱1.0 million and ₱1.4 million as of June 30, 2019 and 2018, respectively (see Note 7).

17. Equity

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 444 equity holders as of June 30, 2019.

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱38.7 million was collected on May 30, 2016.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one rights share for every two common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 rights per share, if paid in full upon submission on the application to subscribe, or ₱2.00 per rights share, if paid on installment basis. As of June 2019, the stock rights offering is still pending approval of SEC.

18. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱2.4 billion and ₱2.1 billion as " Deposit for future stock subscription" under noncurrent liabilities in the consolidated statements of financial position as of June 30, 2019 and 2018, respectively, in accordance with FRB No. 6 as issued by the SEC.

19. Basic/Diluted Loss Per Share

	For the Three months ended June 30		For the Six months ended June 30	
	2019	2018	**2019**	2018
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Net loss for the period	**₱159,253,196**	₱176,104,490	**₱296,835,802**	₱360,672,367
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821	**3,174,405,821**	3,174,405,821
Basic/diluted losses per share	**₱0.05**	0.06	**₱0.09**	₱0.11

The Group has no potential dilutive common shares as of June 30, 2019 and 2018. Therefore, the basic and diluted loss per share are the same as of those dates.

20. Operating Costs and Expenses

This account consists of:

	For the Three months ended June 30		For the Six months ended June 30	
	2019	2018	**2019**	2018
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Depreciation and amortization (Notes 11 and 12)	**₱111,763,498**	₱132,140,475	**₱227,761,258**	₱258,117,832
Utilities	**25,322,585**	27,208,623	**46,131,224**	46,394,350
Contracted services	**24,416,997**	16,190,770	**44,984,149**	30,572,228
Salaries and wages	**24,200,555**	16,826,393	**44,141,562**	32,034,213
Gaming fees (Note 2)	**17,665,047**	14,830,220	**34,444,475**	27,854,848
Repairs and maintenance	**12,481,671**	10,460,963	**21,386,596**	19,916,431
Security services	**10,506,909**	8,690,452	**19,475,230**	16,241,608
Food, beverage, and tobacco	**9,559,638**	6,063,632	**18,490,768**	13,785,000
Service fee	**9,380,357**	3,190,000	**18,760,714**	12,870,357
Taxes and licenses	**8,169,199**	8,403,482	**16,315,438**	16,716,286
Advertising and marketing	**7,376,255**	5,904,411	**16,355,567**	11,773,418
Hotel room and supplies	**7,216,089**	5,911,968	**12,046,900**	9,505,478
Banquet expenses	**5,190,548**	3,676,707	**8,708,568**	9,163,319
Entertainment	**3,908,302**	2,937,500	**7,543,787**	5,494,162
Professional fees	**2,531,628**	6,211,895	**5,033,256**	8,828,819
Transportation and travel	**2,031,550**	1,258,693	**3,986,896**	1,692,550
Communication	**1,814,716**	1,738,495	**3,670,316**	3,519,974
Insurance	**1,603,793**	1,606,355	**3,207,587**	3,212,711
Supplies	**1,026,823**	568,245	**1,805,518**	1,134,978
Rent	**545,926**	353,056	**1,126,277**	1,059,419
Meetings and conferences	**352,319**	373,555	**697,603**	721,743
Commission	**330,285**	1,039,676	**977,785**	1,814,891
Director's fee	**244,000**	462,000	**449,000**	462,000
Retirement	**209,889**	419,778	**419,778**	419,778
Others	**4,034,912**	1,365,766	**5,000,258**	1,992,561
	₱291,883,491	₱277,833,110	**₱562,920,510**	₱535,298,954

21. Operating Segment Information

The Group has two operating segments in 2019 and 2018. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments 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 the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the three and six months ended June 30, 2019 and 2018 are as follows:

	For the Three months ended June 30					
	2019			2018		
	Gaming	Non-gaming	Total	Gaming	Non-gaming	Total
Revenue	₱123,515,480	₱47,885,359	₱171,400,839	₱82,281,224	₱60,731,708	₱143,012,932
Operating costs and expenses	(98,967,367)	(192,916,124)	(291,883,491)	(73,332,013)	(204,501,097)	(277,833,110)
Other income (expenses) – net	(28,328,395)	(10,432,857)	(38,761,252)	(32,382,316)	(11,562,162)	(43,944,478)
Provision from income tax	(2,454)	(6,838)	(9,292)	2,679,643	(19,477)	2,660,166
Net income (loss)	₱(3,782,736)	(₱(155,470,461)	(₱(159,253,196)	₱(20,753,462)	(₱(155,351,028)	(₱(176,104,490)

	For the Six months ended June 30					
	2019			2018		
	Gaming	Non-gaming	Total	Gaming	Non-gaming	Total
Revenue	₱253,813,348	₱91,567,324	₱345,380,672	₱174,184,236	₱99,361,151	₱273,545,387
Operating costs and expenses	(194,165,804)	(368,754,706)	(562,920,510)	(172,658,460)	(362,640,494)	(535,298,954)
Other income (expenses) – net	(58,260,387)	(20,984,325)	(79,244,712)	(72,977,326)	(25,859,711)	(98,837,037)
Provision from income tax	(5,289)	(45,963)	(51,252)	(129)	(81,635)	(81,764)
Net income (loss)	₱1,381,868	(₱(298,217,669)	(₱(296,835,802)	₱(71,451,679)	(₱(289,220,688)	(₱(360,672,368)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of June 30, 2019 and December 31, 2018 are as follows:

	2019		
	Gaming	Non-gaming	Total
Assets	₱947,553,643	₱5,178,194,493	₱6,125,748,136
Liabilities	3,596,797,775	1,782,806,771	5,379,604,546
Capital expenditures	4,565,922	14,602,516	19,168,438
Interest income	26,446	229,941	256,387
Depreciation and amortization	52,509,178	175,252,081	227,761,259

	2018		
	Gaming	Non-gaming	Total
Assets	₱1,945,925,332	4,754,649,513	₱6,700,574,845
Liabilities	149,148,176	5,508,908,420	5,658,056,596
Capital expenditures	66,661,405	172,625,441	239,286,846
Interest income	1,303	527,633	528,936
Depreciation and amortization	150,955,249	363,995,896	514,951,145

22. Fair Value Measurement

The carrying values of cash in banks, receivables, deposits, accounts payable and other current liabilities (excluding "withholding taxes payable") approximate their fair values due to the short-term nature of these accounts.

The fair values of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱448,462,189	₱564,444,052	₱439,356,395	₱484,729,339
Long-term deposits	27,103,000	27,103,000	27,103,000	27,103,000
	₱475,565,189	₱591,547,052	₱466,459,395	₱511,832,339
Financial Liabilities				
Loans payable	₱2,439,563,530	₱2,439,697,941	₱2,786,509,587	₱2,739,441,141

As of June 30, 2019 and December 31, 2018, the Group's consolidated financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of June 30, 2019 and December 31, 2018.

ANNEX "B"

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis relate to the consolidated financial position and results of operation of MJC Investments Corporation and Subsidiary and should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and related notes as of and for the periods ended June 30, 2019 and 2018.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the six months ended June 30, 2019 and 2018:

	For the Six months Ended			
	June 30, 2019	June 30, 2018	Amount Change	% Change
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	229.6	156.5	73.1	46.7%
Hotel	30.3	44.0	(13.7)	(31.1%)
Food and Beverage	40.5	32.4	8.1	25.0%
Bingo Operations	24.1	17.4	6.7	38.5%
Rental	12.3	16.1	(3.8)	(23.6%)
Other revenue	8.6	7.1	1.5	21.1%
	345.4	273.5	71.9	26.3%
Operating cost and expenses	(562.9)	(535.3)	(27.6)	5.2%
Operating loss	(217.5)	(261.8)	44.3	(16.9%)
Other income (expenses)				
Interest expense	(80.2)	(99.1)	18.9	(19.1%)
Interest income	0.3	0.4	(0.1)	(25.0%)
Miscellaneous income (expenses)	0.7	(0.01)	0.8	(800.0%)
	(79.2)	(98.8)	19.6	(19.8%)
Loss before income Tax	(296.8)	(360.6)	63.8	(17.7%)
Provision for income tax	(0.1)	(0.1)	-	(0.0%)
Net loss	(296.9)	(360.7)	63.8	(17.7%)
Other comprehensive income				
Actuarial Gains on retirement liability	0.5	0.5	-	0.0%
Total comprehensive loss	(296.4)	(360.2)	63.8	(17.7%)
Basic/diluted loss per share	(0.09)	(0.11)	0.02	18.2%

Comparison of Operating Results for the Six Months Ended June 30, 2019 and 2018

Revenue

Revenue includes revenue share in gaming operations, revenue from operation of hotel, food and beverages, bingo, rental and other revenue. Total revenue for the six months ended June 30, 2019 and 2018 amounted to ₱345.4 million and ₱273.5 million, respectively.

The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by ₱73.1 million or 46.7% from ₱156.5 million in 2018 to ₱229.6 million in 2019. The increase is due to higher gaming capacity this period comparing to same period last year. An additional gaming floor area was opened in April 2018. The expansion added more gaming tables and slot machines position to accommodate the upsurge of company's client base. Gaming tables increased from 24 in 2018 to 28 in 2019 and the increase in slot machines from 356 units in 2018 to 473 units in 2019. In addition, foot traffic in the property increased from 0.4 million in 2018 to 0.5 million in 2019.

- Revenue from hotel rooms decreased by ₱13.7 million or 31.1% from ₱44.0 million in 2018 to ₱30.3 million in 2019. Despite the increase in occupancy rate during the year from 65% in 2018 to 84% in 2019, room revenue decrease due to higher room complimentary to casino players. Of the 128 rooms available each day, average occupied room per day is 105 rooms in 2019, which is higher than the 81 rooms in 2018.
- Revenue from food and beverage increased by ₱8.1 million or 25.0% from ₱32.4 million in 2018 to ₱40.5 million in 2019. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2019.
- Revenue from bingo operations increased by ₱6.7 million or 38.5% from ₱17.4 million in 2018 to
₱24.1 million in 2019. The increase is attributable to the introduction of monthly and quarterly events which offers attractive prizes and rewards.
- Revenue from rental decreased by ₱3.8 million or 23.6% from ₱16.1 million in 2018 to ₱12.3 million in 2019. The decrease is due to the lower percentage rental this period.

Operating Costs and Expenses

Total operating costs and expenses for the six months ended June 30, 2019 and 2018 amounted to ₱562.9 million and ₱535.3 million, respectively. The significant increase in the total operating costs and expenses is due to higher contracted services, salaries and wages, gaming fees, service fees, security services, costs of food, beverages and tobacco, advertising and marketing expenses and other expense.

The significant accounts that contributed to the increase are:

- Contracted services amounting to ₱45.0 million is greater by ₱14.4 million or 47.1% as compared to prior period's ₱30.6 million. The increase is due to increase in number of required manpower for its hotel and food and beverage operations.

- Salaries and wages increased by a margin of ₱12.1 million or 37.8% from prior period's ₱32.0 million. The increase in salaries and wages is attributable to the Group's employment of key management positions. In addition, the Group also employed additional employees as the Group's operation has been steadily increasing.

- Gaming fees amounting to ₱34.4 million is greater by ₱6.5 million or 23.3% as compared to prior period's ₱27.9 million. Gaming fees consist of the revenue share of PAGCOR in the Group's bingo revenue and the Group's subsidiary's manpower cost for its gaming operations. Furthermore, gaming fees also include prizes and rewards distributed for the monthly and quarterly bingo special events. The increase in gaming fees is also directly attributable to the related increase in revenue from bingo operations.

- Service Fees amounting to ₱18.8 million is greater by ₱5.9 million or 45.7% as compared to prior period's 12.9 million. The increase is due to management fee rate escalation for Casino operations beginning July 2018.

- Advertising and marketing expenses increased by a margin of 4.6 million or 39.0% from prior year's 11.8 million. The increase is due to additional billboard placements and various marketing promotions to further intensify the Company's revenue growth

- Security services increased by ₱3.3 million or 20.4% from ₱16.2 million in 2018 to ₱19.5 million in 2019. This is attributable to the increased security line personnel due to the increase in the foot traffic the hotel and casino have experienced.

- Cost of food, beverage and tobacco increased by a margin of ₱4.7 million or 34.1% from prior year amounting to ₱13.8 million in total. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. This is also directly attributable to the increase in revenue from food and beverage for the quarter.

- Hotel and supplies increased by 2.5 million or 26.3% from 9.5 million in 2018 to 12.0 million in 2019. The increase corresponds with the increase of occupancy this period comparing to same period last year.

- Depreciation and amortization decreased by a margin of 30.3 million or 11.7% from prior year's 258.1 million. The decrease is mainly attributable to the fully depreciated computer equipment, software and gaming chips as of this quarter.

- Other expenses of the group increased by 3.1% or 3.8 million. The increase is mainly due to the increase in casino and concert events throughout the quarter and shuttle service for guest and patrons.

Interest Expense

Total interest expense amounting to ₱80.2 million is lower by ₱18.9 million or 19.1% as compared to prior period's ₱99.1 million. Interest expense decreased because the principal value of the loans payable diminished upon payments made during the period.

The following table shows a summary of results of the operations for the three months ended June 30, 2019 and 2018:

	For the Three months Ended			
	June 30, 2019	June 30, 2018	Amount Change	% Change
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	113.6	84.2	29.4	34.9%
Hotel	14.3	20.7	(6.4)	(30.9%)
Food and Beverage	21.0	14.2	6.8	47.9%
Bingo Operations	12.7	9.2	3.5	38.0%
Rental	5.9	8.9	(3.0)	(33.7%)
Other revenue	3.9	5.8	(1.9)	(32.8%)
	171.4	143.0	28.4	19.9%
Operating cost and expenses	(291.9)	(277.8)	(14.1)	5.1%
Operating loss	(120.5)	(134.8)	14.3	(10.6%)
Other income (expenses)				
Interest expense	(39.2)	(44.0)	4.8	(10.9%)
Interest income	-	0.1	(0.1)	(100.0%)
Miscellaneous income (expenses)	0.4	(0.1)	0.5	(500.0%)
	(38.8)	(44.0)	5.2	(11.8%)
Loss before income Tax	(159.2)	(178.8)	19.6	(11.0%)
Provision for income tax	(0.0)	2.7	(2.7)	(100%)
Net loss	(159.2)	(176.1)	16.8	(9.5%)
Other comprehensive income				
Actuarial Gains on retirement liability	0.2	0.5	(0.3)	(60.0%)
Total comprehensive loss	(159.0)	(175.6)	16.6	(9.5%)
Basic/diluted loss per share	(0.05)	(0.06)	(0.1)	(16.7%)

Comparison of Operating Results for the Three Months Ended June 30, 2019 and 2018

Revenue

Revenue includes revenue share in gaming operations, revenue from operation of hotel, food and beverages, bingo, rental and other revenue. Total revenue for the three months ended June 30, 2019 and 2018 amounted to ₱171.4 million and ₱143.0 million, respectively.

The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by ₱29.4 million or 34.9% from ₱84.2 million in 2018 to ₱113.6 million in 2019. The increase is due to higher gaming capacity this period comparing to same period last year. An additional gaming floor area was opened in April 2018. The expansion added more gaming tables and slot machines position to accommodate the upsurge of company's client base. Gaming tables increased from 24 in 2018 to 28 in 2019 and the increase in slot machines from 356 units in 2018 to 473 units in 2019. In addition, foot traffic in the property increased from 0.4 million in 2018 to 0.5 million in 2019.
- Revenue from hotel rooms decreased by ₱6.4 million or 30.9% from ₱20.7 million in 2018 to ₱14.3 million in 2019. Despite the increase in occupancy rate during the year from 66% in 2018 to 88% in 2019, room revenue decrease due to higher room complimentary to casino players. Of the 128 rooms available each day, average occupied room per day is 109 rooms in 2019, which is higher than the 83 rooms in 2018.
- Revenue from food and beverage increased by ₱6.8 million or 47.9% from ₱14.2 million in 2018 to ₱21.0 million in 2019. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2019.
- Revenue from bingo operations increased by ₱3.5 million or 38.0% from ₱9.2 million in 2018 to
  ₱12.7 million in 2019. The increase is attributable to the introduction of monthly and quarterly events which offers attractive prizes and rewards.
- Revenue from rental decreased by ₱3.1 million or 34.4% from ₱9.0 million in 2018 to ₱5.9 million in 2019. The decrease is due to the lower percentage rental this period.

Operating Costs and Expenses

Total operating costs and expenses for the three months ended June 30, 2019 and 2018 amounted to ₱291.9 million and ₱277.8 million, respectively. The significant increase in the total operating costs and expenses is due to higher utilities, contracted services, salaries and wages, gaming fees, service fees, security services, costs of food, beverages and tobacco, advertising and marketing expenses and other expense.

The significant accounts that contributed to the increase are:

- Contracted services amounting to ₱24.4 million is greater by ₱8.2 million or 50.6% as compared to prior period's ₱16.2 million. The increase is due to increase in number of required manpower for its hotel and food and beverage operations.

- Salaries and wages increased by a margin of ₱7.4 million or 44.0% from prior period's ₱16.8 million. The increase in salaries and wages is attributable to the Group's employment of key management positions. In addition, the Group also employed additional employees as the Group's operation has been steadily increasing.

- Gaming fees amounting to ₱17.7 million is greater by ₱2.9 million or 19.6% as compared to prior period's ₱14.8 million. Gaming fees consist of the revenue share of PAGCOR in the Group's bingo revenue and the Group's subsidiary's manpower cost for its gaming operations. Furthermore, gaming fees also include prizes and rewards distributed for the monthly and quarterly bingo special events. The increase in gaming fees is also directly attributable to the related increase in revenue from bingo operations.

- Service Fees amounting to ₱9.4 million is greater by ₱6.2 million or 193.8% as compared to prior period's 3.2 million. The increase is due to management fee rate escalation for Casino operations beginning July 2018.

- Advertising and marketing expenses increased by a margin of 1.5 million or 25.4% from prior year's 5.9 million. The increase is due to additional billboard placements and various marketing promotions to further intensify the Company's revenue growth

- Security services increased by ₱1.8 million or 20.7% from ₱8.7 million in 2018 to ₱10.5 million in 2019. This is attributable to the increased security line personnel due to the increase in the foot traffic the hotel and casino have experienced.

- Cost of food, beverage and tobacco increased by a margin of ₱3.5 million or 57.4% from prior year amounting to ₱6.1 million in total. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. This is also directly attributable to the increase in revenue from food and beverage for the quarter.

- Hotel and supplies increased by 1.3 million or 22.0% from 5.9 million in 2018 to 7.2 million in 2019. The increase corresponds with the increase of occupancy this period comparing to same period last year.

- Depreciation and amortization decreased by a margin of 20.3 million or 15.4% from prior year's 132.1 million. The decrease is mainly attributable to the fully depreciated computer equipment, software and gaming chips as of this quarter.

- Other expenses of the group increased by 2.1% or 1.4 million. The increase is mainly due to the increase in casino and concert events throughout the quarter and shuttle service for guest and patrons.

Interest Expense

Total interest expense amounting to ₱39.2 million is lower by ₱4.8 million or 10.9% as compared to prior period's ₱44.0 million. Interest expense decreased because the principal value of the loans payable diminished upon payments made during the period.

Analysis of Statements of Financial Position

	For the Period Ended			
	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso			
Assets				
Cash and cash equivalents	29.5	472.4	(442.9)	(93.8%)
Receivables	248.7	212.4	36.3	17.1%
Inventories	31.7	20.6	11.1	53.9%
Current portion of input value added tax (VAT)	40.2	33.3	6.9	20.7%
Prepayments and other current assets	24.0	19.7	4.3	21.8%
Property and equipment	4,936.9	5,132.8	(195.9)	(3.8%)
Input VAT- net of current portion	385.1	367.1	17.9	4.9%
Other noncurrent asset	429.7	442.3	(12.6)	(2.8%)
Total Assets	6,125.7	6,700.6	(574.9)	(8.6%)

Liabilities				
Accounts payable and other current Liabilities	475.5	554.2	(78.7)	(14.2%)
Retention payable	32.6	138.5	(105.9)	(76.5%)
Interest payable	11.6	15.9	(4.3)	(27.0%)
Contract Liabilities	15.3	12.5	2.8	(22.4%)
Loans payable	2,439.6	2,786.6	(347.0)	(12.5%)
Deposit for future subscription	2,396.5	2,142.2	254.3	11.9%
Other noncurrent liabilities	8.5	8.2	0.3	3.7%
Total Liabilities	5,379.6	5,658.1	(278.5)	(4.9%)
Equity				
Capital stock	3,174.4	3,174.4	-	0.0%
Deficit	(2,431.1)	(2,134.2)	(296.9)	13.9%
Actual gains on retirement liability	2.8	2.3	0.5	21.7%
Total Equity	746.1	1,042.5	(296.4)	(28.4%)
Total Liabilities and Equity	6,125.7	6,700.6	(574.9)	(8.6%)

Discussion on some Significant Change in Financial Condition as of June 30, 2019 and December 31, 2018

Total assets amounted to ₱6,125.7 million as of June 30, 2019, which decreased by ₱574.9 million or 8.6% from ₱6,700.6 million as of December 31,2018.

1. For the period ended June 30, 2019, cash and cash equivalents amounting to ₱29.5 million, decreased by ₱442.9 million or 93.8% from ₱472.4 million in 2018 due to the following:

    a) In 2018, net cash flows from operating activities amounting to ₱244.2 million, which resulted from the difference in revenue generated during the period amounting to ₱345.4 million, cash operating expenses amounting to ₱334.7 million, and changes in the working capital amounting to ₱254.9 million.

       Cash operating expense in 2019 mainly pertains to utilities expenses (₱46.1 million), contracted services (₱45.0 million), salaries and wages (₱44.1 million), gaming fees (₱34.4 million), among others.

    b) Net cash flows used in investing activities amounting to ₱21.5 million comprise mainly of acquisition of property, plant and equipment amounting to ₱19.2 million and other noncurrent assets amounting to ₱2.3 million which mainly pertains to the additional non-current portion of receivable arising from its permit to operate (PTO) related to gaming equipment.

    c) Net cash flows from financing activities amounting to ₱177.2 million comprise mainly the receipt of deposit for future stock subscription amounting to ₱254.3 million and payment of the principal and interest of its loan payable amounting to ₱431.5 million.

2. Receivable increased by ₱36.3 million or 17.1% from ₱212.4 million in 2018 to ₱248.7 million in 2019. The increase is primarily due to the increase in trade receivables from non-related parties amounting to ₱9.8 million. This increase is brought by the increase in the Group's receivable to its lessee. There was also an increase in receivable arising from PTO related to

gaming equipment amounting to ₱6.3 million and an increase in receivable from PAGCOR amounting to 21.0 million.

3. Inventories increased by ₱11.1 million or 53.9% from ₱20.6 million in 2018 to ₱31.7 million in 2019. The increase is predominantly due to the newly purchased cards for daily operations of the gaming tables in the casino amounting to ₱9.1 million net of card consumptions for the year.

4. Prepayment and other current assets increased by ₱4.3 million or 21.8% from ₱19.7 million in 2018 to ₱24.0 million in 2019. The significant increase in the account is caused mainly by the renewal of property all risk insurance, business permits and various software maintenance for 2019 amounting to ₱4.1 million.

5. Other noncurrent assets decreased by ₱12.6 million or 2.8% from ₱442.3 million in 2018 to ₱429.7 million in 2019. The decrease is mainly due to the amortization of operating equipment amounting to ₱14.9 million reduced by an increase in the non-current portion of receivable arising from PTO related to gaming equipment amounting to ₱2.8 million.

6. Accounts payable and other current liabilities decreased by ₱78.7 million or 14.2% from ₱554.2 million in 2018 to ₱475.5 million in 2019. The decrease is mainly attributed to the payment of billings and accrued services to various contractors and suppliers in 2019.

7. Retention payable decreased by 76.4% due to completion of the Group's projects during the year and payment of the Group amounting to ₱105.9 million.

8. Loans payable decreased by ₱347.0 million or 12.5% from ₱2,786.6 million in 2018 to ₱2,439.6 million in 2019. The decrease is due to the partial payment of the principal amount amounting to ₱350.0 million and the accretion of interest amounting to ₱3.0 million.

9. Deposit for future stock subscription increased by ₱254.3 million or 11.9% from ₱2,142.2 million to ₱2,396.5 million in 2019 resulted from the additional cash provided by the shareholders in anticipation of the planned stock rights offering.

Key Performance Indicators

The following are the comparative key performance indicators of the Corporation and the manner of its computation for the three and six months ended June 30, 2019 and 2018:

Indicators	Manner of Computation	For the three months ended June 30		For the six months ended June 30	
		2019	2018	**2019**	2018
Current ratio	Current Assets / Current Liabilities	**0.30:1**	0.54:1	**0.30:1**	0.54:1
Debt-to-Equity Ratio	Total Liabilities / Total Equities	**0.95:1**	1.10:1	**0.95:1**	1.10:1
Asset Liability Ratio	Total Assets / Total Liabilities	**1.14:1**	1.18:1	**1.14:1**	1.18:1
Return on Assets	Net Income (Loss) / Total Assets	**(3%)**	(3%)	**(5%)**	(5%)
Basic Earnings (losses per share)	Net Income (Loss) / Outstanding Common Shares	**(₱0.05)**	(₱0.06)	**(₱0.09)**	(₱0.11)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the six months ended June 30, 2019, the current ratio is 0.30:1 compared to 0.54:1 of the prior year. The outstanding liabilities in 2019 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks. The Group has ₱0.30 current assets to support every ₱1.00 of their current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the six months ended June 30, 2019, the debt to equity ratio has decreased by 0.15 from 1.10 of 2018 to 0.95 of 2019.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the six months ended June 30, 2019, the asset-liability ratio is 1.14:1 from 1.18:1 as of that of December 31, 2018. The ratio indicates that the Group has ₱1.14 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the six months ended June 30, 2019 and 2018, the return on assets is both negative 5%. For the three months ended June 30, 2019 and June 30, 2018, the return on assets is both (3%).

For the six months ended June 30, 2019, the Group's loss per share amounts to ₱0.09 which decreased from ₱0.11 that of prior year. For the three months ended June 30, 2019, the Corporation's loss per share is (₱0.05) which decreased from (₱0.06) for the three months ended June 30, 2018.

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Plans of Operation

Manila Jockey Club (MJC) Investment Corporation is a publicly-listed company whose primary business focus is in the rapidly-growing tourism and entertainment industries. Listed in the Philippine Stock Exchange (PSE) under the ticker symbol "MJIC", the company is majority-owned by a group of strategic investors with long and substantial experience in financial and tourism-related projects, with the Manila Jockey Club, Inc., a listed company, as the biggest single stockholder.

It owns and operates Winford Manila Resort and Casino (WMRC), a luxury hotel, entertainment, and tourism complex located in Sta. Cruz, Manila, and offers world-class accommodations within its 0.75-hectare property, an 18-storey high-rise development with 128 premium hotel rooms, high-end restaurants, a columnless 900+ capacity ballroom, 800 parking spaces, and over 9,000 square meters of internationally-designed indoor entertainment space that regularly hosts Filipino singers and performers. Its three-floor gaming area has 28 tables and 441 slot machines and electronic table games as of April 2019. The cost of the hotel and entertainment complex is estimated at PHP8 billion.

The Group has rapidly increased its operations, with an additional gaming area floor opened in April 2018. The expansion added more gaming tables and slot machine positions to accommodate the drastic increase of its client base. Electronic table games were also added to increase game mix offerings on the casino floor. As of July 31, 2019, gaming operations have increased table capacity from 28 gaming tables to 30, with the introduction of two fast paced games. The VIP room on the 3rd floor became operational in July and is expected to expand its gaming capacity by year-end, with additional gaming tables making the total count reach 40 by the fourth quarter. Electronic gaming machines also increased from 441 to 493, including additional electronic table games (ETG). New slot machines are in the pipeline and will be ready by the fourth quarter, while slots capacity is expected to reach 600 units by year-end. Bingo introduced personal handheld devices, also known as the PHD, which enable customers to play with more bingo cards. Quarterly marketing promotions and monthly bingo specials remain active and have shown great results. The Group steadily increased their membership acquisition through active casino marketing programs, continuous events, and aggressive casino promotions. Marketing initiatives include competitor membership card matching programs, points earning from gaming activities, and redemption of acquired points with increasing partner merchants. We are now improving the value and quality of the rewards and prizes to attract more high caliber punters.

Non-gaming operations such as hotel, food and beverage, and banquets have also improved. To further create awareness and generate revenue, the Group supported membership meetings of different travel associations; tapped nearby schools, hospitals, establishments, and companies with large databases; established merchant partnership programs with popular credit card companies; participated in various travel tour and business expos locally and abroad; kept its alliance with travel and tour agencies; activated a booking engine in the Group's website, and continues to maintain a strong relationship with Department of Tourism (DOT) and the Tourism Promotions Board to capture the international market through familiarization tours. Hotel operations will launch the use of iAuditor app for our team members that provides visibility and insights to help consistently raise quality standards across both hotel and food and beverage operations. This will be achieved by automizing quality assurance audits in line with our commitment to provide a world class experience to all our guests. Our Sales and Marketing team is organizing a wedding and travel expo event that will be held at the Winford Manila Ballroom and is expected to help generate visitation and revenue. For entertainment, we have exciting new bands scheduled for the next quarters that will perform live every night at the Hippodrome Bar & Lounge, whose followers in attendance effectively become new customers at Winford Manila Resort and Casino.

The Group is fully committed to provide all guests with the best experience possible, and has received several awards from Expedia, Hotel.com, and Orbitz, among others, testament to the fact that the Group's emphasis on excellence hasn't gone unnoticed by guests and industry leaders.

The Group plans to raise additional funds through stock rights, offering to partially pay its debt servicing requirements.