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( Company's Full Name )

W	I	N	F	O	R	D		H	O	T	E	L		A	N	D		C	A	S	I	N	O	,		M	J	C	
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( Business Address : No. Street City / Town / Province )

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

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Month Day  
Fiscal Year2016 ANNUAL REPORT  

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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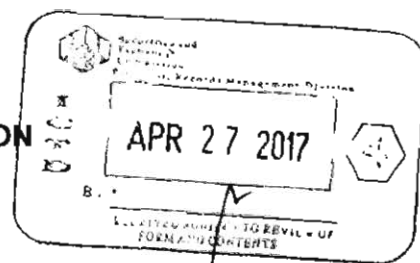
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# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

### AMENDED ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended **31 December 2016**
2. SEC 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. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6. **1014**  
Industry Classification Code
7. **Winford Hotel and Casino**  
**MJC Drive, Sta. Cruz, Manila**  
Address of principal office
8. **(02) 632-7373**  
Issuer's telephone number, including area code
9. **MJC INVESTMENTS CORPORATION**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to the SRC

Title of Each Class  
**Common**

Number of Shares of Common Stock Outstanding  
**3,174,405,821**

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

Yes [ ☒ ] No [ ☐ ]

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

**PHILIPPINE STOCK EXCHANGE**

**Common Stock**

12. Required Reports

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ ☒ ] No [ ☐ ]

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

Yes [ ☒ ] No [ ☐ ]

13. Aggregate market value of the voting stock held by non-affiliates as of 31 December 2016.

The aggregate market value of the voting stock held by the public as of 31 December 2016 amounts to P1,491,509,720.18 at the last traded price of P3.49 per share on 31 December 2016. 427,366,682 shares are held by the public as of 31 December 2016.

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

#### **Description of Business**

##### **1) Business Development**

- a) The Corporation is a publicly listed company that was incorporated with the Philippine Securities and Exchange Commission ("SEC") on 15 July 1995 as Palawan Consolidated Mining Company Inc. On 12 February 1997, the SEC approved the change in corporate name from Palawan Consolidated Mining Company Inc. to EBECOM Holdings, Inc. On 25 September 2003, the SEC approved another change in corporate name to ARIES Prime Resources Inc. On 15 October 2009, the corporate name was further changed to MJC Investments Corporation ("MJIC") [PSE: MJIC].

On 15 August 2012, SEC approved the increase in the authorized capital stock of the Corporation from Four Hundred Million Pesos (P400,000,000.00) to One Billion Five Million Pesos (P1,500,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the *Certificate of Filing of Amended Articles of Incorporation* (Amending Article VII thereof) and the *Certificate of Approval of Increase of Capital Stock* dated 15 August 2012 issued by the SEC on even date.

The increase in authorized capital stock was needed to accommodate the entry of new investors and new capital needed by the Corporation to build its first tourism project, i.e., a hotel, entertainment and tourism hub (the "Hotel Project"), to be located in San Lazaro Tourism and Business Park ("SLTBP") in Santa Cruz, Manila. Thus, on 24 October 2012, the Board of Directors of the Corporation authorized the Corporation to proceed to negotiate and accept new investments.

On 17 January 2013, the Board of Directors of the Corporation accepted the offer of a group of Hong Kong investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to 450,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. Mr. Teik Seng Cheah is a Hong Kong-based investment banker and sits in the Board of various private equity companies in Hong Kong, China and Malaysia.

On 10 August 2015, the SEC approved the change of name of the Corporation to MJC Investments Corporation doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino.

The total consideration for the subscription to 450,000,000 common shares of the Corporation is P450,000,000.00. The Investors paid the

whole amount of their respective subscriptions in cash totaling to P450,000,000.00 upon the execution of their respective Subscription Agreements.

On 26 June 2013, during the annual stockholders meeting where 94% of the outstanding capital stock were present and/or represented by proxy, the stockholders (including the majority of the minority stockholders) unanimously approved the following:

1. Equity infusion by way of subscription to 450,000,000 primary shares of the Corporation by the group of investors headed by Mr. Teik Seng Cheah (Please note that this refers to the subscription made by the Strategic investors on 17 January 2013);
2. Additional equity infusion by way of subscription to primary shares by the group of investors headed by Mr. Teik Seng Cheah and other interested stockholders and related parties should the need arises under the Corporation's capital build-up program to have additional funds for the completion of the hotel and entertainment project at the SLTBP.

On 11 July 2013, the Board of Directors of the Corporation accepted the offer of the same group of Strategic Investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to additional 875,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. The total consideration for the subscription to 875,000,000 common shares of the Corporation is P875,000,000.00.

The subscriptions to the 875,000,000 shares were made by the Strategic Investors on 3 October 2015. Additional subscription from non-related parties of 189,513,013 common shares was also made on the same day. All subscriptions made on this day were paid in cash.

None of the existing directors and controlling shareholders, and none of the officers or directors of the existing controlling corporate shareholders invested in the aforesaid 875,000,000 shares issued to the group led by Mr. Teik Seng Cheah.

On 23 September 2013, the SEC approved the Corporation's increase in authorized capital stock from One Billion Five Hundred Million Pesos (P1,500,000,000.00) to Five Billion Pesos (P5,000,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the *Certificate of Filing of Amended Articles of Incorporation* (Amending Article VII thereof) and the *Certificate of Approval of Increase of Capital Stock* dated 23 September 2013 issued by the SEC on even date.

On 14 January 2015, the group of Strategic Investors subscribed to additional 673,791,662 common shares. All subscriptions made on this day were paid in cash.

As of 31 December 2015, the Corporation has an outstanding capital stock of P3,174,405,821 out of the P5 billion authorized capital stock. The Manila Jockey Club, Inc. is the single biggest investor of the Corporation owning 22.31% of the shares of stock.

The Corporation has utilized the equity infusion by its stockholders for the construction of the Winford Hotel and Casino on a 0.75-hectare property in Sta. Cruz, Manila. The complex has a 21-storey hotel tower and an entertainment center consisting of 5,000 square meters with parking spaces for 900 cars. The hotel will have 128 world class internationally-designed rooms with a grand ballroom, swimming pool and roof deck with helipad. The formal inauguration of the complex will be on April 21, 2017

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

- b) The Corporation is not involved in any bankruptcy, receivership or similar proceedings.
- c) There are no material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets not in the ordinary course of business.

2) Business of Issuer

As provided for in its Amended Articles of Incorporation, the Corporation is formed primarily "to acquire by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop said land or lands 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, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estate so owned, held, or occupied, and to manage and operate, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at anytime owned or held by the corporation."

## **ITEM 2. PROPERTIES**

The Company acquired from Manila Jockey Club, Inc. a 7,510 square meters lot in Sta. Cruz, Manila where the Hotel and Entertainment Complex is being constructed. On 6 January 2016, the Company held the ceremonial opening of the ground floor gaming and entertainment of Winford Hotel located within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The Complex is expected to be completed and fully operational by June 2016.

## **ITEM 3. LEGAL PROCEEDINGS**

There are no legal proceedings involving the Corporation.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the fourth quarter of 2016.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders' Matters.

##### 1) Market Information

The principal market for the Corporation's common equity is the Philippine Stock Exchange.

Provided below is a table indicating the quarterly high and low sales price of the common equity of the Corporation.

Quarterly High, Low (Year 2015, 2016, 2017)

<b><u>2015</u></b>				
	<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
	Price	Price	Price	Price
HIGH	3.98	4.20	4.25	3.79
LOW	3.15	1.99	2.10	2.80
<b><u>2016</u></b>				
	<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
	Price	Price	Price	Price
HIGH	4.57	4.10	3.60	3.49
LOW	2.30	2.85	3.08	3.01
<b><u>2017</u></b>				
	<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
	Price	Price	Price	Price
HIGH	3.40	--	--	--
LOW	3.40	--	--	--

The price per share is 3.49 as of 31 December 2016.

##### 2) Holders

#### Top Twenty Stockholders As of 31 December 2016

<b>Name</b>	<b><u>No. of Shares</u></b>	<b><u>%</u></b>	<b><u>Title of Class</u></b>
1. PCD NOMINEE CORPORATION	1,406,034,197	44.29%	Common
2. ONE WISTERIA LOOP HOLDINGS, INC.	145,000,000	4.57%	Common
3. MULBERRY ORCHID HOLDINGS INC.	140,000,000	4.41%	Common
4. BELGRAVE SQUARE HOLDINGS, INC	122,300,000	3.85%	Common

5. SAVILE ROW HOLDINGS, INC.	122,300,000	3.85%	Common
6. FAIRBROOKS HOLDINGS, INC.	122,300,000	3.85%	Common
7. MONTBRECIA PLACE HOLDINGS, INC.	122,300,000	3.85%	Common
8. EVERDEEN SANDS HOLDINGS, INC.	122,300,000	3.85%	Common
9. PEPPERBERRY VISTA HOLDINGS, INC.	122,291,662	3.85%	Common
10. MANILA JOCKEY CLUB, INC.	107,360,137	3.38%	Common
11. BRANFORD RIDGE HOLDINGS, INC.	75,716,000	2.39%	Common
12. BELLTOWER LAKES HOLDINGS, INC.	75,715,000	2.39%	Common
13. EAST BONHAM HOLDINGS, INC.	75,715,000	2.39%	Common
14. CHERRY GROVE HOLDINGS, INC.	75,715,000	2.39%	Common
15. FLYING HERON HOLDINGS, INC.	75,714,000	2.39%	Common
16. PURPLE CASSADY HOLDINGS, INC.	75,713,000	2.39%	Common
17. ORCHARDSTAR HOLDINGS, INC.	75,715,000	2.39%	Common
18. ARIES PRIME GLOBAL HOLDINGS	69,242,526	2.18%	Common
19. ALFONSO R. REYNO, JR.	14,582,704	0.46%	Common
20. MA. LOURDES CORONADO	13,212,762	0.42%	Common

There were Four Hundred Forty Four (444) holders of the common equity of the Corporation as of 31 December 2016. The Corporation has no other class of shares.

3) Dividends

No cash dividends were declared for the two (2) most recent fiscal years. The lack of sufficient retained earnings limits the ability of the Corporation to declare and pay dividends.

4) Recent Sales of Unregistered Securities or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no new sales of unregistered or exempt securities during the two (2) most recent fiscal years.

B. Description of Registrant's Securities

1) As of 31 December 2016, the authorized capital stock of the Corporation is Five Billion Pesos (P5,000,000,000.00) divided into Five Billion (5,000,000,000,000) common shares with par value of One Peso (P1.00) each.

2) Article XVIII of the By-laws of the Corporation provides that "at all corporate meetings, each stockholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock."

3) Debt Securities

**None.**

4) Stock Options

**None.**

5) Securities Subject to Redemption or Call

**None.**

6) Warrants

None.

7) Market Information for Securities Other Than Common Equity

None.

8) Other Securities

None.

## **ITEM 6. 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 audited consolidated financial statements and related notes as of and for the year ended December 31, 2016.

### **6.1 Discussion on Results of Operations**

The following table shows a summary of results of the operations for the year ended December 31, 2016, 2015 and 2014:

	For the Year Ended December 31				
	2016	2015	2014	% change	% change
	<i>Amount in Millions of Philippine peso except EPS</i>			2016 vs. 2015	2015 vs. 2014
Revenue					
Revenue share in gaming operations	171.93	—	—	0%	0%
Hotel and food and beverage	28.32	—	—	0%	0%
Other revenue	21.97	—	—	0%	0%
	222.22	—	—	0%	0%
Operating cost and expenses	-538.85	-43.28	-32.42	1144.30%	33.60%
Operating loss	-316.63	-43.28	-32.42	631.20%	33.60%
Other income (Expenses)					
Interest expense	-128.18	-14.5	—	784.10%	0%
Interest income	1.31	4.63	10.18	-72.30%	-52.50%
Miscellaneous income (expenses) - net	-0.28	0.14		-400%	-66.70%
	-127.15	-9.73	10.18	1211.30%	-195.10%
Loss before income tax	-443.78	-53.01	-22.24	737.40%	138.70%
Provision for income tax	-2.58	-0.93	-1.98	188.90%	-55.00%
Net loss	-446.36	-53.94	-24.22	782.20%	122.70%
Other comprehensive income	—	—	—	0%	0%
Total comprehensive loss	-446.36	-53.94	-24.22	728.20%	122.70%
Basic/diluted loss per share	0.14	0.02	0.01	600%	100%



## **Comparison of Operating Results for the Years Ended December 31, 2016 and 2015**

### **Revenue and Operating Costs and Expenses**

Revenue includes 40% share generated from gaming operation, revenue from bingo operations, revenue from operations of hotel, food and beverages and revenue from rentals.

The Company has started its soft opening at the beginning of 2016, 77% of the revenue amounting to ₱171.93 million was attributable to the Parent Company's 40% share in gaming operations of PAGCOR San Lazaro. Winford Hotel and Casino also commenced its bingo operations in May of 2016 generating revenue of ₱16.38 million or 7% of the total revenue. Winford Hotel opened its doors to the public in April 2016 with 40 hotel rooms. The hotel became fully operational in October of 2016 with 128 hotel rooms.

Total operating costs and expenses for the years ended December 31, 2016 and 2015 amounted to

₱538.85 million and ₱43.28 million, respectively. The significant increase in the total operating costs and expenses is relates to the commencement of the operations of the Group at the start of 2016.

The significant accounts that contributed to the increase are:

- Cost of gaming operations amounting to ₱22.0 million or 4% of the total operating costs and expenses;
- Depreciation for 2016 amounting to ₱242.19 million compared to prior year's depreciation of ₱0.65 million is 45% of the total operating cost and expenses;
- Utilities have increased from ₱4.62 million to ₱66.02 million due to the utilities used for the daily operations of hotel rooms, gaming operations and offices have contributed to 12% of the total operating costs and expenses;
- Salaries and wages have also increased from ₱23.22 million to ₱44.83 million or 8% of the total operating costs and expenses due to the increase in number of employees from less than 20 in 2015 to more than 100 at the end of the current year;
- Security, management fee and professional fees amounting to ₱56.20 million represents 10% of the total operating costs and expenses;
- Communication, advertising and marketing, entertainment, insurance, transportation, and travel expenses with an aggregate amount of ₱18.98 million have also increased compared to prior year which is only ₱0.45 Million.

### **Interest Expense**

The significant increase in interest expense from ₱14.50 million in 2015 to ₱128.18 in 2016 is due to the ₱2,500.00 million loan obtained during the last quarter of 2015 and additional ₱1,000.00 million that has been drawn in April 2016.

## **Comparison of Operating Results for the Years Ended December 31, 2015 and 2014**

It was only in 2016 that operations of the hotel and casino has started. The Company was in construction phase of the hotel and gaming facilities in 2015 and 2014.

Expenses including the provision for income tax and final taxes during 2015 amounted to ₱58.71 million, which increased by ₱24.31 million in comparison to ₱34.40 million in 2014. Significant increase occurred during 2015 in salaries and wages, interest expense, professional fees, utilities and rent.

Net loss for 2015 amounted to ₱53.94 million with an increase of ₱29.72 million from the net loss of ₱24.22 million from the previous year.

## 6.2 Analysis of Statement of Financial Position

	For the Year Ended December 31				
	2016	2015	2014	% change	% change
	(Amount in Millions of Philippine peso except EPS and ratio)			2016 vs. 2015	2015 vs. 2014
<b>Asset</b>					
Cash and cash equivalents	124.98	1,240.36	290.98	-89.90%	326.30%
Receivables	262	593.67	114.84	-55.90%	417.20%
Inventories	21.31	3.94	—	446.20%	0%
Input value added tax	387.8	320.42	145.69	21.00%	119.90%
Other current assets	0.42	5.73	193.16	-93.00%	-97.00%
Property and equipment	5,753.97	3,857.03	1.23	49.20%	321316.70%
Deferred input VAT	25.88	38.1	1,733.11	-32.00%	-97.80%
Other noncurrent assets	115.05	7.4	13.57	1454.10%	-45.60%
<b>Total Assets</b>	<b>6,691.41</b>	<b>6,066.65</b>	<b>2,492.58</b>	<b>10.30%</b>	<b>143.40%</b>
<b>Liability</b>					
Accounts payable and other current liabilities	641.22	611.18	209.9	4.90%	191.10%
Interest payable	19.06	14.05	—	36.40%	0%
Loans payable	3,471.97	2,475.45	—	40.30%	0%
Retirement liability	0.81	—	—	0%	0%
<b>Total Liabilities</b>	<b>4,133.06</b>	<b>3,100.68</b>	<b>209.9</b>	<b>33.30%</b>	<b>1377.20%</b>
<b>Equity</b>					
Capital stock	3,174.41	3,135.66	2,395.06	1.20%	30.90%
Deficit	-616.06	(169.69)	-112.38	263.10%	51.10%
<b>Total Equity</b>	<b>2,558.35</b>	<b>3,135.66</b>	<b>2,282.68</b>	<b>-13.70%</b>	<b>29.90%</b>
<b>Total Liabilities and Equity</b>	<b>6,691.41</b>	<b>6,236.34</b>	<b>2,492.58</b>	<b>10.30%</b>	<b>143.40%</b>

### Discussion on some Significant Change in Financial Condition as of December 31, 2016 and 2015

Total assets increased by ₱624.75 million by 10.3% from ₱6,066.66 million in 2015 to ₱6,691.41 million in 2016.

1. For the year ended December 31, 2016, cash and cash equivalents balance decreased by ₱1,115.37 million or 89.92% due to the following activities:
  - a) Cash provided by operating activities amounting to ₱214.14 million, which is significantly generated by the operation of the hotel and casino which started on January 6, 2016.
  - b) Cash used in investing activities amounting to ₱2,246.64 million which relates primarily to the acquisition of property and equipment amounting to ₱1,963.67 million.

- c) Cash provided by financing activities amounting to ₱917.09 million pertains to proceeds from availing of loans payable from a local bank amounting to ₱995.00 million.
2. Receivables decreased by ₱331.67 million or 55.9% from ₱593.67 million in 2015 to ₱262.00 million in 2016. The decrease mainly relates to recoupment of advances in relation to the progress billings from contractors and completion of works.
3. Inventories increased by ₱17.34 or 441.1% from ₱3.94 million in 2015 to ₱21.31 million in 2016. Inventories include cards, seals and dice.
4. Property and equipment increased by ₱1,896.94 million or 49.2% from ₱3,857.03 million in 2015 to ₱5,753.97 million which is primarily due to the increase in the percentage of completion and the construction of the hotel-entertainment complex nearing its completion stage.
5. Other noncurrent assets increased by ₱107.65 or 1453.7% from ₱7.40 million in 2015 to ₱115.05 million which primarily relates to the long term deposits as guarantee payments for utility bills and cash deposits of TSLC to PAGCOR.

Total liabilities increased by ₱1,032.38 million or 33.3% from ₱3,100.68 million in 2015 to ₱4,133.06 million. This primarily relates to the additional ₱1,000.00 million loan from a local bank and accrual of expenses from unbilled construction costs incurred for the development projects.

#### **Discussion on some Significant Change in Financial Condition as of December 31, 2015 and 2014**

In 2015, total assets amounted to ₱6,066.66 million compared to ₱2,492.59 million in 2014. There was an increase of ₱3,574.07 million or 143.4% which includes cash and cash equivalents, receivables, inventories, advances to contractors and suppliers, Input Value Added Tax (VAT), prepayments and property and equipment.

Cash and cash equivalents balance as of December 31, 2015 increased to ₱1,240.36 million as compared to the balance of ₱291.98 million on December 31, 2014. The increase of ₱949.38 million or 326.3% in 2015 is primarily due to loans obtained by the Company to finance the completion of the hotel-entertainment complex/facility.

Receivables balance as of December 31, 2015 increased to ₱593.67 million as compared to its balance of ₱114.84 million on December 31, 2014. The significant increase pertains mainly to the down payment given to the contractors to facilitate the completion of the project.

Inventories in 2015 amounted to ₱3.93 million. Inventories include cards, seals and dice.

Property and equipment as of December 31, 2015 increased to ₱3,857.03 million from ₱1,733.11 million in 2014 showing an increase of ₱2,123.92 million or 321,316.7%. The increase is due to various project costs incurred for the ongoing construction of the hotel-entertainment complex in Sta. Cruz, Manila.

In 2015, total liabilities amounted to ₱3,100.68 million compared to ₱209.91 million in 2014. There is an increase of ₱2,890.77 million or 1377.2%. The increase is due to the accrual of

expenses mainly from the unbilled construction costs incurred for the development project and retention payable. Increase in accounts payable pertains to unclaimed check payments by the contractors and suppliers.

**Key Performance Indicators:**

Indicators	Manner of Computation	31-Dec-16	31-Dec-15	31-Dec-14
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	1.21:1	3.46:1	3.55:1
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.62:1	1.05:1	0.09:1
Asset to Liability Ratio	$\frac{\text{Total Asset}}{\text{Total Liabilities}}$	1.62:1	1.96:1	11.87:1
Basic Earnings(Loss) Per Share	$\frac{\text{Net Income}}{\text{Total Outstanding Common Shares}}$	PhP(0.14)	PhP(0.02)	PhP(0.01)

Current ratio is regarded as a measure of the company's liquidity or its ability to meet currently maturing obligations. As of December 31, 2016, current ratio has decreased to 1.21 from 3.46 as of December 31, 2015. As such, the Company has ₱1.21 current assets to support one peso of its current liabilities. Current ratio for 2014 is 3.55.

The debt to equity ratio measures the riskiness of the Company's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of December 31, 2016, the debt to equity ratio has changed to 1.62 from 1.05 as of December 31, 2015 because of the drawdown of the loan amounting to ₱1,000.00 million. Debt to equity ratio for 2014 is 0.09.

The asset to liability ratio exhibits the relationship of the total assets of the Company with its total liabilities. As of December 31, 2016, the ratio has decreased to 1.62 from 1.96 as of December 31, 2015 because of the loan contracted amounting to ₱1,000.00 million. This indicates that for every ₱1.00 of liability, the Company has ₱1.62 of its assets. Asset to liability ratio for 2014 is 11.87.

As of December 31, 2016, the company's loss per share is ₱0.14 which increased from ₱0.02 of the same period in 2015. In 2014, the loss per share is ₱0.01.

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity.

There are no events that will trigger contingent financial obligation.

There are substantial commitments worth on capital expenditures.

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

There are no known trends, events, or uncertainties which are reasonably expected to have a favorable or unfavorable impact from continuing operations.

#### **ITEM 7. FINANCIAL STATEMENTS**

Refer to the attached audited financial statements for the period ended December 31, 2016 with schedules A to K.

#### **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER AS OF 31 DECEMBER 2016.**

<u>Position</u>	<u>Name</u>	<u>Citizenship</u>	<u>Age</u>	<u>Term of Office</u>	<u>Period Served</u>
Chairman, CEO & President	Alfonso R. Reyno, Jr.	Filipino	72	7	2009-2016
Vice Chairman	Teik Seng Cheah	Malaysian	63	2	2014-2016
Director & Treasurer	Jose Alvaro D. Rubio	Filipino	63	2	2014-2016
Director & Vice President	Alfonso Victorio G. Reyno III	Filipino	46	7	2009-2016
Director & Assistant Corporate Secretary	Gabriel A. Dee	Filipino	52	3	2013-2016
Director ( <i>Independent</i> )	Victor P. Lazatin	Filipino	69	7	2009-2016
Director ( <i>Independent</i> )	Laurito E. Serrano	Filipino	56	2	2014-2016
Director	Cherrylyn G. Prado-Caoile	Filipino	42	3	2013-2016
Director	John Anthony B. Espiritu	Filipino	53	4	2012-2016
Director	Dennis Ryan C. Uy	Filipino	38	2	2014-2016
Corporate Secretary & General Counsel	Ferdinand A. Domingo	Filipino	64	2	2014-2016
Corporate Information & Compliance Officer	Lemuel M. Santos	Filipino	65	2	2014-2016
Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	63	1	2015-2016

Registrant is not aware of any events, other than those discussed under the item on Involvement in Certain Legal Proceedings, that occurred during the past five (5) years that are material to an evaluation of the ability and integrity of any directors, executive officers, promoter or control person of the registrant.

### **ALFONSO R. REYNO, JR.**

Filipino, born on 8 July 1944. He graduated from the University of the Philippines in 1965 with a degree of Bachelor of Arts, Political Science and finished his Bachelor of Laws degree in the same school in 1969. He formerly occupied the following government positions: Deputy Minister of Defense (1984-1986), Member of the Batasang Pambansa (1984-1986), Vice Governor of Cagayan (1980-1984), Member of the Board of Trustees of the Cagayan State University (1979-1986). He is affiliated with and occupies the following positions in various institutions, during the last five (5) years, viz: Chairman and CEO, Manila Jockey Club, Inc. (March 1, 1997 to present), Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (1995 to present), Bonaventure Development Corporation (1983 to present); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (1976 to present). He resides at No. 4 Pili Road, South Forbes Park, Makati City.

### **TEIK SENG CHEAH**

Malaysian, born on 9 December 1953 at Pulau Pinang. He graduated from the University of Manchester in the United Kingdom and is a Fellow of Chartered Accountants in England and Wales. He is the founding and managing partner of Aktis Singapore, an independent director of Malayan Banking Berhad, providing supervisory oversight to May Bank Investment Bank and Maybank Venture, of which he is the Chairman. He began in the civil service in the Ministry of Finance in Malaysia and has since worked in Kuala Lumpur, Singapore, London and Hong Kong with various commercial and investment banks. He worked as Managing Director of Paribas and BNP Paribas in Hong Kong. Over the past fourteen (14) years, Mr. Cheah has been involved in advisory as well as origination and distribution of capital market transactions in various Asian markets, having held senior management positions at the most prestigious investment banks including UBS Hong Kong and Singapore, Goldman Sachs Hong Kong, Merrill Lynch Hong Kong and Chase Manhattan Bank.

### **JOSE ALVARO D. RUBIO**

Filipino, born on 19 February 1953. Mr. Rubio was the Senior Vice President at Philippine National Bank ("PNB") and has over thirty five (35) years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. Mr. Rubio graduated from University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting (Cum Laude) and is a Certified Public Accountant.

### **ALFONSO VICTORIO G. REYNO III**

Filipino, born on 7 March 1970 and a lawyer by profession. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: President and COO, Manila Jockey Club, Inc., President, Arco Ventures, Inc. (1995 to Present), Director, Arco Management & Development Corporation, Bonaventure Development Corporation, Arco Equities, Inc., Junior Associate, ACCRA Law Offices (1997-1999), Junior Partner, Reyno Tiu Domingo & Santos Law Offices (1999 to present). He is currently a Director of the Philippine Bar Association.

### **GABRIEL A. DEE**

Filipino, born on 5 July 1964. He graduated from the University of the Philippines in 1984 with a degree of Bachelor of Arts major in History and finished his Bachelor of Laws in

the same school in 1988. He finished his MBA Units in Ateneo De Manila Graduate School of Business in 1992. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Senior Partner, Picazo Buyco Tan Fider & Santos Law Offices (2006 to present), Junior Partner, Picazo Buyco Tan Fider & Santos Law Offices (1994 to 2006), Senior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1992 to 1994), Junior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1988 to 1992) and Research Assistant, University of the Philippines, College of Law (1998).

#### **VICTOR P. LAZATIN**

Filipino, born on 16 August 1947. He graduated from University of the Philippines with a degree of AB Economics in 1967 and finished his Bachelor of Laws degree in the same school in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He resides at 237 West Batangas St., Ayala Alabang, Muntinlupa City. In the last five (5) years or more, he is affiliated with and occupied the following positions in various institutions, viz: Director, ACCRA Investment Corporation (1980-2008), Corporate Secretary/Director, Wide World Express (1995-2008), Corporate Secretary, Oribanex Holdings (1996-2008), Chairman, Timog Silangan Development Corp. (1976-2008), President, Devinelle Provident lands, Inc. (1995-2008), President, Banana d' Or (2001-2008), President, Brodhas Realty Inc. (2000-2008), Senior Partner, Angara Abello Concepcion Regala & Cruz Law Offices (2002 to present). He was elected as Independent Director of MJIC on 6 February 2009.

#### **LAURITO E. SERRANO**

Filipino, born on 3 August 1960. He is a Certified Public Accountant with a Master of Business Administration degree from the Harvard Graduate School of Business. He currently serves as an Independent Director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining and Development Corporation. He is also a director of the Philippine Veterans Bank and a member of its Corporate Governance and Audit Committees; an independent director of the APC Group, Inc.; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

#### **BERNADETTE V. QUIROZ**

Filipino, born on 3 November 1981. Ms. Quiroz obtained her Juris Doctor from the Ateneo de Manila University in 2007. Upon admission to the Philippine Bar in 2008, she worked for Baniqued & Baniqued, Attorneys-at-Law until 2013. She has been a Certified Public Accountant since 2002, receiving her degree in Bachelor of Science in Accountancy from the University of Santo Tomas in the same year, and has worked as an auditor for SGV & Co. shortly before attending law school.

#### **CHERRYLYN G. PRADO-CAOILE**

Filipino, born on 10 November 1974. She graduated from De La Salle University in 1994 with a degree of Bachelor of Science in Commerce major in Legal Management. She finished her Juris Doctor at the Ateneo de Manila College of Law in 1998. She is a Junior Partner in Picazo Buyco Tan Fider & Santos Law Offices (2009 to present). She was an Assistant Professor at the De La Salle University – College of Business and Economics from 2003 to 2006.

#### **JOHN ANTHONY B. ESPIRITU**

Filipino, born on 12 July 1963. He graduated from University of Michigan, Ann Arbor, Michigan, United States with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university his master's degree in Business Administration in May 1990. He occupied and is currently holding the following positions in the last five (5) year: President/Director of EBE Land, Inc. (January 1997 to present); Chairman /Publisher of the

Philippine News, San Francisco, California (November 2004 to present); Director of Asia-Pacific Medical Corp of Saipan, Northern Marianas Islands (June 1998 to present). He resides at Penthouse B, Ritz Towers, Ayala Avenue, Makati City.

#### **DENNIS RYAN C. UY**

Filipino, born on 19 May 1978. Mr. Uy is an experienced industrial engineer who obtained his bachelor's degree from the Mapua Institute of Technology in 1999. The last fourteen (14) years of his career was spent in the areas of systems improvement and automation, investment planning, asset management, and cost engineering across various multinational firms. He holds a Master of Business Administration degree from the Ateneo de Manila University.

#### **FERDINAND A. DOMINGO**

Filipino, born on 22 June 1952. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts and Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (1 September 1991 to present); Corporate Secretary and General Counsel, Manila Jockey Club, Inc. (up to present); Corporate Secretary, MJC Investments Corporation (up to present); President, Aries Prime Resources, Inc., (10 July 2003 to 2009); Director, United Overseas Bank (May 2001 to July 2002); Corporate Secretary, Westmont Bank (17 May 2000 to 16 January 2004); Director, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); Bank Attorney, Philippine National Bank (1978-1984); Corporate Secretary, Philippine Racing Club, Inc. (1994-1997); Legal Counsel and Corporate Secretary, National Steel Corporation (3 May 1995 to March 1997). He resides at No. 14 Lopez Jaena Street, Ayala Heights, Quezon City.

#### **LEMUEL M. SANTOS**

Filipino, born on 3 April 1951. He graduated from the University of the Philippines in 1973 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more, he is affiliated with and occupies the following positions in various institutions, viz: Partner, Reyno, Tiu, Domingo & Santos Law Offices (1991 up to present); Assistant Corporate Secretary, Manila Jockey Club, Inc. (up to present); Corporate Information and Compliance Officer, MJC Investments Corporation (up to present). He resides at 84 D. Tuason Street, B.F. Homes, Parañaque, 1718 Metro Manila.

#### **External Audit Fees and Audit Related Fees**

The Corporation expects to pay its external auditor, Sycip Gorres Velayo and Co., an aggregate amount of ₱650,000.00 as professional fees for the audit of its annual financial statements for the year ended December 31, 2016. There was an increase in the audit fee due to increased volume of transactions and we are in the soft opening stage of the hotel and casino operations. The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services. For the audit of the Group's 2015 financial statements, a total amount of ₱550,000.00 was paid to an external auditor.

#### **Significant Employees**

The Corporation has no other employees aside from the corporate officers. Hence, there are no other persons, executive or otherwise, who are expected to make a significant contribution to the business of the Corporation.



### **Family Relationship**

Alfonso V.G. Reyno III is the son of Alfonso R. Reyno, Jr..

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

None of the directors are involved in any bankruptcy petition, or was convicted by final judgment of any criminal offense, or subject to any order, judgment or decree or has violated a Securities or Commodities Law.

### **ITEM 10. EXECUTIVE COMPENSATION**

Information as to the aggregate compensation paid or accrued during the last two (2) years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO), Vice President and Chief Finance Officer is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers. The stated annual salary includes the mandatory thirteenth (13<sup>th</sup>) month pay.

<b>SUMMARY COMPENSATION TABLE (2015) in thousand Php</b>				
<b>Principal position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
President/CEO	2015	5,283	-	-
Vice President	2015	4,105	-	-
Chief Financial Officer	2015	2,793	-	-
All Other Officers	2015	5,931	-	-

<b>SUMMARY COMPENSATION TABLE (2016) in thousand Php</b>				
<b>Principal position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
President/CEO	2016	4,800	-	-
Vice President	2016	3,106	-	-
Chief Financial Officer	2016	2,793	-	-
All Other Officers	2016	3,814	-	-

<b>ESTIMATED COMPENSATION TABLE (2017) in thousand Php</b>				
<b>Principal position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
President/CEO	2017	4,800	-	-
Vice President	2017	3,106	-	-
Chief Financial Officer	2017	2,793	-	-
All Other Officers	2017	3,814	-	-

All directors are entitled to per diem of ₱10,000.00 to ₱15,000.00 for their attendance at each meeting of the Board. Likewise, they are entitled to reimbursements of transportation, communication, and representation expenses in the amount of ₱3,000.00 for their attendance at every Board Meeting. The director's fees amounted to ₱553,000.00, ₱350,000.00, and ₱707,000.00 in 2016, 2015 and 2014 respectively.

The corporation has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein disclosed and stated.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### A. Stockholders Owning at Least 5% of the Outstanding Capital Stock as of 31 December 2016.

<u>Title of Class</u>	<u>Name, Address of Record Owner and Relationship with Issuer</u>	<u>Name of Beneficial Owner and Relationship with Record Owner</u>	<u>Citizenship</u>	<u>Number of Shares Held</u>	<u>Percent Of class</u>
Common	Manila Jockey Club, Inc. 14/F Strata 100 Bldg. F. Ortigas Jr. Road, Ortigas Center, Pasig City	N.A.	Filipino	708,160,137	22.31%

*\*The authority to direct the voting of the shares held by this corporation is lodged with its Board of Directors which appoints the proxy. The particular proxy will, however, be known only at the time that the appropriate proxy instrument is submitted.*

### B. Security Ownership of Directors and Management as of 31 December 2016.

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Citizenship</u>	<u>Percent of Class</u>
Common	ALFONSO R. REYNO, JR.	26,320,408	Filipino	0.83%
Common	TEIK SENG CHEAH	Qualifying Share	Malaysia	0.00%
Common	JOSE ALVARO D. RUBIO	Qualifying Share	Filipino	0.00%
Common	ALFONSO V.G. REYNO III	Qualifying Share	Filipino	0.00%
Common	JOHN ANTHONY B. ESPIRITU	Qualifying Share	Filipino	0.00%
Common	GABRIEL A. DEE	Qualifying Share	Filipino	0.00%
Common	BERNADETTE V. QUIROZ	Qualifying Share	Filipino	0.00%
Common	DENNIS RYAN C. UY	Qualifying Share	Filipino	0.00%
Common	VICTOR P. LAZATIN	Qualifying Share	Filipino	0.00%
Common	LAURITO E. SERRANO	Qualifying Share	Filipino	0.00%
Common	CHERRYLYN G. PRADO-CAOILE	Qualifying Share	Filipino	0.00%
Common	FERDINAND A. DOMINGO	240,022	Filipino	0.00%
Common	All Officers and Directors	None		0.00%

C. The Corporation is not aware of any voting trust or similar agreement involving persons who hold more than 5% of the Corporation's securities.

D. There are no arrangements known to the Corporation which may result in a change in its control.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In the normal course of business, the Group has transactions and account balances with related parties as follows:

Entity	Relationship	Nature	2016		2015		Terms	Condition
			Amount	Receivable (Payable)	Amount	Receivable (Payable)		
Manila Jockey Club, Inc. (MJCI)	Stockholder	Proceeds from subscription <sup>(a)</sup>	P-	P-	P42,808,835	P-	Noninterest-bearing; payable upon call	Unsecured, unguaranteed
		Advances <sup>(b)</sup>	873,853	(4,970,819)	1,317,166	(4,096,965)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting <sup>(c)</sup>	10,137	10,137	701,640	-	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Subsidiary of a stockholder	Commission from the off-track betting <sup>(d)</sup>	75,934	75,934	-	-	Noninterest-bearing; due and demandable	Unsecured, unguaranteed

- a) Shares subscribed by MJCI were already fully collected as of December 31, 2015.
- b) The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.
- c) Share of the Parent Company on horse racing gross bets from off-track betting station of MJCI located at Winford Hotel and Casino.
- d) Share of the Parent Company on cockfighting gross bets from off-track betting station of MCI located at Winford Hotel and Casino Shares subscribed by MJCI were

## PART IV – CORPORATE GOVERNANCE

### ITEM 13.

Please refer to the attached Annual Corporate Governance Report for the period ended 31 December 2016.

## PART V – EXHIBITS AND SCHEDULES

### ITEM 14. Exhibits and Reports on SEC Form 17-C

#### A. EXHIBITS

1. Audited Financial Statements and Schedules for 2016 as Annex "A"
2. Annual Corporate Governance Report for 2016 as Annex "B"

**B. REPORT ON SEC FORM 17-C**

<u>Date of Report</u>	<u>Item Reported</u>	<u>Matters Reported</u>
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6 January 2016	Item No. 6	
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MJC Investments Corporation held the ceremonial opening of the Ground Floor gaming and entertainment of Winford Hotel, the Corporation's hotel and entertainment project located within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila at 11:28 a.m. today, January 6, 2016. Lion Dance, Lion-Eye Dotting ceremony and ribbon-cutting by ranking officers of the Corporation and the Philippine Amusement and Gaming Corporation (PAGCOR) were held to mark the occasion. This marks the soft opening of the Winford Hotel, which consists of 128 internationally designed deluxe hotel rooms and includes a three-level entertainment and gaming area, ballroom, swimming pool, gym and spa, coffee shop and dining area, retail outlets, and a seven level parking structure, among other amenities and services.

6 January 2016	Item No. 6	
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In connection with MJC Investments Corporation's ceremonial opening of the Ground Floor gaming and entertainment of Winford Hotel, the Corporation's hotel and entertainment project located within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila at 11:28 a.m. today, January 6, 2016, the following press statement was released:

***Winford Hotel opens at the heart of Greater Chinatown***



***Caption:*** Leading the ribbon cutting ceremony during the launch of the new Winford Hotel were MJC Investments Corporation (MIC) Chairman and CEO Atty. Alfonso R. Reyno, Jr. (4<sup>th</sup> from left), Philippine Amusement and Gaming Corporation (PAGCOR) President and COO Hon. Jorge V. Sarmiento (5<sup>th</sup> from left), and MIC Chief Financial Officer Jose Alvaro D. Rubio (3<sup>rd</sup> from left). Also part of the ceremony were (from left) PAGCOR Branch Manager William Avendano, PAGCOR Director Eugene D. Manalastas, and Independent Director Atty. Victor P. Lazatin.

Primaries of the MJC Investments Corporation (MIC), along with representatives of the Philippine Amusement and Gaming Corporation (PAGCOR), today launched its newest project, the Winford Hotel at the San Lazaro Business and Tourism Park in Santa Cruz, Manila.

Present during the launch were MIC Chairman and Chief Executive Officer Atty. Alfonso R. Reyno, Jr., Chief Financial Officer Mr. Jose Alvaro D. Rubio, Vice

*President Atty. Alfonso Victorio G. Reyno III and Independent Director Victor P. Lazatin, together with PAGCOR President and COO Hon. Jorge V. Sarmiento, PAGCOR Director Eugene D. Manalastas, PAGCOR Branch Manager William Avendano and PAGCOR Casino Operations Manager Eduardo Arambulo.*

*Currently the only luxury hotel, entertainment, and tourism hub in the Greater Chinatown area, Winford Hotel offers five-star international branded accommodation within its 7,500 square meter, 22-storey high-rise development. The property boasts of 128 deluxe hotel rooms, an expansive podium that houses high-end restaurants, a column-less 1000+ capacity ballroom, over 900 parking slots and over 9,000 square meters of internationally designed indoor entertainment space. The development marks the first-ever construction of a five-star hotel and high-end entertainment project in the heart of Greater Chinatown. The hotel's entertainment hub offers luxury accommodations, meetings and event facilities, and innovative entertainment concepts to serve the expanding Chinese and Filipino-Chinese communities in central Mega Manila.*

###

**14 March  
2016**      Item No. 6

Please be informed that on March 11, 2014, MJC Investments Corp. (the "Corporation") was assessed by the Philippine Stock Exchange ("Exchange") a penalty amounting to Fifty Thousand Pesos (Php50,000.00) for violation of Revised Disclosure Rules of the Exchange ("Disclosure Rules") Section 4.1.

In view thereof, the Corporation will pay the PSE the amount of Fifty Thousand Pesos (Php50,000.00).

**11 April  
2016**      Item No. 6

Please be informed that at the regular meeting of the Board of Directors of MJC Investments Corporation held on 11 April 2016, the following matters were unanimously approved:

1. The Annual Stockholders' Meeting of MJIC shall be held on 29 June 2016.
2. The stockholders of record as of 11 May 2016 are entitled to attend and vote in said meeting.
3. The 2015 Audited Financial Statement prepared by the Company.

**29 June  
2016**      Item No. 6

Please be informed that at the annual meeting of the stockholders of MJC Investments Corporation (the "Corporation") held on June 29, 2016, the stockholders elected the following as members of the Board of Directors for the ensuing year:

ALFONSO R. REYNO, JR.  
TEIK SENG CHEAH  
ALFONSO VICTORIO G. REYNO III  
BERNADETTE V. QUIROZ  
JOHN ANTHONY B. ESPIRITU  
GABRIEL A. DEE  
CHERRYLYN G. PRADO-CAOILE  
DENNIS RYAN C. UY  
JOSE ALVARO D. RUBIO  
VICTOR P. LAZATIN  
LAURITO E. SERRANO

Atty. Lazatin and Mr. Serrano were elected as Independent Directors.

Immediately after the stockholders' meeting, the newly elected members of the Board of Directors had its organizational meeting and appointed the

following as principal officers:

<b><u>NAME</u></b>	<b><u>POSITION</u></b>
ALFONSO R. REYNO, JR.	Chairman of the Board/CEO
TEIK SENG CHEAH	Vice Chairman of the Board
ALFONSO VICTORIO G. REYNO III	Vice-President
JOSE ALVARO D. RUBIO	Treasurer/Chief Finance Officer
FERDINAND A. DOMINGO	General Counsel/ Corporate Secretary
GABRIEL A. DEE	Asst. Corporate Secretary
ANGELICA T. VEGA	Financial Comptroller
LEMUEL M. SANTOS	Corporate Information Officer/ Compliance Officer

Further, the Board of Directors organized the following committees:

**Executive Committee**

ALFONSO R. REYNO, JR.	Chairman
TEIK SENG CHEAH	Member
BERNADETTE V. QUIROZ	Member
ALFONSO VICTORIO G. REYNO III	Member
LAURITO E. SERRANO (Independent Director)	Member

**Nomination Committee**

GABRIEL A. DEE	Chairman
BERNADETTE V. QUIROZ	Member
ALFONSO VICTORIO G. REYNO III	Member
VICTOR P. LAZATIN (Independent Director)	Member

**Audit Committee**

LAURITO E. SERRANO (Independent Director)	Chairman
VICTOR P. LAZATIN (Independent Director)	Member
JOSE ALVARO D. RUBIO	Member
BERNADETTE V. QUIROZ	Member
JOHN ANTHONY B. ESPIRITU	Member

**Compensation and Remuneration Committee**

BERNADETTE V. QUIROZ	Chairman
ALFONSO VICTORIO G. REYNO III	Member
JOHN ANTHONY B. ESPIRITU	Member
LAURITO E. SERRANO (Independent Director)	Member

16 August 2016 Item No. 6

Director Bernadette V. Quiroz has resigned effective 15 August 2016 as member of the Board of MJC Investments Corporation. Attached hereto is a copy of her resignation letter.

15 August 2016

**BOARD OF DIRECTORS**  
**MJC INVESTMENTS CORPORATION**  
12/F Strata 100 Building, F. Ortigas Road  
Ortigas, Pasig City

**RE: RESIGNATION FROM THE BOARD OF DIRECTORS**

Gentlemen,

I am tendering my resignation as a member of the Board of Directors of **MJC INVESTMENTS CORPORATION** effective immediately.

I hereby release and forever discharge the Company from any action, cause of action, liability, claim, demand or damages, in respect to fees and/or compensation in connection with my acting as Director of the Company.

Thank you.

Sincerely,



**BERNADETTE V. QUIROZ**  
Member

**-- END --**

## SIGNATURES

Pursuant to the requirements of the Securities Regulation code, the registrant has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant : **MJC INVESTMENTS CORPORATION**  
Date : 26 APR 2017

By:

  
**ALFONSO R. REYNO, JR.**  
*Chairman of the Board & President*


  
**JOSE ALVARO D. RUBIO**  
*Chief Finance Officer*

  
**FERDINAND A. DOMINGO**  
*Corporate Secretary*

SUBSCRIBED AND SWORN TO before me this 26 APR 2017  
at Pasig City, affiants exhibiting to me their ID Nos., as follows:

	<u>ID Nos.</u>	<u>Date/Place Issued</u>
Alfonso R. Reyno, Jr.	TIN: 114-555-166	Manila, Philippines
Ferdinand A. Domingo	TIN: 145-006-236	Manila, Philippines
Jose Alvaro D. Rubio	TIN: 109-945-552	Manila, Philippines

Doc. No. 372;  
Page No. 76;  
Book No. II;  
Series of 2017.

  
**ATTY. JING-JINES S. ROMERO**  
NOTARY PUBLIC  
APPOINTMENT NO. 153-(2016-2017)  
Until December 31, 2017  
PTR No. 2516058 / Jan. 05, 2017 – Pasig City  
IBP No. 1060501 / Jan. 07, 2017 – Quezon City  
CITY OF PASIG, SAN JUAN AND PATEROS  
Roll of Attorney No. 60827



# COVER SHEET

1 0 0 2 0

S.E.C. Registration Number

M J C I N V E S T M E N T S C O R P O R A T I O N  
D O I N G B U S I N E S S U N D E R T H E N A M E  
A N D S T Y L E O F W I N F O R D L E I S U R E  
A N D E N T E R T A I N M E N T C O M P L E X A N D  
W I N F O R D H O T E L A N D C A S I N O

( Company's Full Name )

W I N F O R D H O T E L A N D C A S I N O , M J C  
D R I V E S T A . C R U Z , M A N I L A

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

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

## 2016 ANNUAL CORPORATE GOVERNANCE REPORT

1 2

Month

3 1

Day

Fiscal Year

A C G R

FORM TYPE

0 6

Month

2 9

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

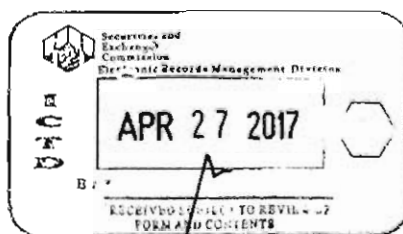
## SECURITIES AND EXCHANGE COMMISSION

**ANNEX "B"**

## SEC FORM – ACGR

## ANNUAL CORPORATE GOVERNANCE REPORT

- 1 Report is Filed for the Year ..... 2016
- 2 Exact Name of Registrant as Specified in its Charter ..... MJC INVESTMENTS CORPORATION
3. Winford Hotel and Casino ..... 1014  
MJC Drive, Sta. Cruz, Manila ..... Postal Code  
Address of Principal Office
4. SEC Identification Number ..... 10020
5. Industry Classification Code ..... (SEC Use Only)
6. BIR Tax Identification Number ..... 000-596-509
7. Issuer's Telephone Number, Including Area Code ..... (02) 631-2892
8. Former name or former address, if changed from the last report ..... 12<sup>th</sup> Floor, Strata 100 Bldg.,  
F. Ortigas Jr. Road, Ortigas  
Center, Pasig City, 1605



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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
---------------------------------------------------	----

Actual number of Directors for the year	10
-----------------------------------------	----

#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If nominee , identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting s)	No. of years served as director
Alfonso R. Reyno, Jr.	ED			June 27, 2008	June 29, 2016	Annual Meeting	8 years
Teik Seng Cheah	ED			July 09, 2013	June 29, 2016	Annual Meeting	3 years
Alfonso V.G. Reyno III	ED			June 27, 2008	June 29, 2016	Annual Meeting	8 years
Bernadette V. Quiroz*	NED			June 27, 2014	June 29, 2016	Annual Meeting	
John Anthony B. Espiritu	NED			June 27, 2008	June 29, 2016	Annual Meeting	8 years
Gabriel A. Dee	ED			July 09, 2013	June 29, 2016	Annual Meeting	3 years
Cherrylyn G. Prado-Caoile	NED			July 09, 2013	June 29, 2016	Annual Meeting	3 years
Dennis Ryan C. Uy	NED			June 27, 2014	June 29, 2016	Annual Meeting	2 years
Jose Alvaro D. Rubio	ED			June 27, 2014	June 29, 2016	Annual Meeting	2 years
Laurito E. Serrano	ID			June 27, 2014	June 29, 2016	Annual Meeting	2 years
Victor P. Lazatin	ID			June 27, 2008	June 29, 2016	Annual Meeting	8 years

\*Atty. Bernadette V. Quiroz resigned from the Board of Directors effective 15 August 2016.

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

<sup>1</sup> Reckoned from the election immediately following January 2, 2014.

The Corporation's Manual on Corporate Governance states the policies adopted by the Board on the protection of the rights of every shareholder, especially the minority shareholders. The Manual provides that the Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely: (i) right to vote on all matters that require their consent or approval; (ii) pre-emptive right unless the same is denied in the articles of incorporation or an amendment thereto; (iii) right to inspect corporate books and records; (iv) right to information; (v) right to dividends; and (vi) appraisal right.

The Manual also provides that it shall be the duty of the Board to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. It is also the duty of the Board to be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation.

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

- When necessary.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Alfonso R. Reyno, Jr.	MJC Investments Corp.	ED – Chairman
Alfonso V. G. Reyno III	MJC Investments Corp.	ED
John Anthony B. Espiritu	MJC Investments Corp.	NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group: *None*

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Not applicable	Not applicable	Not applicable

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Alfonso R. Reyno, Jr.	Arco Management and Development Corporation	Chairman
	Arco Equities, Inc. (AEI)	Chairman
	Arco Ventures, Inc. (AEI)	Chairman
Alfonso V.G. Reyno III	Arco Ventures, Inc.	ED
	Arco Management and Development Corporation	NED
	Bonaventure Development Corporation	NED
	Arco Equities, Inc.	NED

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **NO** In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
<u>Executive Director</u> <u>Non-Executive Director</u> <u>CEO</u>	<p>The optimum number of directorships that the CEO and other executive directors can hold in other companies should take into consideration the capacity of such director to diligently and efficiently perform his duties and responsibilities.</p>	<p>The CEO and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.</p>

(c) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Alfonso R. Reyno, Jr.	26,320,408	0	0.83
Teik Seng Cheah	1	0	0
Alfonso V.G. Reyno III	1	0	0
Bernadette V. Quiroz	1	0	0
John Anthony B. Espiritu	1	0	0
Gabriel A. Dee	1	0	0
Cherrylyn G. Prado-Caoile	1	0	0
Dennis Ryan C. Uy	1	0	0
Jose Alvaro D. Rubio	1	0	0
Laurito E. Serrano	1	0	0
Victor P. Lazatin	1	0	0
<b>TOTAL</b>	<b>26,320,418</b>		<b>0.83</b>

2) Chairman and CEO

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

Yes ☐

No ☒ x

Identify the Chair and CEO:

Chairman of the Board	Alfonso R. Reyno, Jr.
CEO/President	Alfonso R. Reyno, Jr.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role/Accountabilities/Deliverables	<ul style="list-style-type: none"> <li>i. To preside the meetings of the Board and shareholders;</li> <li>ii. To establish operating policies, guide the Board in formulating company</li> </ul>	<ul style="list-style-type: none"> <li>i. Oversee the day to day operations of the ;</li> <li>ii. To implement the guidelines and policies laid down by the Board of Directors or</li> </ul>



	<p>objectives and assist the Corporation in developing the means for attaining these objectives;</p> <p>iii. To supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors;</p> <p>iv. To exercise such powers and perform such duties as the Board of Directors may assign to him.</p>	<p>by any committee to which the power to lay down guidelines and policies may be delegated by the Board of Directors in connection with the day-to-day operations of the Corporation;</p> <p>iii. Exercise such other powers and perform such other duties as the Chairman/CEO or the Board of Directors may from time to time fix or delegate.</p>
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- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Directors elects the successor to the CEO/Managing Director/President and the top key management positions based on educational attainment, previous work experiences and practical understanding in the business of the corporation. They also consider the next-level positions if capable to handle such key management positions.

- 4) Other Executive, Non-Executive and Independent Directors

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

The Company ensures that the directors are members of good standing in relevant industry, business or professional organizations and have previous business experience.

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

The Company ensures that non-executive directors possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

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

	Executive	Non-Executive	Independent Director
<b>Role</b> <b>Accountabilities</b> <b>Deliverables</b>	<p>All directors should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. They should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p> <p>All directors should (i) conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interests of the Corporation; (ii) devote time and attention necessary to properly and effectively perform his duties and responsibilities; (iii) act judiciously; (iv) exercise independent judgment; (v) have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and where applicable, the requirements of relevant regulatory agencies; and (vi) observe confidentiality.</p>		<p>To provide independent judgment and outside experience and objectivity, not to subordinate to operational considerations on all issues which come before the board. Independent directors should acquire and maintain a sufficient detailed knowledge of the Corporation's business activities and current performance to enable to make decisions on the issued before the Board. Independent directors should be counted upon to ensure that advice and counsel are given to management.</p>

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

The Corporation abides by the policy behind the appointment of an independent director that a non-executive director must not have a relationship with the Corporation that would "materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company." Moreover, any relationship that the independent director may have with the covered company must not compromise said director's objectivity and loyalty to the shareholders.

This policy is adopted in the nomination and election of the Corporation's independent directors.

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

Pursuant to SEC Memorandum Circular No. 09-11, the Corporation has put a term limit of five (5) consecutive years for independent directors. After completion of the five-year service period, an independent director shall be ineligible for election as such in the Corporation unless the independent director has undergone a "cooling off" period of two (2) years, provided that during such period, the independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director in the same company. An independent director re-elected as such after the "cooling off" period can serve for another five (5) consecutive years under the above-stated condition.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Bernadette V. Quiroz	Director	15 August 2016	Professional Growth

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Procedure for Nomination of Regular and Independent Directors  (1) The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the company's information or statement or such other reports required to be submitted to the Securities and Exchange Commission.  (2) All nominations for regular and independent directors shall be signed by the nominating	
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>stockholders, who must be of good standing, together with the acceptance and conformity by the would-be nominees. The nominations should specify whether the nomination is for regular or independent director.</p> <p>(3) All nominations must be submitted to the Nomination Committee at least five (5) days before the stockholders' meeting to enable the Nomination Committee to effectively pass upon the qualifications of all nominees for regular and independent directors.</p> <p>(4) After screening the qualifications of all nominees, the Nomination Committee shall prepare a Final List of Candidates of both regular and independent directors five (5) days before the stockholders' meeting. Both Lists shall contain all the information about all the nominees for regular director and independent director, as required by under the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations, which list shall be made available to the SEC and to the stockholders through the filing and distribution of the Information Statement.</p> <p>(5) Only nominees whose names appear on the Final List of Candidates for regular and independent directors shall be eligible for election as Regular and Independent Directors. No other nominations for both regular and independent director shall be entertained after the Final List of Candidates shall have been prepared by the Nomination Committee. No further nominations for regular and independent director shall be entertained or allowed on the floor during the actual annual/special stockholders' meeting.</p> <p>(6) Except as those required under the SRC and subject to pertinent existing laws, rules and regulations of the SEC, the conduct of the election of regular and independent directors shall be made in accordance with these rules</p>
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	<p>of procedure.</p> <p>(7) The Company shall elect at least two (2) independent directors. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing at least two (2) independent directors. He shall ensure that at least two (2) independent directors are elected during the stockholders' meeting.</p>
<b>b. Re-appointment</b>	
(i) Executive Directors	Same as above.
(ii) Non-Executive Directors	
(iii) Independent Directors	
<b>c. Permanent Disqualification</b>	
(i) Executive Directors	<p>The following shall be the grounds for the permanent disqualification for a director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment advise, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of nay of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction form: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging</p>
(ii) Non-Executive Directors	
(iii) Independent Directors	

in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

This disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule regulation or order;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- (vi) Any person judicially declared as insolvent;

	<p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
<b>d. Temporary Disqualification</b>	
(i) Executive Directors	<p>The board may provide for the temporary disqualification of a director for any of the following reasons:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</p>
(ii) Non-Executive Directors	
(iii) Independent Directors	

	(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.	
<b>e. Removal</b>		
(i) Executive Directors	Death, resignation, disqualification, or any other cause	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	Not applicable.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Not applicable.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
All the nominated directors were elected through <i>viva voce</i> .	

#### 6) Orientation and Education Program

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

- **None.**

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

- **None.**

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



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

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
Alfonso R. Reyno, Jr.	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Teik Seng Cheah	December 16, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Alfonso Victorio G. Reyno, III	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Gabriel A. Dee	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Cherrylyn Prado-Caoile	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Jose Alvaro D. Rubio	November 24, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Dennis Ryan C. Uy	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
John Anthony B. Espiritu	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Victor P. Lazatin	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Laurito E. Serrano	July 4, 2016	Corporate Governance	Institute of Corporate Directors
Ferdinand A. Domingo	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Lemuel M. Santos	December	Corporate	Risks, Opportunities,

	8, 2016	Governance	Assessment and Management (ROAM), Inc.
Angelica T. Vega	December 8, 2016	Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Directors, officers and employees should act in the best interest of the Company and avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients. A conflict of interest occurs when the private interest of a director, officer or employee interferes or appears to interfere in any way with the interests of the Company as whole or when a director, officer or employee takes actions or has interests that make or appear to make it difficult to perform his or her Company work objectively and effectively.		
(b) Conduct of Business and Fair Dealings	<p>The Company seeks to outperform its competitors fairly and honestly through superior performance. We do not take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice.</p> <p>We treat our employees and applicants for employment fairly and will not discriminate on account of gender, religion, age, nationality, family status or any other reasons prohibited by law.</p> <p>We treat everyone with respect and shall be guided by professionalism, integrity and good faith in transactions with and obligations to our Company's customers, suppliers, business partners, government regulators, creditors, creditors and employees.</p>		
(c) Receipt of gifts from third parties	We restrict the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly in consideration of any act, omission or transaction of our Company favorable to such third person or entity with existing or intended business dealings with our Company.		

	<p>A "gift" may be a right or thing of value, like cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel and benefits.</p> <p>The restriction shall not apply to: a) a gift of nominal value voluntarily given by a third person or entity to a director, officer or employee of our Company as souvenir or out of courtesy; or b) a gift given for charitable projects for the benefit of the poor or the general public.</p>
(d) Compliance with Laws & Regulations	<p>We shall comply with all laws and the rules and regulations of the regulatory agencies governing the business operations of our Company.</p> <p>In the performance of our duties, we shall at all times, be aware and adhere to the requirements, restrictions and limitations imposed by laws, rules and regulations and our Company's policies , rules and regulations.</p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p>We maintain and safeguard the confidentiality of information entrusted to the directors, officers, and employees by our Company, except when disclosure is authorized or legally mandated. Confidential information includes any non-public information that might be of use to competitors, or harmful to our Company if disclosed.</p>
(f) Use of Company Funds, Assets and Information	<p>This confidentiality obligation shall survive our separation from our Company due to retirement, resignation, termination, expiration of term of office, or expiration or termination of contract, or any other cause.</p> <p>We shall not take undue advantage of material non-public information by dealing in the securities of our Company while in possession of such information. Material non-public information refers to any information that is likely to affect the market price of our Company's securities and is not yet publicly disclosed.</p> <p>We respect and uphold the confidential and proprietary information of other companies. We shall not knowingly appropriate, infringe or make an unauthorized use of a valid trademark, patent, trade secret or proprietary technology belonging to our Company or to another person or entity.</p>
(g) Employment & Labor Laws & Policies	<p>We shall comply with all laws and the rules and regulations of the regulatory agencies governing the business operations of our Company.</p>
(h) Disciplinary	<p>The Company affords procedural and substantive due process to any</p>

action	<p>employee found to have committed an offense against the corporation's established authority, policies and procedures, rules and regulations during office hours and within company premises.</p> <p>Thus, a Disciplinary Action Memorandum (DAM) should be initiated by any of the following persons: the section head or the department head of the subject employee or by any officer of the corporation. The DAM (notice) should state, among others, the offense charged and the duration which the employee is required to submit a reply.</p> <p>After the receipt of the reply, an investigations and/or hearings may be conducted.</p>		
(i) Whistle Blower	Not applicable.		
(j) Conflict Resolution	Not applicable.		

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

- Yes.

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

Our Company's Corporate Governance Office has the specific task of implementing and monitoring corporate governance policies throughout the organization and the definition of the process by which such policies are implemented and monitored.

Department Heads have the responsibility for the monitoring, ensuring, and enforcing compliance with this Code within their area of jurisdiction. The Department Heads shall also be responsible for reporting non-compliance with this Code to their hierarchy or the Corporate Governance Office whenever appropriate, including taking or implementing disciplinary actions after proper exercise of due process.

- 4) Related Party Transactions

- (a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<ul style="list-style-type: none"> <li>The vote of the director involved in the Related Party Transaction and his presence in the board meeting is not necessary for the approval of the contract as provided under Sec. 32 of the Corporation Code.</li> <li>Directors, who acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for any resulting damage suffered by the corporation, its stockholders or members as well as other persons (Sec. 31, Corporation Code)</li> <li>There is also the presence of independent directors.</li> <li>Establishes a robust internal audit system to prevent, among others, abusive related-party transactions.</li> <li>Makes the necessary disclosures to alert stakeholders of the possibility that their financial position is affected by RPTs.</li> </ul>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Not applicable.
Group	Not applicable.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Alfonso R. Reyno, Jr.	Family	Alfonso R. Reyno, Jr. is the father of directors Alfonso G. Reyno III.
Alfonso V. G. Reyno III	Family	

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Not applicable.		

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Not applicable		

#### 6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	Not applicable.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

#### C. BOARD MEETINGS & ATTENDANCE

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

Board meetings are scheduled upon call of the Board.

## 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Alfonso R. Reyno, Jr.	June 29, 2016	4	4	100%
Member	Teik Seng Cheah	June 29, 2016	4	4	100%
Member	Alfonso V.G. Reyno III	June 29, 2016	4	4	100%
Member	Bernadette V. Quiroz	June 29, 2016	4	3	75%
Member	John Anthony B. Espiritu	June 29, 2016	4	4	100%
Member	Gabriel A. Dee	June 29, 2016	4	4	90%
Member	Cherrylyn G. Prado-Caoile	June 29, 2016	4	4	100%
Member	Dennis Ryan C. Uy	June 29, 2016	4	4	100%
Member	Jose Alvaro D. Rubio	June 29, 2016	4	4	100%
Independent	Laurito E. Serrano	June 29, 2016	4	4	100%
Independent	Victor P. Lazatin	June 29, 2016	4	4	100%

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

- No.

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

No. Pursuant to the Corporation's Amended By-Laws, a majority of the Directors shall constitute a quorum to do business, and all matters approved by a majority of the quorum duly assembled in session shall be valid as a corporate act.

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

- Three (3) days.

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

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- Yes.

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

Aside from the enumerated duties of the Corporate Secretary in the Corporation's By-Laws, the Corporate Secretary, who is also the General Counsel of the Corporation, prepares the board agenda with the approval of the Chairman and updates/informs the Directors on relevant statutory and regulatory changes.

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

Yes. He is a lawyer and is the Corporate Secretary for Manila Jockey Club, Inc.

- (e) Committee Procedures

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

Yes

☒

No

☐

Committee	Details of the procedures
Executive	Any Director may request information he needs to prepare for meetings through the Corporate Secretary.
Audit	Same as above.
Nomination	Same as above.
Remuneration	Same as above.

#### 6) External Advice

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

Procedures	Details
Not applicable.	

#### 7) Change/s in existing policies

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



Existing Policies	Changes	Reason
None.		

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

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

Process	CEO	Top Highest Paid Management Officers
(1) Fixed remuneration	4,800,000.00	Vice President- 3,105,876.00 General Counsel- 1,440,000.00 VP – Procurement/Special Assistant to the Chairman 1,058,820.00
(2) Variable remuneration		
(3) Per diem allowance	None	None
(4) Bonus	None	None
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	None	None

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Fixed	Fixed	Monthly
Non-Executive Directors	Per Diem	Fixed	Per Diem

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

Remuneration Scheme	Date of Stockholders' Approval
Remuneration of Board of Directors	
Remuneration of Non-Executive Directors	

### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None	None	None
(b) Variable Remuneration	Not Applicable	Not Applicable	Not Applicable
(c) Per diem Allowance	158,000.00	395,000.00	None
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	<b>158,000.00</b>	<b>395,000.00</b>	

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations Incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## Stock Rights, Options and Warrants

### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights / Warrants	Number of Indirect Option/Rights / Warrants	Number of Equivalent Shares	Total % from Capital Stock
None				

### (b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
None		

### 4) Remuneration of Management

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

Name of Officer	Position	Total Remuneration
Atty. Ferdinand A. Domingo	Corporate Secretary/ General Counsel	2,498,820.00
Mr. Balligi Z. Fonacier	VP for Procurement/Special Assistant to the Chairman	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	
Executive	3	1	1	
Audit	1	2	2	
Nomination	2	1	1	
Remuneration	1	2	1	

<b>Functions</b> <b>Key Responsibilities</b> <b>Power</b>	
Executive Committee	The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
Nomination Committee	Reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.
Audit Committee	<p>a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporations. This function shall include regular receipt from Management of information on risk exposures and risk management activities;</p> <p>c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;</p> <p>e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.</p>

	<p>f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>h) Review the reports submitted by the internal and external auditors;</p> <p>i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul> <p>j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;</p> <p>l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.</p> <p>The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p>
Remuneration Committee	<p>Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.</p>

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Alfonso R. Reyno, Jr.	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (ED)	Teik Seng Cheah	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (NED)	Bernadette V. Quiroz	June 29, 2016	None	Not applicable	N/A	1 month and 17days.
Member (ED)	Alfonso G. Reyno III	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (ID)	Laurito E. Serrano	June 29, 2016	None	Not applicable	N/A	6 mos.

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Laurito E. Serrano	June 29, 2016	1	1	100%	6 mos.
Member (ID)	Victor P. Lazatin	June 29, 2016	1	1	100%	6 mos.
Member (ED)	Jose Alvaro D. Rubio	June 29, 2016	1	1	100%	6 mos.
Member (NED)	Bernadette V. Quiroz	June 29, 2016	1	1	100%	1 month and 17days.
Member (NED)	John Anthony B. Espiritu	June 29, 2016	1	1	100%	6 mos.

Disclose the profile or qualifications of the Audit Committee members.

They shall have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience.

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

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Gabriel A. Dee	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (NED)	Bernadette V. Quiroz	June 29, 2016	None	Not applicable	N/A	1 month and 17days.
Member (ED)	Alfonso V.G. Reyno III	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (ID)	Victor P. Lazatin	June 29, 2016	None	Not applicable	N/A	6 mos.

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Bernadette V. Quiroz	June 29, 2016	None	Not applicable	N/A	1 month and 17days.
Member (ED)	Alfonso V.G. Reyno III	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (NED)	John Anthony B. Espiritu	June 29, 2016	None	Not applicable	N/A	6 mos.
Member (ID)	Laurito E. Serrano	June 29, 2016	None	Not applicable	N/A	6 mos.

(e) Others (Investment and Finance Committee)

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A						

### 3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	Bernadette V. Quiroz	She resigned from the Board of Directors.
Audit	Bernadette V. Quiroz	She resigned from the Board of Directors.
Nomination	Bernadette V. Quiroz	She resigned from the Board of Directors.
Remuneration	Bernadette V. Quiroz	She resigned from the Board of Directors.
Others (specify)	Bernadette V. Quiroz	She resigned from the Board of Directors.

### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	No meetings conducted yet.	Not applicable.
Audit	Reviewed and approved the audited financial statement of the Corporation.	
Nomination	Reviewed and screened the nominees for independent and regular directors.	
Remuneration	No meetings conducted yet.	Not applicable.

### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	Not applicable.
Audit	None	Not applicable.
Nomination	None	Not applicable.
Remuneration	None	Not applicable.
Others (specify)	None	Not applicable.



## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

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

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

#### (c) Period covered by the review;

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

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

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

#### (e) Where no review was conducted during the year, an explanation why not.

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

### 2) Risk Policy

#### (a) Company

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

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not fully implemented.

#### (b) Group

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

behind the policy for each kind of risk:

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not full implemented.

(c) Minority Shareholders

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

Risk to Minority Shareholders
None.

3) Control System Set Up

(a) Company

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

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not full implemented.

(b) Group

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

We have already started the application of a risk management system in the company; however, since the company just recently started full operations, said system was not full implemented.

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

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

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

The process designed, implemented, and maintained by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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

Every year, our external auditors conduct an audit of our company. The results of their audit are reviewed by the Audit Committee. Efficacy and adequacy of our internal control

system are thus reviewed and relayed also to directors.

(c) Period covered by the review;

- Financial Year 2016

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

- Once a year.

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

- Not applicable.

## 2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope
Aids in the oversight function of the company's Audit Committee.	<p>The scope of the Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:</p> <ul style="list-style-type: none"><li>a. Reviewing the reliability and integrity of the financial and operating information and the means used to identify, measure, classify, and report such information.</li><li>b. Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.</li><li>c. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.</li><li>d. Reviewing and appraising the economy and efficiency with which resources are employed.</li><li>e. Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</li><li>f. Reviewing specific operations at the request of the Audit Committee or management, as appropriate.</li><li>g. Monitoring and evaluating the effectiveness of the organization's risk management system.</li><li>h. Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.</li></ul>

	i. Review the internal control statement by senior management and the related opinion by the attest auditor for audit planning. (INTERNAL AUDIT CHARTER; Audit Scope, p.2-3.)
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

- Yes.

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

The internal auditor functionally reports to the Audit Committee and administratively reports to the CEO. The internal auditor has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
None	

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

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

<b>Progress Against Plans</b>	Since the company just started its full operations, the internal audit system design is still in progress.
<b>Issues<sup>6</sup></b>	Since the company just started its full operations, the internal audit system design is still in progress.
<b>Findings<sup>7</sup></b>	Since the company just started its full operations, the internal audit system design is still in progress.
<b>Examination Trends</b>	Since the company just started its full operations, the internal audit system design is still in progress.

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]
  - i. "Issues" are compliance matters that arise from adopting different interpretations.
  - ii. "Findings" are those with concrete basis under the company's policies and rules.

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Since the company just started its full operations, the internal audit system design is still in progress.	

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Since the company just started its full operations, the internal audit system design is still in progress.			

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

**MJCI COMPLIANCE OFFICER: Atty. Lemuel M. Santos**

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	We treat everyone with respect and shall be guided by professionalism, integrity and good faith in transactions with and obligations to our Company's customers, suppliers, business partners, government regulators, creditors, creditors and employees.	None.
Supplier/contractor selection practice	We treat everyone with respect and shall be guided by professionalism, integrity and good faith in transactions with and obligations to our Company's customers, suppliers, business partners, government regulators, creditors, creditors and employees.	None.
Environmentally friendly value-chain	We consider the impact of our operations, projects and transactions on the environment and the communities we serve and ensure compliance with environmental, safety and health regulations and standards.	None.
Community interaction	We support socio-economic projects that improve the lives of the people within our community.	
Anti-corruption programmes and procedures	We restrict the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly in consideration of any act, omission or transaction of our Company favorable to such third person or entity with	None.

	existing or intended business dealings with our Company.	
Safeguarding creditors' rights	We treat everyone with respect and shall be guided by professionalism, integrity and good faith in transactions with and obligations to our Company's customers, suppliers, business partners, government regulators, creditors, creditors and employees.	None.

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

- Yes.

3) Performance-enhancing mechanisms for employee participation.

i. What are the company's policy for its employees' safety, health, and welfare?

The Company conducts its business and maintains its workplace in accordance with applicable health, safety and environmental laws.

ii. Show data relating to health, safety and welfare of its employees.

Since the company just started its full operations, the internal audit system design is still in progress.

iii. State the company's training and development programmes for its employees. Show the data.

The Company recognizes that its human resources are its major assets hence, every officer and employee shall be given all the opportunities to enhance their skills and knowledge through sustained training and development programs conducted either in-house or by other companies and training institutions within or outside the country.

## **2016 OUTSIDE TRAININGS**

Title	Attendee/S	Department / Division
Phildata Dell Server Portfolio	2	IT Department
Philippine Institute of Certified Public Accountants (BOA updates and accreditation, Code of Ethics, BIR Tax Audit)	1	Finance Department
Phildata VM ware	5	IT Department
Philippine Institute of Certified Public Accountants (Financial Statement Analysis, PFRS Updates, Governance)	1	Finance
Phildata Cisco Meraki	3	IT Department

## 2016 IN-HOUSE TRAININGS

Date	Title	No. of Participants
16-Jan	CT link Trend Micro ( Vendor knowledge transfer )	7
16-Feb	Oracle Micros Materials Control ( Vendor knowledge transfer )	10
16-Feb	ICS Vmware ( Vendor knowledge transfer )	8
16-Feb	Bluecoat (vendor Knowledge transfer)	8
06-Mar-16	Seminar on Basic Life Support (BLS)	62
16-Mar	Simplevia Nimble ( Vendor knowledge transfer )	9
16-Mar	3D Networks FCS Unicorn and Phoenix ( Vendor knowledge transfer )	7
22-Mar-16	Fire Drill Exercise at Winford Hotel and Casino	806
17-Apr-16	Seminar on Automated External Defibrillator	21
16-Apr	Oracle Micros Opera ( Vendor knowledge transfer )	20
16-Apr	Fujitsu RSA Authentication ( Vendor knowledge transfer )	10
16-Apr	F5 ( Vendor knowledge transfer )	10
16-Apr	Courtesy point Sun Financial System ( Vendor knowledge transfer )	20
22-Jun-16	Earthquake Drill	516
16-Jul	Oracle Micros Symphony ( Vendor knowledge transfer )	20
1-Jul-16	Key Management System Training (KMS)	10
1-Jul-16	Basic First Aid Training	23
7-Jul-16	Fire Detection Alarm System Training (FDAS)	10
10-Jul-16	Basic Occupational Safety and Health	42
3-Aug-16	Disaster Preparedness Orientation Program	50
16-Aug-16	Safety Awareness Orientation Seminar	50
16-Aug	Fujitsu RSA event Security	20
16-Aug	IGT Galaxy ( Vendor knowledge transfer )	45
16-Aug	DTSI Cisco infrastructure ( Vendor knowledge transfer )	10
24-Sep-16	Seminar on Health Skin Disease (Boil)	50
6-Oct-16	Seminar on Security X-Ray Screening/Checkpoint /Theoretical and Practical	30
9-Oct-16	Simulation Testing of WHC Swimming Pool at 11th flr.	10
15-Oct-16	Basic Customer Service and Hazards/Identification/Diabetes Awareness	50
22-Oct-16	Seminar on Force Continuum for Security Guards and Security Officers	65
28-Nov-16	Basic Fire Fighting Seminar	65
8-Dec-16	CAAP Heliport Standard Consideration Seminar	02
15-Dec-16	Fire, Life & Safety Training	65



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

In recognition of and as an incentive for consistent above average performance, a promotion to a higher job grade or level may be given to deserving employees.

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

Due course must be followed in any grievance complaint. This is to ensure that all employees are covered and that MJCI policies, procedures, and regulations will be applied as intended and without discrimination.

The proper grievance procedure is as follows:

1. Discuss the matter with your supervisor;
2. If the supervisor does not arrive with a satisfactory solution, bring the matter to the department manager;
3. If there is still no satisfactory solution, the matter should be forwarded to the HRODD.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Manila Jockey Club, Inc.	708,160,137	22.31%	N/A

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Not Applicable</i>			
<b>TOTAL</b>			

### 2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES

Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

### 3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	P650,000.00 VAT Inclusive	15% OPE or P97,500.00

### 4) Medium of Communication

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

- The Company mails Notices to all its shareholders and posts relevant information on its website.

### 5) Date of release of audited financial report:

- April 19, 2016

### 6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

## 7) Disclosure of RPT



RPT	Relationship	Nature	Value
Sierra Prime Properties Corporation	Affiliate	Cash Advances	2,695,473
		Sale of Assets & Liabilities	108,389,153.00
		Interest on Cash Advances	165,884
		Dividend on held for trading	NA
Manila Jockey Club, Inc.	Stockholder	Other Advances	701,640
		Cash Advances	2,028,929
		Collection of Subscription Receivable	42,808,835
		Dividend on held for trading investments	NA
MJC Forex Corporation (MFC)	Affiliate	Dollar Purchases	9,786,050
		Dividend on held for trading investments	NA

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

All related party transactions with subsidiaries, SPE and associate were properly approved by authorized officers. These were recorded and fully disclosed in the financial statements. The external auditor, SGV & Co., extensively reviews the related party transactions in the regular financial audit.

#### J. RIGHTS OF STOCKHOLDERS

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

###### (a) Quorum

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

<b>Quorum Required</b>	Majority of the subscribed capital stock.
------------------------	-------------------------------------------

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

Explain the system used to approve corporate acts.

<b>System Used</b>	Unanimous approval of all stockholders
<b>Description</b>	Matter for approval is presented to the stockholders and if there is no opposition, the matter is considered approved.

###### (c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
None.	

#### Dividends

Declaration Date	Record Date	Payment Date
None		

#### (d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
None	

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

- Approval of the Amendment, authorization of additional shares and transfer of all or substantially all assets as provided under the Corporation Code.
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
  - a. Date of sending out notices:
 

NO. The Company follows the SEC Rules wherein at least fifteen (15) business days prior to meeting.
  - b. Date of the Annual/Special Stockholders' Meeting:
 

- June 29, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
- None.
5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Election of New members of the Board of Directors and Committee members	<i>Unanimous</i>		
Approval of Declaration of Cash and Stock Dividends	<i>Unanimous</i>		
Increase in the Authorized Capital Stock from P1 Billion to P2 Billion	<i>Unanimous</i>		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
- Not Applicable.

(e) Modifications

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

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Alfonso R. Reyno, Jr. Teik Seng Cheah Alfonso V.G. Reyno III Bernadette V. Quiroz Gabriel A. Dee John Anthony B. Espiritu Cherrylyn G. Prado-Caoile Dennis Ryan C. Uy Jose Alvaro D. Rubio Victor P. Lazatin Laurito E. Serrano	June 29, 2016	Proxies		94.92%	
Special						

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

- Not Applicable.

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

- Not Applicable.

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Deadline pursuant to the Securities and Regulation Code
Notary	N/A
Submission of Proxy	Atleast forty eight hours (48) before the meeting – By-Laws
Several Proxies	None
Validity of Proxy	One (1) day before the meeting
Proxies executed abroad	None

Invalidated Proxy	None
Validation of Proxy	One (1) day before the meeting
Violation of Proxy	None

(h) Sending of Notices

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

Policies	Procedure
At least fifteen (15) business days prior to Annual meeting	Sending cd form via registered mail

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	444
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 7, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 7, 2015
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	YES



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

Each resolution to be taken up deals with only one item.	<b>Yes</b>
Profiles of directors ( <i>at least age, qualification, date of first appointment, experience, and directorships in other listed companies</i> ) nominated for election/re-election.	<b>No.</b> Profiles of directors are indicated in the Definitive Statement given to the stockholders.
The auditors to be appointed or re-appointed.	<b>No.</b> The Company's external auditor is indicated in the Definitive Statement given to the stockholders.
An explanation of the dividend policy, if any dividend is to be declared.	<b>No.</b> No stock dividends have been issued.
The amount payable for final dividends.	<b>No.</b> No stock dividends have been issued.
Documents required for proxy vote.	<b>No.</b> No proxy solicitation is sent with the Notice.

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

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
Right to vote on all matters	Ratification/Confirmation of all acts of Board of Directors and Board Committees during the Annual Stockholders' Meeting
Pre-emptive right to all stock issuance of the corporation	The Articles of Incorporation denies pre-emptive rights to shareholders to all stock issuances of the Corporation.
Right to inspect corporate books and records	Shareholders are allowed to inspect

	corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
Right to information	<p>The minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p> <p>They have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information.</p>
Right to dividends	They have the right to receive dividends.
Appraisal Right	They have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines.

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

- Yes.

#### K. INVESTORS RELATIONS PROGRAM

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

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the Organizational and Procedural controls supported by effective management information and risk management reporting systems; and (d) an Independent Audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

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

	Details
(1) Objectives	Not Applicable
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

- Those provided under the Corporation Code and the Securities and Regulation Commission.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

- The Independent Directors.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
None yet.	

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

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

	Process	Criteria
<b>Board of Directors</b>	Nominated through the Nomination Committee	No case as such has been filed against any officer or director of the Company or against any corporation where said officers and directors are connected.
<b>Board Committees</b>	-same-	-same-
<b>Individual Directors</b>	-same-	-same-
<b>CEO/President</b>	-same-	-same-

#### **N. INTERNAL BRANCHES AND SANCTIONS**

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

Violations	Sanctions
First Violation	Subject person shall be reprimanded
Second Violation	Suspension from office shall be imposed and the duration of the suspension shall depend on the gravity of the violation
Third Violation	Removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in PASIG CITY on 26 APR 2017

#### SIGNATURES



**ALFONSO R. REYNO, JR.**

*Chairman of the Board, CEO & President*



**VICTOR P. LAZATIN**

*Independent Director*



**LAURITO E. SERRANO**

*Independent Director*



**LEMUEL M. SANTOS**

*Compliance Officer*

**SUBSCRIBED AND SWORN** to before me this 26 APR 2017 affiants exhibiting to me their competent evidence of identity, as follows:

NAME	TAX IDENTIFICATION NO.	PLACE OF ISSUE
ALFONSO R. REYNO, JR.	114-555-166	Philippines
VICTOR P. LAZATIN	125-673-098	Philippines
LAURITO E. SERRANO	102-097-361	Philippines
LEMUEL M. SANTOS	143-405-790	Philippines

Doc. No. 372 ;  
Page No. 76 ;  
Book No. III ;  
Series of 2017.



**ATTY. JING-JING S. ROMERO**

NOTARY PUBLIC

APPOINTMENT NO. 153 (2016-2017)

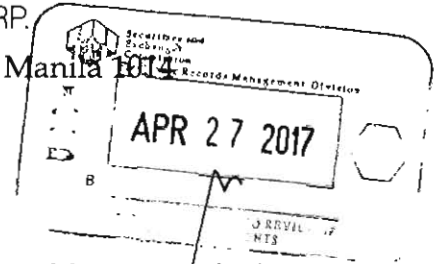
Until December 31, 2017

PTR No. 2516058 / Jan. 05, 2017 – Pasig City

IBP No. 1060501 / Jan. 07, 2017 – Quezon City

CITY OF PASIG, SAN JUAN AND PATEROS

Roll of Attorney No. 60827



**CFO'S CERTIFICATION**

I, Jose Alvaro D. Rubio, of legal age, Filipino and with office address at 12<sup>th</sup> Floor Strata 100 Building F, Ortigas Jr. Road, Ortigas Center, Pasig City, after being sworn in accordance with law, hereby certify that:

1. I am the Chief Financial Officer of MJC Investments Corporation, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. 10020 with principal office address at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila 1014.
2. The Financial Statements ("F/S") compact disc submitted contains the exact data stated in the hard copies of the 2016 F/S of the Corporation;
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of SEC.

WITNESS MY HAND on this 26 APR 2017 at PASIG CITY.



**JOSE ALVARO D. RUBIO**  
Chief Financial Officer

SUBSCRIBED AND SWORN to before me on this 26 APR 2017 at PASIG CITY.  
Affiant exhibited to me his TIN 109-933-906 issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. 394;  
Page No. 76;  
Book No. III;  
Series of 2017.



**ATTY. JING-JING S. ROMERO**

NOTARY PUBLIC

APPOINTMENT NO. 153-(2016-2017)

Until December 31, 2017

PTR No. 2516058 / Jan. 05, 2017 – Pasig City

IBP No. 1060501 / Jan. 07, 2017 – Quezon City

CITY OF PASIG, SAN JUAN AND PATEROS

Roll of Attorney No. 60827

# COVER SHEET

## for AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 0 0 2 0

**COMPANY NAME**

M	J	C		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		D	O
I	N	G		B	U	S	I	N	E	S	S		U	N	D	E	R		T	H	E		N	A	M	E		A	N
D		S	T	Y	L	E		O	F		W	I	N	F	O	R	D		L	E	I	S	U	R	E		A	N	D
E	N	T	E	R	T	A	I	N	M	E	N	T		C	O	M	P	L	E	X		A	N	D		W	I	N	F
O	R	D		H	O	T	E	L		A	N	D		C	A	S	I	N	O		A	N	D		S	U	B	S	I
D	I	A	R	Y																									

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

W	i	n	f	o	r	d		H	o	t	e	l		a	n	d		C	a	s	i	n	o	,		M	J	C	
D	r	i	v	e	,		S	t	a	.		C	r	u	z	,		M	a	n	i	l	a						

Form Type

A A C F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

-

Company's Telephone Number

528-2300

Mobile Number

-

No. of Stockholders

443

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

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

Name of Contact Person

Joemar Onnagan

Email Address

joemar.onnagan  
@winfordhotel.com.ph

Telephone Number/s

528-2300  
(loc. 1132)

Mobile Number

0917-899-1717

**CONTACT PERSON'S ADDRESS**

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

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

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





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

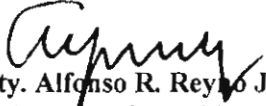
The management of MJC Investments Corporation and its Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

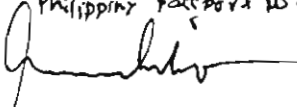
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

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

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

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

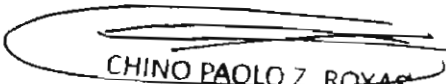
  
Atty. Alfonso R. Reyno Jr.  
Chairman/CEO/President  
Philippine passport no. 00000000000000000000

  
Jose Alvaro D. Rubio  
Chief Finance Officer  
TIN 109-933-204

Signed this 19th day of April 2017

SUBSCRIBED AND SWORN TO  
before me this 26 APR 2017 at  
PASIG CITY exhibiting  
to me his/her Competent evidence  
of Identity.

DOC. NO. 039 ;  
PAGE NO. 001 ;  
BOOK NO. 1 ;  
SERIES OF 2017 ;

  
CHINO PAOLO Z. ROXAS  
NOTARY PUBLIC  
APPOINTMENT NO. 138 (2017-2018)  
UNTIL DECEMBER 31, 2018  
PTR NO. 2516057 / 1-5-17 / PASIG CITY  
IBP NO. 1060502 / 1-7-17 / MAKATI CITY  
CITIES OF PASIG, SAN JUAN AND PATEROS  
ROLL OF ATTORNEY NO. 57018



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

MJC INVESTMENTS CORPORATION

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

(Formerly MJC Investments Corporation)

### Opinion

We have audited the consolidated financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) and subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

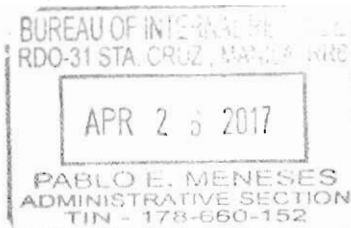
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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



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

#### *Commencement of Permit to Operate granted by PAGCOR*

As discussed in Notes 1 and 2 to the consolidated financial statements, the Group was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The Permit to Operate shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. The same agreement provides PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operation, on account of PAGCOR's expertise, experience and competence in gaming operations. We considered this as a key audit matter because it requires management to exercise significant judgment in determining the accounting treatment.

#### *Audit Response*

We obtained an understanding of the terms and conditions of the Permit to Operate through inquiry with management and their legal counsels. We also reviewed and evaluated the accounting treatment based on the underlying relevant documents and applicable accounting standards.

#### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which is expected to be made available to us after that date.

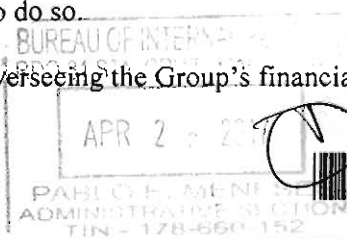
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

Those charge with governance are responsible for overseeing the Group's financial reporting process.



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

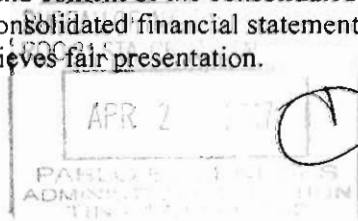
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

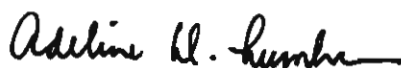
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

SEC Accreditation No. 1555-A (Group A),

April 14, 2016, valid until April 14, 2019

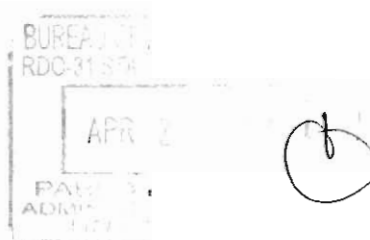
Tax Identification No. 224-024-746

BIR Accreditation No. 08-001998-118-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908715, January 3, 2017, Makati City

April 19, 2017



**MJC INVESTMENTS CORPORATION**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	P124,984,895	P1,240,357,420
Receivables (Note 8)	262,003,755	593,671,463
Inventories (Note 9)	21,308,091	3,938,140
Input value added tax (VAT) (Note 10)	387,795,739	320,420,400
Other current assets (Note 11)	416,619	5,728,249
Total Current Assets	796,509,099	2,164,115,672
<b>Noncurrent Assets</b>		
Property and equipment (Note 12)	5,753,968,763	3,857,034,742
Deferred input VAT (Note 10)	25,883,288	38,100,275
Other noncurrent assets (Note 13)	115,049,638	7,404,741
Total Noncurrent Assets	5,894,901,689	3,902,539,758
Total Assets	P6,691,410,788	P6,066,655,430
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 14)	P641,217,686	P611,182,703
Interest payable	19,055,836	14,047,419
Total Current Liabilities	660,273,522	625,230,122
<b>Noncurrent Liabilities</b>		
Loans payable (Note 15)	3,471,974,747	2,475,451,860
Retirement liability (Note 16)	812,718	—
Total Noncurrent Liabilities	3,472,787,465	2,475,451,860
Total Liabilities	4,133,060,987	3,100,681,982
<b>Equity</b>		
Capital stock (Note 21)	3,174,405,821	3,135,666,102
Deficit	(616,056,020)	(169,692,654)
Total Equity	2,558,349,801	2,965,973,448
Total Liabilities and Equity	P6,691,410,788	P6,066,655,430

See accompanying Notes to Consolidated Financial Statements.



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**MJC INVESTMENTS CORPORATION**

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Revenue share in gaming operations (Note 17)	₱171,930,605	₱—	₱—
Hotel, food and beverage	28,318,755	—	—
Other revenue (Note 24)	21,968,354	—	—
	222,217,714	—	—
<b>OPERATING COSTS AND EXPENSES (Note 23)</b>	<b>(538,846,874)</b>	<b>(43,280,046)</b>	<b>(32,413,972)</b>
<b>OPERATING LOSS</b>	<b>(316,629,160)</b>	<b>(43,280,046)</b>	<b>(32,413,972)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Note 15)	(128,180,135)	(14,499,279)	—
Interest income (Note 7)	1,307,544	4,627,775	9,878,114
Miscellaneous income (expenses) - net	(276,979)	139,884	298,448
	(127,149,570)	(9,731,620)	10,176,562
<b>LOSS BEFORE INCOME TAX</b>	<b>(443,778,730)</b>	<b>(53,011,666)</b>	<b>(22,237,410)</b>
<b>PROVISION FOR INCOME TAX</b> (Notes 2 and 18)	<b>(2,584,636)</b>	<b>(928,143)</b>	<b>(1,981,623)</b>
<b>NET LOSS</b>	<b>(446,363,366)</b>	<b>(53,939,809)</b>	<b>(24,219,033)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱446,363,366)</b>	<b>(₱53,939,809)</b>	<b>(₱24,219,033)</b>
<b>Basic/Diluted Loss Per Share (Note 22)</b>	<b>₱0.14</b>	<b>₱0.02</b>	<b>₱0.01</b>

*See accompanying Notes to 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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	Capital Stock (Note 21)		Net	Deficit	Total
	Issued and subscribed	Subscription receivables			
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
Collection of subscriptions receivable	—	38,739,719	38,739,719	—	38,739,719
Total comprehensive loss for the year	—	—	—	(446,363,366)	(446,363,366)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2016</b>	<b>₱3,174,405,821</b>	<b>₱—</b>	<b>₱3,174,405,821</b>	<b>(₱616,056,020)</b>	<b>₱2,558,349,801</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>
Subscription of capital stock	673,791,662	—	673,791,662	—	673,791,662
Collection of subscriptions receivable	—	66,808,835	66,808,835	—	66,808,835
Transaction costs on issuance of capital stock (Note 21)	—	—	—	(3,368,958)	(3,368,958)
Total comprehensive loss for the year	—	—	—	(53,939,809)	(53,939,809)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2013</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱88,164,854)</b>	<b>₱2,306,900,751</b>
Total comprehensive loss for the year	—	—	—	(24,219,033)	(24,219,033)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>

See accompanying Notes to 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**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P443,778,730)	(P53,011,666)	(P22,237,410)
Adjustments for:			
Depreciation and amortization (Notes 12, 13 and 23)	242,194,560	650,533	489,366
Interest expense (Note 15)	128,180,135	14,499,279	-
Interest income (Note 7)	(1,307,544)	(4,627,775)	(9,878,114)
Retirement benefit expense	812,718	-	-
Gain on sale of disposal of transportation equipment	(137,054)	-	-
Operating loss before working capital changes	(74,035,915)	(42,489,629)	(31,626,158)
Decrease (increase) in:			
Receivables	331,667,708	(333,132,773)	(37,318,195)
Inventories	(17,369,951)	(44,744,841)	-
Input VAT :			
Current	(67,375,339)	(127,261,782)	(90,328,403)
Deferred	12,216,987	(24,531,028)	(6,646,272)
Other current assets	311,631	(6,902,099)	(330,800)
Increase in accounts payable and other current liabilities	30,038,300	399,961,326	124,733,509
Net cash generated from (used in) operations	215,453,421	(179,100,826)	(41,516,319)
Income taxes paid	(2,587,954)	(930,825)	(1,981,623)
Interest received	1,307,544	4,627,775	9,878,114
Net cash flows provided by (used in) operating activities	214,173,011	(175,403,876)	(33,619,828)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment (Note 12)	(1,963,671,966)	(2,083,771,542)	(891,700,348)
Payment of accounts payable for construction costs (Notes 12 and 28)	(165,703,366)	-	-
Increase in other noncurrent assets	(117,911,092)	-	-
Proceeds from disposal of transportation equipment	650,000	-	-
Net cash flows used in investing activities	(2,246,636,424)	(2,083,771,542)	(891,700,348)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of loans (Note 15)	995,000,000	2,470,000,000	-
Payment of interest (Note 15)	(116,648,831)	-	-
Collection of subscriptions receivable (Note 21)	38,739,719	66,808,835	-
Proceeds from subscription of capital stock (Note 21)	-	673,791,662	-
Transaction costs on issuance of capital stock (Note 21)	-	(3,368,958)	-
Advances received from a related party (Note 20)	-	1,317,166	1,834,628
Net cash flows provided by financing activities	917,090,888	3,208,548,705	1,834,628
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,115,372,525)</b>	<b>949,373,287</b>	<b>(923,485,548)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,240,357,420</b>	<b>290,984,133</b>	<b>1,214,469,681</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P124,984,895</b>	<b>P1,240,357,420</b>	<b>P290,984,133</b>

See accompanying Notes to 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**

#### **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.

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

In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty years starting July 2005.

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding company, which 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.

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, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO, which also 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 one peso 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).

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

Authorization for the Issuance of Consolidated financial statements

The consolidated financial statements as at and for the years ended December 31, 2016 and 2015 was authorized for issuance by the Board of Directors (BOD) on April 19, 2017.

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**2. Agreements with PAGCOR**

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

*a. Permit to operate granted to Parent Company*

As discussed in Note 1 to the 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, as embodied in the provisions of the PTO.

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

- a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
- b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
- c) 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 provided and deemed necessary by PAGCOR;
  - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;
  - A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
  - Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
  - Surveillance equipment and paraphernalia; and



- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.
- d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;
- e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;
- f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;
- g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;
- h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation
- i) Provide the required cash capital for PAGCOR San Lazaro;
- j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;
- k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;
- l) Provide hotel accommodation for PAGCOR San Lazaro's guests;
- m) Provide required communication facilities at the casino offices and gaming areas;
- n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

The same 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 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 or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the Parent Company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.



Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

Furthermore, 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 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, as the entity is granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino 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, 2015, the Group 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 monthly 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").

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 Gaming Table Mix of four (4) junket gaming tables. Operation of gaming tables in excess of the initial Gaming Table Mix 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 of US\$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. 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 23). In addition to the monthly fee, the TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

For the year ended December 31, 2016, TSLC generated revenue of ₱1.4 million (presented as part of "Miscellaneous revenue") (see Note 24).



The TSLC shall also deposit to PAGCOR the following:

- a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation ("gaming deposit") prior to the actual operation of the junket tables amounting to ₱17.03 million, which are recorded as part of Long term deposits under Other noncurrent assets in the consolidated statement of financial position (see Note 13).
- 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 ₱2.91 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 statement of financial position (see Note 13).
- 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 (see Note 13).

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.

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

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### 3. Basis of Preparation and Statement of Compliance

#### Basis of Preparation

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

#### Statement of Compliance

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

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

#### New and Amended Standards and Interpretation

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*



These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statement
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.



- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.



- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Future Changes in Accounting Policies

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 to 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, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.





- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

*Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.



- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment



property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- Amendments to PFRS 10 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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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## 5. Summary of Significant Accounting 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 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 amortized cost are disclosed in Note 26.

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.

#### Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise of cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### Financial instruments – initial recognition and subsequent measurement

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

#### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

As of December 31, 2016 and 2015, the Group only has financial assets classified as loans and receivables.



#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is presented as "Interest expense" in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in "Interest expense" for loans and in "Operating costs and expenses" for receivables.

This category generally applies to cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits (as presented under "Other current assets") and long term deposits (presented as part of "Other noncurrent assets") as of December 31, 2016 and 2015.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimate future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include financial liabilities arising from accounts payable and other current liabilities (excluding statutory payables), interest payable, and loans payable. The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related



premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in profit or loss.

As of December 31, 2016 and 2015, the Group's financial liabilities includes other financial liabilities consisting of accounts payable and other current liabilities (excluding statutory payables), interest payable, and loans payable.

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Inventories

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

#### 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:

Category	2016	2015
Building	30 years	—
Machinery	10 years	10 years
Gaming equipment	8 years	—
Nongaming equipment	5 years	5 years
Kitchen and bar equipment, computer software and hardware	3 years	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.

Construction in progress is stated at cost. This includes cost of construction, borrowing costs incurred during the development or construction phase and other direct costs. Borrowing costs are capitalized until the property is completed and becomes available for use. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use. The capitalized interest is amortized over the estimated useful life of the related assets.

#### 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" account) 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 nonfinancial assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial 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 asset's recoverable amount is the higher of the assets' 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 from other asset 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.



#### Revenue Recognition

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

The specific recognition criteria described below must also be met before revenue is recognized.

#### *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.

#### *Hotel, food and beverage*

Hotel, food and beverage are recognized when services are performed or the goods are sold. Deposits received from customers in advance on rooms are recorded as "Unearned income" under "Accounts payable and other current liabilities" until services are provided to the customers.

Other income consists of:

#### *Revenue from Bingo*

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 less prizes/winnings. This is included at "Other income" in the consolidated statements of comprehensive income.

#### *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.

#### *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 cash equivalents and advances to related parties.

#### 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 fixed amount of gaming fees or a percentage of its gross winnings from TSLC's junket operation and a percentage of the Parent Company's gross receipts from bingo operations. These fees are recorded as part of gaming fees under "Operating costs and expenses".

#### Taxes

##### *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 of 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.

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 OCI or directly in equity.



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

#### Retirement Benefits Cost

The Group has noncontributory defined benefit plans, covering substantially all of its regular employees.

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 remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Leases

The determination of whether an arrangement, is or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is or those assets are not explicitly specified in an arrangement.

##### *Parent Company as a lessee*

Lease where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are charged against profit or loss.

##### *Parent Company as a lessor*

Leases in which the Parent Company 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.



#### Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT," or "Deferred input VAT" or "Accounts payables and other current liabilities" accounts 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 the 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 25.

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.



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## 6. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from the estimates and assumptions used. The effects of any change in estimates or assumptions are reflected in the consolidated financial statements when these become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

### *Evaluating Lease Commitments*

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

### *Parent Company as the lessor - Operating Lease commitments*

The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the Parent Company by the end of the lease term, the Parent Company has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

### *Recognition of deferred tax assets*

The Group makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

From its hotel operations as of December 31, 2016 and 2015, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 18).

From the casino operations, no deferred tax assets will be recognized since the Group's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.



*Estimation of the useful lives of property and equipment*

The useful lives of each of the Group's property and equipment are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

As discussed in Note 12, the construction in progress in 2015 was substantially completed and reclassified in 2016 to its appropriate property and equipment category. The carrying value of property and equipment as of December 31, 2016 and 2015 are disclosed in Note 12 to the consolidated financial statements.

*Recoverability of input VAT*

The Group assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT as of December 31, 2016 and 2015 are recoverable from future revenue that will be generated from the hotel operations and are disclosed in Note 10 to the consolidated financial statements.

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**7. Cash and Cash Equivalents**

This account consists of:

	2016	2015
Cash on hand	<b>₱7,859,930</b>	<b>₱50,000</b>
Cash in banks	<b>110,480,529</b>	1,233,742,556
Cash equivalents	<b>6,644,436</b>	6,564,864
	<b>₱124,984,895</b>	<b>₱1,240,357,420</b>

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱1.3 million in 2016, ₱4.6 million in 2015 and ₱9.9 million in 2014.



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## 8. Receivables

This account consists of:

	2016	2015
Trade (Note 20)	<b>₱8,291,951</b>	<b>₱—</b>
Receivable from PAGCOR	<b>18,246,057</b>	<b>—</b>
Advances to contractors and suppliers	<b>124,118,787</b>	<b>481,736,341</b>
Advances to employees (Note 20)	<b>213,176</b>	<b>330,321</b>
Others	<b>111,133,784</b>	<b>111,604,801</b>
	<b>₱262,003,755</b>	<b>₱593,671,463</b>

Trade receivables mainly include claims against the lessees of the building spaces for commercial operations and are usually collected within 30 to 60 days.

Receivable from PAGCOR pertains to the outstanding balance of the Group's revenue share in gaming operations 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.

Advances to contractors and suppliers are noninterest-bearing downpayments which are applied against final billings by the contractors and suppliers.

Advances to employees are noninterest-bearing loans and are due and demandable (see Note 20).

Others mainly pertain to receivable from a third party for consideration related to certain disposed assets.

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## 9. Inventories

This account consists of:

	2016	2015
Operating supplies	<b>₱18,116,614</b>	<b>₱3,938,140</b>
Food, beverage, tobacco	<b>3,191,477</b>	<b>—</b>
	<b>₱21,308,091</b>	<b>₱3,938,140</b>

All of the inventories recorded at year end are carried at cost. Operating supplies include cards, seals and dice.





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**10. Input VAT**

This account consists of:

	2016	2015
Current:		
Input VAT	<b>₱387,795,739</b>	₱320,420,400
Noncurrent:		
Deferred input VAT	<b>25,883,288</b>	38,100,275
	<b>₱413,679,027</b>	<b>₱358,520,675</b>

Input VAT pertains mainly to the Group's purchases related to the construction of Winford Hotel building, while 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.

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**11. Other Current Assets**

This account consists of:

	2016	2015
Deposits	<b>₱375,000</b>	₱615,749
Others	<b>41,619</b>	5,112,500
	<b>₱416,619</b>	<b>₱5,728,249</b>

Deposits pertain to security deposits for billboard, office and parking space rental.

Others in 2015 mainly consist of the debt issue cost of undrawn loan amount of ₱1.0 billion, which was subsequently utilized in April 2016 upon drawdown of the remaining balance of loan facility (see Note 15).



## 12. Property and Equipment

This account consists of:

		2016					
		Land	Building	Machinery	Gaming Equipment	Non-gaming equipment, Computer software and hardware	Construction in Progress
Cost							Total
Balance at beginning of year		P600,800,000	P-	P-	P203,095,681	P102,527,807	P2,799,184,871
Additions		-	234,685,850	2,521,448	107,072,824	83,304,270	1,674,331,053
Reclassifications		-	3,639,225,813	187,498,231	62,374	238,864,367	(4,473,515,924)
Disposal		-	-	-	-	(1,025,892)	-
Balance at end of year		600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,552	5,986,559,100
Accumulated depreciation							
Balance at beginning of year		-	-	-	-	732,238	-
Depreciation		-	93,440,349	1,562,485	35,778,249	33,058,145	68,089,138
Disposal		-	-	-	-	(512,946)	-
Balance at end of year		-	93,440,349	1,562,485	35,778,249	33,277,437	68,531,817
Net book value		P600,800,000	P3,780,471,314	P188,457,194	P274,452,630	P390,393,115	P5,753,968,763

		2015					
		Land	Building	Machinery	Gaming Equipment	Non-gaming equipment, Computer software and hardware	Construction in Progress
Cost							Total
Balance at beginning of year		P600,800,000	P-	P-	P-	P1,812,280	P1,130,323,472
Additions		-	-	-	203,095,681	100,715,527	1,668,861,399
Balance at end of year		600,800,000	-	-	203,095,681	102,527,807	2,799,184,871
Accumulated depreciation							
Balance at beginning of year		-	-	-	-	342,611	-
Depreciation		-	-	-	-	389,627	-
Balance at end of year		-	-	-	-	732,238	-
Net book value		P600,800,000	P-	P-	P203,095,681	P101,795,569	P2,799,184,871



Construction in progress in 2015 pertains mainly to the construction of the Winford Hotel building in San Lazaro Tourism and Business Park in Sta. Cruz, Manila. It was substantially completed in December 2016 and was reclassified to its appropriate property and equipment account.

Land and building with carrying value of ₱600.8 million and ₱3,780.5 million, respectively, as of December 31, 2016 were pledged as collateral for the loan facility (see Note 15).

The amount of borrowing cost capitalized for the year ended December 31, 2016 and 2015 was ₱63.9 million and nil, respectively. The rate used to determine the amount of borrowing cost eligible for capitalization was 6.1%.

Gain on sale of non-gaming equipment amounted to ₱0.1 million in 2016 and nil in 2015 and 2014, respectively.

### 13. Other Noncurrent Assets

This account consists of:

	2016	2015
Operating equipment	₱87,131,389	₱-
Long term deposits	27,918,249	7,404,741
	<b>₱115,049,638</b>	<b>₱7,404,741</b>

Operating equipment pertains to linens, uniforms and utensils purchased by the Group to be amortized over a period of three years. Purchases were made in 2016 amounting to ₱97.4 million. Amortization amounted to ₱10.3 million for the year ended December 31, 2016.

Long term deposit pertains to guarantee payment for utility bills and cash deposits of Trafalgar to PAGCOR (see Note 2).

### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	2016	2015
Retention payable	₱349,373,245	₱202,160,962
Accounts payable	267,171,320	388,238,778
Accrued expenses	11,377,579	10,516,105
Advances from related parties (Note 20)	4,970,819	4,096,965
Withholding taxes payable	2,192,513	6,123,067
Unearned income	1,669,510	-
Income tax payable	-	3,318
Others	4,462,700	43,508
	<b>₱641,217,686</b>	<b>₱611,182,703</b>

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

Accounts payable are noninterest-bearing and are normally settled within the next financial year. As of December 31, 2016 and 2015, a significant amount of the accounts payable pertains to the



construction cost incurred for the Winford Hotel building in Sta. Cruz, Manila (see Note 12).

Accrued expenses pertain to accrual of utilities, travel and transportation, meeting and conferences, among others, which are normally settled in the next financial year.

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.

Unearned income pertains to deposits received from customers in advance on rooms until services are provided to the customers.

Others include customers' deposits, service charge payable, statutory liabilities and other various individually insignificant items.

## 15. Loans Payable

This account consists of:

	2016	2015
Principal	<b>₱3,500,000,000</b>	₱2,500,000,000
Less unamortized debt discount	<b>28,025,253</b>	24,548,140
	<b>₱3,471,974,747</b>	₱2,475,451,860

The movements in unamortized debt discount follow:

	2016	2015
Unamortized debt discount at beginning of year	<b>₱24,548,140</b>	₱—
Additions	<b>10,000,000</b>	25,000,000
Less: amortization*	<b>6,522,887</b>	451,860
Unamortized debt discount at end of year	<b>₱28,025,253</b>	₱24,548,140

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

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 PDST R2 +125 basis points at drawdown date, plus gross receipts tax. 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 ₱2.47 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. Out of the ₱17.5 million upfront fee, ₱5.0 million pertains to the undrawn portion amounting to ₱1.0 billion as at December 31, 2015 which is presented as part of "Other current assets" in the 2015 consolidated statement of financial position (see Note 11).

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.



The related interest recognized amounted to ₱192.1 million and ₱14.5 million in 2016 and 2015, respectively. Total interest paid amounted to ₱116.6 million and nil in 2016 and 2015, respectively. Part of the said interest in 2016 was capitalized as borrowing cost in relation to the construction of the building which amounted to ₱63.9 million in 2016 (see Note 12).

The loan is secured by the Parent Company's land and building with a carrying value of ₱4.4 billion and ₱3.4 billion as of December 31, 2016 and 2015 (see Note 12).

#### 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. The Parent Company continues to comply with the loan covenants.

Future repayment of the principal as of December 31, 2016 follows:

2018	<b>₱700,000,000</b>
2019	<b>700,000,000</b>
2020	<b>700,000,000</b>
2021	<b>700,000,000</b>
2022	<b>700,000,000</b>
	<b><u>₱3,500,000,000</u></b>

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#### **16. Retirement Benefits**

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. An independent actuary conducted the valuation of the fund. The latest actuarial valuation reports are as of December 31, 2016.

The retirement cost and retirement liability for the year ended December 31, 2016 amounted to ₱0.8 million.

The cost of the retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. The principal assumptions used in determining the retirement liability of the Group in 2016 are shown below:

Discount rate	<b>5.86%</b>
Salary Increase rate	<b>3.00%</b>



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability	
	Increase (Decrease)	2016
Discount Rate	+1.00%	(P113,017)
	-1.00%	138,064
Salary increase rate	+1.00%	131,641
	-1.00%	(110,054)

The weighted average duration of the defined benefit obligation as of December 31, 2016 is 18.2 years.

As of December 31, 2016, the expected future benefit payments in six to ten years amounted to P1.1 million.

## 17. Commitments

### *Accounting treatment for the Permit to Operate*

As discussed in Note 1 and 2, the Parent Company was granted a Permit to Operate by PAGCOR. In the accounting treatment of the provisions of the Permit to Operate, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on IFRIC 4, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:

- The use of certain floors in its building as gaming facility (two floors as of December 31, 2016), and
- The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Group retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of December 31, 2016, the Parent Company continues to recognize these assets in the consolidated statements of financial position. The income received from PAGCOR for the use of these assets amounted to P171.9 million and are presented as "Revenue share in gaming operations" in the consolidated statements of comprehensive income.

### *Operating Lease Commitment – the Parent Company as Lessor*

- The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 sq. m. The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and subsequently renewed. The monthly payment amounts to P30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also states that rental payment shall escalate by 10% per annum.



- b. The Parent Company also entered into an agreement of lease with Ifoods Group Inc. (the lessee) to lease a 315.5 sq. m area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Upon completion of all hotel rooms of Winford Hotel, base rental shall be ₱600 per sq. m per month, exclusive of VAT. Percentage rental rate shall be 10% of Gross Sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and 7% of gross sales upon completion of all hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.
- c. The Parent Company also entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sq. m. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per square meter per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher.
- d. The Parent Company also entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sq. m for a basic rent of ₱1,300 per sq. m plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sq. m per month), whichever is higher.

Rent escalation shall separately apply to both basic rent and minimum guaranteed rent.

- e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation (the lessee) to lease a 390 sq. m area of Winford Hotel and Casino to be used for spa and salon services. The base rental rate amounts to ₱650 per sq. m per month. In addition to the amount the lessee shall pay during the initial term and any renewal term of this lease, a percentage rental which is 10% of Gross Revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

The estimated future minimum lease payments for the above agreements are as follows:

	2016	2015
Within one year	₱3,214,955	₱—
After one year but not more than five years	51,588,468	—
Five years onwards	47,835,873	—
	<b>₱102,639,296</b>	<b>₱—</b>

Rent income amounted to ₱2.8 million in 2016 (Note 24).

*Operating Lease Commitment – the Parent Company as Lessee*

- a. On July 15, 2014, the Parent Company entered into a lease agreement with EEG Development Corporation to lease a property located at 1774 Consuelo Street, Sta. Cruz, Manila consisting of a floor area of 225 square meters for the purposes of the mockup of Winford Hotel and Casino project. The lease term is for a period of two (2) years commencing July 15, 2014 and expiring on July 14, 2016, renewable under such terms and conditions mutually agreed upon by the parties. The monthly rate for rental amounted to ₱45,000, exclusive of VAT and subject to withholding tax, which is payable every 15<sup>th</sup> day of each calendar month. No renewal was made on July 14, 2016.



- b. On September 3, 2014, the Parent Company also entered into a lease agreement with Carosal Development Corporation to lease Unit E, 17<sup>th</sup> Floor, Strata 100 Bldg., F Ortigas Jr. Road, Ortigas Center, Pasig City with an area of 120 square meters. The lease term is for a period of one (1) year commencing on September 3, 2014 and expiring on September 2, 2015, renewable under the terms and conditions as the parties may hereafter agree upon. The monthly rate for rental amounted to ₱45,600 exclusive of VAT and association dues. The Parent Company extended the lease term until November 2, 2015 and was not further renewed.

As of December 31, 2015, the estimated future minimum lease payments for the above agreements are as follows:

Within one year	₱304,750
After one year but not more than five years	—
	<u>₱304,750</u>

Rent expense amounted to ₱4.6 million, ₱3.5 million and ₱1.4 million in 2016, 2015 and 2014, respectively (see Note 23).

*Operations and Management Agreement*

The Parent Company also entered into an operations and management contract with a service provider engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management, and development of the hotel. The agreement shall take effect on November 1, 2015 and will continue until terminated in accordance with the provision thereof. The monthly service fee is equivalent to the necessary and reasonable costs of providing the services plus ten percent (10%) markup, which in no event shall be less than ₱1.7 million per month.

*Others*

As discussed in Note 2, the Group was granted by PAGCOR the right to operate the traditional bingo and junket operations.

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## 18. Income Taxes

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of Presidential Decree (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 (see Note 2).





The provision for income tax consists of the following:

	2016	2015	2014
Current:			
Final	<b>P2,584,636</b>	P924,825	P1,975,623
MCIT	—	3,318	6,000
	<b>P2,584,636</b>	<b>P928,143</b>	<b>P1,981,623</b>

There were no deferred tax liabilities as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

As of December 31, 2016 and 2015, the unrecognized deferred tax assets from its hotel operations are composed of the following:

	2016	2015
NOLCO	<b>P495,568,395</b>	P129,727,418
Customer deposits	1,722,579	—
Unearned income	1,669,510	—
Retirement expense	812,718	—
Amortization of long term deposit	428,491	—
Unrealized foreign exchange loss	134,173	—
MCIT	9,318	15,318
	<b>P500,345,184</b>	<b>P129,742,736</b>

As of December 31, 2016, the details of NOLCO and MCIT are as follows:

*NOLCO*

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	P40,141,400	P—	P40,141,400	P—	2016
2014	32,053,407	—	—	32,053,407	2017
2015	57,532,611	—	—	57,532,611	2018
2016	—	405,982,377	—	405,982,377	2019
	<b>P129,727,418</b>	<b>P405,982,377</b>	<b>P40,141,400</b>	<b>P495,568,395</b>	



*MCIT*

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	P6,000	P-	P6,000	P-	2016
2014	6,000	-	-	6,000	2017
2015	3,318	-	-	3,318	2018
	<b>P15,318</b>	<b>P-</b>	<b>P6,000</b>	<b>P9,318</b>	

The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 are as follows:

	2016	2015	2014
Benefit from income tax based on accounting income before income tax	(P133,133,619)	(P15,903,500)	(P6,671,223)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	111,176,534	17,263,101	9,622,022
Nondeductible expenses and others	13,163,329	32,049	18,635
Expired NOLCO and MCIT	12,048,420	-	-
Income from gaming operations exempt from income tax	(270,061)	-	-
Interest income subjected to final tax	(399,967)	(463,507)	(987,811)
Provision for income tax	<b>P2,584,636</b>	<b>P928,143</b>	<b>P1,981,623</b>

**19. PEZA Registration**

On February 10, 2015, the Parent Company's registration as an Ecozone Tourism Enterprise for the development and operation of tourist, leisure and entertainment facilities is approved by Philippine Economic Zone Authority (PEZA).

As provided in its Registration Agreement dated February 24, 2015, the Parent Company shall be entitled only to tax and duty-free importation and zero-VAT rating on local purchases of capital equipment in accordance with PEZA Board Resolution No. 12-610 dated November 13, 2012, except for casino operations and other gaming/gambling operations, if any, subject to all evaluation and/or processing requirements and procedures prescribed under PEZA Rules and Regulations, pertinent circulars and directives.



## 20. 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:

Entity	Relationship	Nature	2016		2015		Terms	Condition
			Amount	Receivable (Payable)	Amount	Receivable (Payable)		
Manila Jockey Club, Inc (MJCI)	Stockholder	Proceeds from subscription <sup>(a)</sup>	₱-	₱-	₱42,808,835	₱-	Noninterest-bearing; payable upon call	Unsecured, unguaranteed
		Advances <sup>(b)</sup>	873,853	(4,970,819)	1,317,166	(4,096,965)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting <sup>(c)</sup>	10,137	10,137	701,640	-	Noninterest-bearing, due and demandable	Unsecured, unguaranteed
Manilacockers Club, Inc (MCI)	Subsidiary of a stockholder	Commission from the off-track betting <sup>(d)</sup>	75,934	75,934	-	-	Noninterest-bearing; due and demandable	Unsecured, unguaranteed

<sup>(a)</sup> Shares subscribed by MJCI were already fully collected as of December 31, 2015.

<sup>(b)</sup> The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.

<sup>(c)</sup> Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino and presented under "Trade receivables"

<sup>(d)</sup> Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino and presented under "Trade receivables"

### Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱11.2 million, ₱16.7 million and ₱11.5 million as of December 31, 2016, 2015 and 2014, respectively.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2016, 2015 and 2014, the BOD received directors' fees aggregating ₱0.6 million, ₱0.4 million and ₱0.7 million, respectively.

The Group's advances to its employees amounted to ₱0.2 million and ₱0.3 million as of December 31, 2016 and 2015, respectively (see Note 8).



## 21. Equity

### Capital Stock

Details of capital stock are as follows:

	2016		2015		2014	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Common shares – P1 par value						
Authorized – 5,000,000,000 shares						
Issued and subscribed shares	3,174,405,821	P3,174,405,821	2,500,614,159	P2,500,614,159	2,309,601,064	P2,309,601,064
Additional subscription during the year	-	-	673,791,662	673,791,662	191,013,095	191,013,095
Subscriptions receivable	-	-	-	(38,739,719)	-	(105,548,554)
Total issued and outstanding and subscribed capital (held by 443, 444 and 452 equity holders in 2016, 2015 and 2014, respectively)	3,174,405,821	P3,174,405,821	3,174,405,821	P3,135,666,102	2,500,614,159	P2,395,065,605

On January 23, 2009, MJCI executed a subscription agreement to subscribe to 107,360,137 shares out of the unissued portion of the authorized capital stock of the Parent Company at the subscription price of P1.0 per share. In 2013, MJCI has paid P64.6 million representing the initial and partial payments of 60.13% of the subscription price. The remaining balance of P42.8 million was paid by MJCI on July 14, 2015.

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which P20.9 million were paid up. In 2015, P24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to P38.7 million was collected on May 30, 2016.

On January 14, 2015, the Parent Company received from a group of strategic investors the amount of P673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of P1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to P3.4 million was charged to "Deficit" in the consolidated statements of changes in equity.

## 22. Basic/Diluted Loss Per Share

	2016	2015	2014
Net loss for the year	P446,363,366	P53,939,809	P24,219,033
Divided by weighted average number of outstanding common shares	3,174,405,821	3,146,331,168	2,500,614,159
Basic/diluted losses per share	P0.14	P0.02	P0.01

The Parent Company has no potential dilutive common shares as of December 31, 2016, 2015 and 2014. Therefore, the basic and diluted loss per share are the same as of those dates.



## 23. Operating Costs and Expenses

This account consists of:

	2016	2015	2014
<b>Cost of Operations</b>			
Depreciation and amortization (Notes 12 and 13)	₱140,441,197	₱—	₱—
Utilities	56,118,764	—	—
Salaries and wages	29,533,690	—	—
Gaming fees (Note 2)	22,029,770	—	—
Professional fees	9,545,332	—	—
Food, beverage, and tobacco	6,912,332	—	—
Communication	5,381,984	—	—
Hotel room and supplies	4,238,114	—	—
Banquet expenses	2,931,745	—	—
Entertainment	1,943,401	—	—
Repairs and maintenance	926,415	—	—
Others	3,866,803	—	—
	<b>283,869,547</b>	<b>—</b>	<b>—</b>
<b>Operating Expenses</b>			
Depreciation and amortization (Notes 12 and 13)	101,753,363	650,533	489,366
Contract services	51,365,621	385,791	401,957
Security	27,582,364	—	—
Salaries and wages	15,293,323	23,221,602	17,449,825
Management fee (Note 17)	17,385,900	—	—
Utilities	9,903,311	4,617,872	237,947
Advertising and marketing	6,112,218	—	25,357
Taxes and licenses	5,983,506	496,453	46,705
Rent (Note 17)	4,610,654	3,492,289	1,448,736
Insurance	2,150,766	35,328	623
Transportation and travel	2,096,979	353,881	3,020,204
Supplies	1,934,873	152,906	110,363
Professional fees	1,684,470	6,763,212	1,671,000
Meetings and conferences	1,515,417	563,400	3,195,012
Representation	1,203,731	106,830	62,117
Communication	949,762	573,898	339,264
Directors' fees	553,000	449,000	707,000
Others	2,898,069	1,417,051	3,208,496
	<b>254,977,327</b>	<b>43,280,046</b>	<b>32,413,972</b>
<b>Total</b>	<b>₱538,846,874</b>	<b>₱43,280,046</b>	<b>₱32,413,972</b>



## 24. Other Revenue

This account consists of:

	2016	2015	2014
Revenue from bingo operations	<b>₱16,378,521</b>	<b>₱—</b>	<b>₱—</b>
Rent income (Note 17)	<b>2,839,601</b>	<b>—</b>	<b>—</b>
Miscellaneous	<b>2,750,232</b>	<b>—</b>	<b>—</b>
	<b>₱21,968,354</b>	<b>₱—</b>	<b>₱—</b>

Miscellaneous revenue includes revenue from sale of tobacco and parking fees collected.

## 25. Operating Segment Information

The Group has two operating segments in 2016 and only one operating segment in 2015 and 2014. 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 years ended December 31, 2016, 2015 and 2014 are as follows:

	2016		
	Gaming	Non-gaming	Total
Revenue	<b>₱189,710,646</b>	<b>₱32,507,068</b>	<b>₱222,217,714</b>
Operating costs and expenses	<b>(172,431,921)</b>	<b>(366,414,953)</b>	<b>(538,846,874)</b>
Other expenses – net	<b>—</b>	<b>(127,149,570)</b>	<b>(127,149,570)</b>
Provision from income tax	<b>(2,584,636)</b>	<b>—</b>	<b>(2,584,636)</b>
Net loss	<b>₱14,694,089</b>	<b>(₱461,057,455)</b>	<b>(₱446,363,366)</b>

	2015		
	Gaming	Non-gaming	Total
Operating costs and expenses	<b>₱—</b>	<b>(₱43,280,046)</b>	<b>(₱43,280,046)</b>
Other expenses – net	<b>—</b>	<b>(9,731,620)</b>	<b>(9,731,620)</b>
Provision from income tax	<b>—</b>	<b>(928,143)</b>	<b>(928,143)</b>
Net loss	<b>₱—</b>	<b>(₱53,939,809)</b>	<b>(₱53,939,809)</b>

	2014		
	Gaming	Non-gaming	Total
Operating costs and expenses	<b>₱—</b>	<b>(₱32,413,972)</b>	<b>(₱32,413,972)</b>
Other income – net	<b>—</b>	<b>10,176,562</b>	<b>10,176,562</b>
Provision from income tax	<b>—</b>	<b>(1,981,623)</b>	<b>(1,981,623)</b>
Net loss	<b>₱—</b>	<b>(₱24,219,033)</b>	<b>(₱24,219,033)</b>



**Segment Assets and Liabilities and Other Information**

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2016 and 2015 are as follows:

	2016		
	Gaming	Non-gaming	Total
Assets	₱2,181,207,603	₱4,510,203,185	₱6,691,410,788
Liabilities	3,551,786,937	581,274,050	4,133,060,987
Capital expenditures	531,231,353	1,598,143,980	2,129,375,333
Interest income	—	1,307,544	1,307,544
Depreciation and amortization	68,953,579	173,240,981	242,194,560

	2015		
	Gaming	Non-gaming	Total
Assets	₱—	₱6,066,655,430	₱6,066,655,430
Liabilities	—	3,100,681,982	3,100,681,982
Capital expenditures	—	2,124,578,243	2,124,578,243
Interest income	—	4,627,775	4,627,775
Depreciation and amortization	—	650,533	650,533

**26. Financial Risk Management Objectives and Policies and Fair Value Measurement**

**Financial Risk Management Objectives and Policies**

The Group's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits/advances (presented as part of "Other current assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

**Credit Risk**

Credit risk arises because the counterparty may fail to discharge its contractual obligations. As a matter of policy, the Group limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Group transacts only with related parties and with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.



The table below shows the maximum exposure to credit risk of the Group as at December 31, 2016 and 2015.

	2016	2015
Loans and receivables:		
Cash and cash equivalents*	<b>₱117,124,965</b>	₱1,240,307,420
Receivables**	<b>137,884,968</b>	111,935,122
Long term deposit***	<b>6,976,249</b>	7,404,740
	<b>₱261,986,182</b>	<b>₱1,359,647,282</b>

\*Excluding cash on hand amounting to ₱7,859,930 and ₱50,000 for the year ended December 31, 2016 and 2015, respectively

\*\*Excluding advances to contractors and suppliers amounting to ₱124,118,787 and ₱481,736,341 for the year ended December 31, 2016 and 2015, respectively.

\*\*\*Presented under "Other noncurrent assets" in consolidated financial statements.

As of December 31, 2016 and 2015, the aging analysis of receivables is as follows:

2016	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 (Note 20)	₱8,291,951	₱6,171,011	₱529,777	₱680,283	₱375,938	₱534,942	₱-	₱-
Receivable from PAGCOR	18,246,057	18,246,057	-	-	-	-	-	-
Advances to employees (Note 20)	213,176	213,176	-	-	-	-	-	-
Others	111,133,784	-	-	-	-	-	111,133,784	-
	<b>₱137,884,968</b>	<b>₱24,630,244</b>	<b>₱529,777</b>	<b>₱680,283</b>	<b>₱375,938</b>	<b>₱534,942</b>	<b>₱111,133,784</b>	<b>₱-</b>

\*Excluding advances to contractors and suppliers amounting to ₱124,118,787 as of December 31, 2016.

2015	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	
Advances to employees (Note 20)	₱330,321	₱330,321	₱-	₱-	₱-	₱-	₱-	₱-
Others	111,604,801	-	-	-	-	-	111,604,801	-
	<b>₱111,935,122</b>	<b>₱330,321</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱111,604,801</b>	<b>₱-</b>

\*Excluding advances to contractors and suppliers amounting to ₱481,736,341 as of December 31, 2015.

The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2016 and 2015, based on the Group's experience with its debtor's ability to pay:

	2016			
	Grade A	Grade B	Grade C	Total
Trade (Note 20)	<b>₱3,605,224</b>	<b>₱1,001,330</b>	<b>₱1,564,457</b>	<b>₱6,171,011</b>
Receivable from PAGCOR	-	18,246,057	-	18,246,057
Advances to employees (Note 20)	213,176	-	-	213,176
	<b>₱3,818,400</b>	<b>₱19,247,387</b>	<b>₱1,564,457</b>	<b>₱24,630,244</b>

\*Excluding advances to contractors and suppliers amounting to ₱124,118,787 as of December 31, 2016.

	2015			
	Grade A	Grade B	Grade C	Total
Advances to employees (Note 20)	₱330,321	₱-	₱-	₱330,321

\*Excluding advances to contractors and suppliers amounting to ₱481,736,341 as of December 31, 2015.





The credit quality of the financial assets was determined as follows:

- **Grade A**  
This includes cash and cash equivalents deposited with banks having good reputation and bank standing and receivables from customers or affiliates that always pay on time or even before the maturity date.
- **Grade B**  
This includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group.
- **Grade C**  
This includes receivables which are still collected within their extended due dates.

#### Liquidity Risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. The Group's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments.

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	P=	P=	P4,212,351,992	P4,212,351,992
Accounts payable and other current liabilities**	4,970,819	634,054,354	–	639,025,173
	P4,970,819	P634,054,354	P4,212,351,992	P4,851,377,165

\*Including interest.

\*\*Excluding withholding taxes payable amounting to P2,192,513.

	2015			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	P=	P=	P3,173,862,935	P3,173,862,935
Accounts payable and other current liabilities**	4,096,965	600,962,671	–	605,059,636
	P4,096,965	P600,962,671	P3,173,862,935	P3,778,922,571

\*Including interest.

\*\*Excluding withholding taxes payable amounting to P6,123,067.



The following tables show the profile of financial assets used by the Group to manage its liquidity risk:

	2016			Total
	Due and Demandable	Less than 1 year	1 year or above	
Loans and receivables:				
Cash and cash equivalents*	₱117,124,965	₱-	₱-	₱117,124,965
Receivables**	-	137,884,968	-	137,884,968
Long term deposit***	-	-	6,976,249	6,976,249
	₱117,124,965	₱137,884,968	₱6,976,249	₱261,986,182

\*Excluding cash on hand amounting to ₱7,859,930.

\*\*Excluding advances to contractors and suppliers amounting to ₱124,118,787.

\*\*\*Presented under "Other noncurrent assets" in consolidated financial statements.

	2015			Total
	Due and Demandable	Less than 1 year	1 year or above	
Loans and receivables:				
Cash and cash equivalents*	₱1,240,307,420	₱-	₱-	₱1,240,307,420
Receivables**	-	111,935,122	-	111,935,122
Long term deposit***	-	-	7,404,740	7,404,740
	₱1,240,307,420	₱111,935,122	₱7,404,740	₱1,359,647,282

\*Excluding cash on hand amounting to ₱50,000.

\*\*Excluding advances to contractors and suppliers amounting to ₱481,736,341.

\*\*\*Presented under "Other noncurrent assets" in consolidated financial statements.

#### Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), 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 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 loans payable and long term deposits as of 2016 and 2015 are as follows:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Long-term deposits	₱27,918,249	₱25,953,470	₱7,404,741	₱6,585,709
<b>Financial Liabilities</b>				
Other financial liability				
Loans Payable	₱3,471,974,747	₱3,729,639,356	₱2,475,451,860	₱2,725,692,158

There were no financial instruments carried at fair value as of December 31, 2016 and 2015.



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## 27. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value. The Group considers its total equity amounting to ₱ 2.6 billion and ₱ 3.0 billion as its capital as of December 31, 2016 and 2015.

The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity") should not exceed 2.0x. As of December 31, 2016, the Group complies with the covenant. Debt to equity ratio of Group as of December 31, 2016 and 2015 is as follows:

	2016	2015
Total Liabilities	₱4,133,060,987	₱3,100,681,982
Total Equity	2,558,349,801	2,965,973,448
Debt to equity ratio	1.62	1.05

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## 28. Note to Consolidated Statements of Cash Flows

Noncash investing activity for the year ended December 31, 2016 pertains to the construction of building on account and capitalized borrowing cost amounting to ₱101.8 million and ₱63.9 million, respectively, recorded under the "Property and equipment" account.



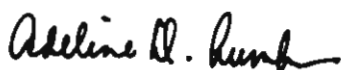
## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) and subsidiary ("the Group") as at December 31, 2016 and 2015 included in this Form 17-A and have issued our report thereon dated April 19, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

SEC Accreditation No. 1555-A (Group A),

April 14, 2016, valid until April 14, 2019

Tax Identification No. 224-024-746

BIR Accreditation No. 08-001998-118-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908715, January 3, 2017, Makati City

April 19, 2017



**MJC INVESTMENTS CORPORATION, INC. AND SUBSIDIARY**
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF  
DECEMBER 31, 2016**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share- based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PFRS 10: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 – Clarification of the Scope of the Standard	Not early adopted		
PFRS 13	Fair Value Measurement (2013 Version)			✓
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	Not early adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendment to PAS 28 – Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			✓
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property	Not early adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**MJC INVESTMENTS CORPORATION**

**SCHEDULE A: FINANCIAL ASSETS**

December 31, 2016

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Cash and cash equivalents*	N/A	N/A	₱117,124,965	N/A	N/A
Receivables**	N/A	N/A	137,884,968	N/A	N/A
Long term deposit***	N/A	N/A	6,976,249	N/A	N/A
<b>TOTAL</b>			<b>₱261,986,182</b>	<b>N/A</b>	<b>N/A</b>

\*Excluding cash on hand amounting to ₱7,859,930 and ₱50,000 for the year ended December 31, 2016 and 2015, respectively.

\*\*Excluding advances to contractors and suppliers amounting to ₱124,118,786 and ₱481,736,341 for the year ended December 31, 2016 and 2015, respectively.

\*\*\*Presented under "Other noncurrent assets" in consolidated financial statements.

**MJC INVESTMENTS CORPORATION**

**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

December 31, 2016

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off			
Manila Jockey Club, Inc.	P-	P10,137	P-	P-	P10,137	P-	P10,137
Manilacockers Club, Inc.	-	75,934	-	-	75,934	-	75,934
Advances to Employee	330,321	-	(117,145)	-	213,176	-	213,176
<b>TOTAL</b>	<b>P330,321</b>	<b>P86,071</b>	<b>(P117,145)</b>	<b>P-</b>	<b>P299,247</b>	<b>P-</b>	<b>P299,247</b>

**MJC INVESTMENTS CORPORATION**

**SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS**

December 31, 2016

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions			Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off	Others			
Trafalgar Square Leisure Corporation	P-	P127,303,173	P53,116,369	P-	P-	P74,186,804	P-	P74,186,804
<b>TOTAL</b>	<b>P-</b>	<b>P127,303,173</b>	<b>P53,116,369</b>	<b>P-</b>	<b>P-</b>	<b>P74,186,804</b>	<b>P-</b>	<b>P74,186,804</b>

## December 31, 2016

Description	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
					Additions (Deductions)	

**NOT APPLICABLE**

**MJC INVESTMENTS CORPORATION**

**SCHEDULE E: LONG TERM DEBT**

December 31, 2016

Title of Issue and Type of Obligation	Amount authorized by Indenture	Amount shown under caption "Current Portion of Long term Debt" in related Balance Sheet	Amount shown under caption "Long Term Debt" in Related Balance Sheet
Bank Loan	N/A	P-	P3,471,974,747
<b>TOTAL</b>		P-	<b>P3,471,974,747</b>

**MJC INVESTMENTS CORPORATION**

**SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES  
(LONG TERM LOANS FROM RELATED COMPANIES)**

December 31, 2016

Name of Related Party	Balance at beginning of period	Balance at End of Period
-----------------------	--------------------------------	--------------------------

**NOT APPLICABLE**



**MJC INVESTMENTS CORPORATION**  
**SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS**

December 31, 2016

Name of issuing entity issuing guaranteed by the company for which this statement is filed	Title of Issue of each class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
--------------------------------------------------------------------------------------------	-------------------------------------------------------	-----------------------------------------	----------------------------------------------------------	---------------------

**NOT APPLICABLE**

**MJC INVESTMENTS CORPORATION**

**SCHEDULE H: CAPITAL STOCK**

December 31, 2016

Title of Issue	No. of Shares Authorized	No. of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Common Stock	5,000,000,000	P3,174,405,821	N/A	N/A	-	N/A
<b>TOTAL</b>	<b>5,000,000,000</b>	<b>P3,174,405,821</b>			<b>-</b>	

SCHEDULE I: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2016

Name of Creditor	Designation of Creditor	Balance at the Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of period
				Amounts Paid	Others			
<b>NOT APPLICABLE</b>								

**MJC INVESTMENTS CORPORATION**

**SCHEDULE J: PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

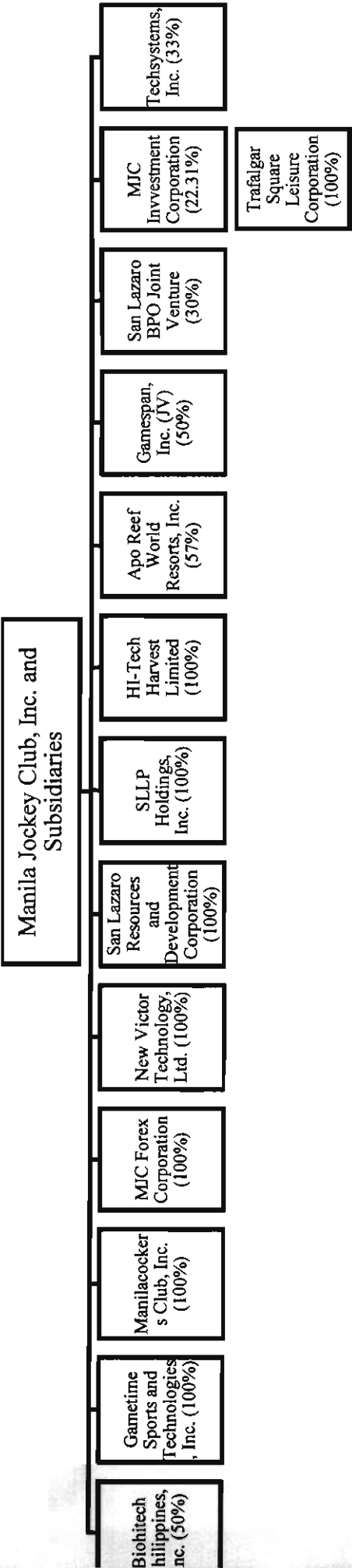
December 31, 2016

**NOT APPLICABLE**

**MJC INVESTMENTS CORPORATION**

**SCHEDULE K: MAP OF AFFILIATES**

December 31, 2016



FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY  
STAMPED "RECEIVED."

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 0 0 2 0

## COMPANY NAME

M J C I N V E S T M E N T S C O R P O R A T I O N D O  
I N G B U S I N E S S U N D E R T H E N A M E A N  
D S T Y L E O F W I N F O R D L E I S U R E A N D  
E N T E R T A I N M E N T C O M P L E X A N D W I N F  
O R D H O T E L A N D C A S I N O

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

W i n f o r d H o t e l a n d C a s i n o , M J C  
D r i v e , S t a . C r u z , M a n i l a

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number

528-2300

Mobile Number

--

No. of Stockholders

443

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Joemar Onnagan

Email Address

joemar.onnagan  
@winfordhotel.com.ph

Telephone Number/s

528-2300  
(loc. 1132)

Mobile Number

0917-899-1717

## CONTACT PERSON'S ADDRESS

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

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

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





**MJC**  
INVESTMENTS CORP.

WINFORD HOTEL & CASINO, MJC Drive cor. Consuelo St. Sta. Cruz Manila  
Tel. No. 02-528-36-00

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MJC INVESTMENTS CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**ALFONSO R. REYNO JR.**

Chairman of the Board, CEO and President

*Philippine Passport No. EB657161*

**JOSE ALVARO D. RUBIO**

Chief Financial Officer

*TIN: 109-933-906*

Signed this 19th day of April 2017

SUBSCRIBED AND SWORN TO  
before me this 26 APR 2017 at  
PASIG CITY affiant exhibiting  
to me his / her Competent evidence  
of Identity.

**CHINO PAOLO Z. ROXAS**  
NOTARY PUBLIC  
APPOINTMENT NO. 138 (2017-2018)  
APPOINTED UNTIL DECEMBER 31, 2018  
PTR NO. 2516037 / 1-5-17 / PASIG CITY  
IBP NO. 1060502 / 1-7-17 / MAKATI CITY  
CITIES OF PASIG, SAN JUAN AND PATEROS  
ROLL OF ATTORNEY NO. 57018

DOC. NO. 687 ;  
PAGE NO. 009 ;  
BOOK NO. 17 ;  
SERIES OF 2017 ;

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
MJC INVESTMENTS CORPORATION  
Doing business under the name and style of Winford Leisure  
And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)  
Winford Hotel and Casino, MJC Drive,  
Sta. Cruz, Manila

### Report on the Audit of the Parent Company Financial Statements

#### Opinion

We have audited the parent company financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) (the Parent Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

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

#### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

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

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

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

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

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Parent Company to express an opinion on the parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

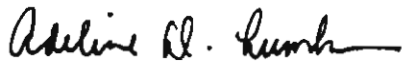
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

SEC Accreditation No. 1555-A (Group A),

April 14, 2016, valid until April 14, 2019

Tax Identification No. 224-024-746

BIR Accreditation No. 08-001998-118-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908715, January 3, 2017, Makati City

April 19, 2017



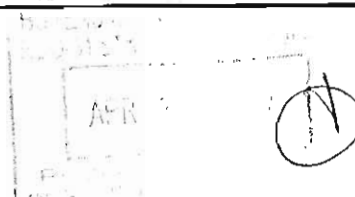
**MJC INVESTMENTS CORPORATION**

Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)

**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

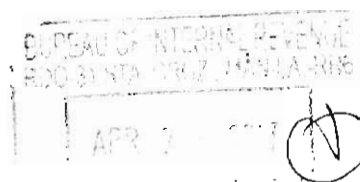
	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	₱67,158,220	₱1,240,357,420
Receivables (Note 8)	336,189,960	593,671,463
Inventories (Note 9)	21,308,091	3,938,140
Input value added tax (VAT) (Note 10)	387,795,739	320,420,400
Other current assets (Note 11)	416,619	5,728,249
<b>Total Current Assets</b>	<b>812,868,629</b>	<b>2,164,115,672</b>
<b>Noncurrent Assets</b>		
Investment in a subsidiary (Note 1)	20,000,000	—
Property and equipment (Note 12)	5,753,914,917	3,857,034,742
Deferred input VAT (Note 10)	25,883,288	38,100,275
Other noncurrent assets (Note 13)	93,802,623	7,404,741
<b>Total Noncurrent Assets</b>	<b>5,893,600,828</b>	<b>3,902,539,758</b>
<b>Total Assets</b>	<b>₱6,706,469,457</b>	<b>₱6,066,655,430</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 14)	₱638,487,636	₱611,182,703
Interest payable	19,055,836	14,047,419
<b>Total Current Liabilities</b>	<b>657,543,472</b>	<b>625,230,122</b>
<b>Noncurrent Liabilities</b>		
Loans payable (Note 15)	3,471,974,747	2,475,451,860
Retirement liability (Note 16)	812,718	—
<b>Total Noncurrent Liabilities</b>	<b>3,472,787,465</b>	<b>2,475,451,860</b>
<b>Total Liabilities</b>	<b>4,130,330,937</b>	<b>3,100,681,982</b>
<b>Equity</b>		
Capital stock (Note 21)	3,174,405,821	3,135,666,102
Deficit	(598,267,301)	(169,692,654)
<b>Total Equity</b>	<b>2,576,138,520</b>	<b>2,965,973,448</b>
<b>Total Liabilities and Equity</b>	<b>₱6,706,469,457</b>	<b>₱6,066,655,430</b>

See accompanying Notes to Parent Company Financial Statements



**MJC INVESTMENTS CORPORATION****Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino****(Formerly MJC Investments Corporation)****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Revenue share in gaming operations (Note 17)	<b>P171,930,605</b>	<b>P-</b>	<b>P-</b>
Hotel, food and beverage	<b>28,318,755</b>	<b>-</b>	<b>-</b>
Other revenue (Note 24)	<b>20,566,834</b>	<b>-</b>	<b>-</b>
	<b>220,816,194</b>	<b>-</b>	<b>-</b>
<b>OPERATING COSTS AND EXPENSES</b> (Note 23)	<b>(519,571,226)</b>	<b>(43,280,046)</b>	<b>(32,413,972)</b>
<b>OPERATING LOSS</b>	<b>(298,755,032)</b>	<b>(43,280,046)</b>	<b>(32,413,972)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Note 15)	<b>(128,180,135)</b>	<b>(14,499,279)</b>	<b>-</b>
Interest income (Note 7)	<b>1,200,782</b>	<b>4,627,775</b>	<b>9,878,114</b>
Miscellaneous income (expenses) - net	<b>(276,978)</b>	<b>139,884</b>	<b>298,448</b>
	<b>(127,256,331)</b>	<b>(9,731,620)</b>	<b>10,176,562</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(426,011,363)</b>	<b>(53,011,666)</b>	<b>(22,237,410)</b>
<b>PROVISION FOR INCOME TAX</b> (Notes 2 and 18)	<b>(2,563,284)</b>	<b>(928,143)</b>	<b>(1,981,623)</b>
<b>NET LOSS</b>	<b>(428,574,647)</b>	<b>(53,939,809)</b>	<b>(24,219,033)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(P428,574,647)</b>	<b>(P53,939,809)</b>	<b>(P24,219,033)</b>
<b>Basic/Diluted Loss Per Share</b> (Note 22)	<b>P0.14</b>	<b>P0.02</b>	<b>P0.01</b>

*See accompanying Notes to Parent Company Financial Statements*

**MJC INVESTMENTS CORPORATION**

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

(Formerly MJC Investments Corporation)

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Capital Stock (Note 21)				
	Issued and subscribed	Subscription receivables	Net	Deficit	Total
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
Collection of subscriptions receivable	—	38,739,719	38,739,719	—	38,739,719
Total comprehensive loss for the year	—	—	—	(428,574,647)	(428,574,647)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2016</b>	<b>₱3,174,405,821</b>	<b>₱—</b>	<b>₱3,174,405,821</b>	<b>(₱598,267,301)</b>	<b>₱2,576,138,520</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>
Subscription of capital stock	673,791,662	—	673,791,662	—	673,791,662
Collection of subscriptions receivable	—	66,808,835	66,808,835	—	66,808,835
Transaction costs on issuance of capital stock (Note 21)	—	—	—	(3,368,958)	(3,368,958)
Total comprehensive loss for the year	—	—	—	(53,939,809)	(53,939,809)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2013</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱88,164,854)</b>	<b>₱2,306,900,751</b>
Total comprehensive loss for the year	—	—	—	(24,219,033)	(24,219,033)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>

See accompanying Notes to Parent Company Financial Statements

**MJC INVESTMENTS CORPORATION**

**Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P426,011,363)	(P53,011,666)	(P22,237,410)
Adjustments for:			
Depreciation and amortization (Notes 12,13 and 23)	242,171,350	650,533	489,366
Interest expense (Note 15)	128,180,135	14,499,279	-
Interest income (Note 7)	(1,200,782)	(4,627,775)	(9,878,114)
Retirement benefit expense	812,717	-	-
Gain on sale of disposal of transportation equipment	(137,054)	-	-
Operating loss before working capital changes	(56,184,997)	(42,489,629)	(31,926,158)
Decrease (increase) in:			
Receivables	257,481,503	(333,132,773)	(37,318,195)
Inventories	(17,369,951)	(44,744,841)	-
Input VAT			
Current	(67,375,339)	(127,261,782)	(90,328,403)
Deferred	12,216,987	(24,531,028)	(6,646,272)
Other current assets	311,631	(6,902,099)	(330,800)
Increase in accounts payable and other current liabilities	27,308,250	399,961,326	124,733,509
Net cash generated from (used in) operations	156,388,084	(179,100,826)	(41,816,319)
Income taxes paid	(2,566,602)	(930,825)	(1,981,623)
Interest received	1,200,782	4,627,775	9,878,114
Net cash flows provided by (used in) operating activities	155,022,264	(180,031,651)	(43,797,942)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment (Note 12)	(1,963,613,223)	(2,083,771,542)	(891,700,348)
Payment of accounts payable for construction costs (Notes 12 and 28)	(165,703,366)	-	-
Increase in other noncurrent assets	(96,645,762)	-	-
Acquisition of a subsidiary	(20,000,000)	-	-
Proceeds from disposal of transportation equipment	650,000	-	-
Net cash flows used in investing activities	(2,245,312,351)	(2,079,143,767)	(881,822,234)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of loans (Note 15)	995,000,000	2,470,000,000	-
Payment of interest (Note 15)	(116,648,832)	-	-
Collection of subscriptions receivable (Note 21)	38,739,719	66,808,835	-
Proceeds from subscription of capital stock (Note 21)	-	673,791,662	-
Transaction costs on issuance of capital stock (Note 21)	-	(3,368,958)	-
Advances received from a related party (Note 20)	-	1,317,166	1,834,628
Net cash flows provided by financing activities	917,090,887	3,208,548,705	1,834,628
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,173,199,200)</b>	<b>949,373,287</b>	<b>(923,485,548)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,240,357,420</b>	<b>290,984,133</b>	<b>1,214,469,681</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P67,158,220</b>	<b>P1,240,357,420</b>	<b>P290,984,133</b>

## **MJC INVESTMENTS CORPORATION**

**Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)**

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### **NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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#### **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") 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.

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

In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty years starting July 2005.

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding parent company, which 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.

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 (see Note 2). On November 25, 2015, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO which also extended the term of the PTO to fifteen (15) years commencing from the start of commercial operation 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 one peso 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-register foreign players to play in designated gaming rooms within PAGCOR San Lazaro (see Note 2).

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

Authorization for the Issuance of parent company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2016 and 2015 were authorized for issuance by the Board of Directors (BOD) on April 19, 2017.

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## 2. Agreements with PAGCOR

The following are the significant contracts entered by the Parent Company with PAGCOR:

*a. Permit to operate granted to Parent Company*

As discussed in Note 1 to the parent company 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, as embodied in the provisions of the PTO.

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

- a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
- b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
- c) 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 provided and deemed necessary by PAGCOR;
  - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;
  - A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
  - Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
  - Surveillance equipment and paraphernalia; and



- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.
- d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;
- e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;
- f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;
- g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;
- h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation
- i) Provide the required cash capital for PAGCOR San Lazaro;
- j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;
- k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;
- l) Provide hotel accommodation for PAGCOR San Lazaro's guests;
- m) Provide required communication facilities at the casino offices and gaming areas;
- n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

The same 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 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 or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the parent company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's

premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

Furthermore, 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, as the entity is granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino 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*

On January 19, 2015, 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 monthly 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").

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.

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

Basis of Preparation

The parent company financial statements are prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (Peso or ₱), which is the parent company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance

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

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**4. Summary of Changes in Accounting Policies and Disclosures**

New and Amended Standards and Interpretation

The Parent Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the parent company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statement
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Parent Company, given that the Parent Company has not used a revenue-based method to depreciate or amortize its property and equipment and the Parent Company does not have any intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Future Changes in Accounting Policies

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

#### *Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 parent company financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

#### *Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the

accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments. Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Parent Company is assessing the potential effect of the amendments on its parent company financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.



*Effective beginning on or after January 1, 2019*

- **PFRS 16, *Leases***

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs

The Parent Company is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- **Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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## **5. Summary of Significant Accounting and Financial Reporting Policies**

### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company 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 Parent Company classifies all other liabilities as noncurrent.

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

#### Fair Value Measurement

The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Parent Company.

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

A fair value measurement of a 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 Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, recognized the use of relevant observable inputs and recognized the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Cash and Cash Equivalents

Cash and cash equivalents in the parent company statements of financial position comprise cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### Financial instruments – initial recognition and subsequent measurement

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

#### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

As of December 31, 2016 and 2015, the Parent Company only has financial assets classified as loans and receivables.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the parent company statements of comprehensive income. The losses arising from impairment are recognized in the parent company statements of comprehensive income in “Interest expense” for loans and in “Operating costs and expenses” for receivables.

This category generally applies to cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits (as presented under “Other current assets”) and long term deposits (presented as part of “Other noncurrent assets”) as of December 31, 2016 and 2015.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company’s statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

#### *Impairment of financial assets*

The Parent Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimate future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include financial liabilities arising from accounts payable and other current liabilities (excluding statutory payables), interest payable, and loans payable. The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in profit or loss.

As of December 31, 2016 and 2015, the parent company’s financial liabilities includes other financial liabilities consisting of accounts payable and other current liabilities (excluding statutory payables), interest payable, and loans payable

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statements of comprehensive income.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not consistent on a future event, and is legally enforceable in the normal course of the business, event of default, and event of insolvency or bankruptcy of the Parent Company and all the counterparties.

#### Inventories

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

#### Investment in a Subsidiary

The Parent Company's investment in subsidiary is accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

#### 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 Parent Company 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 parent company 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:

Category	2016	2015
Building	30 years	–
Machinery	10 years	10 years
Gaming equipment	8 years	–
Nongaming equipment	5 years	5 years
Kitchen and bar equipment, computer software and hardware	3 years	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 parent company statements of comprehensive income when the asset is derecognized.

Construction in progress is stated at cost. This includes cost of construction, borrowing costs incurred during the development or construction phase and other direct costs. Borrowing costs are capitalized until the property is completed and becomes available for use. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use. The capitalized interest is amortized over the estimated useful life of the related assets.

#### 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” account) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond 1 year are classified as noncurrent assets and are amortized over three years.

#### Impairment of non-financial assets

The Parent Company assesses at each reporting date whether there is an indication that the nonfinancial 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 Parent Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of the assets’ 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 from other asset 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 parent company statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

#### Revenue Recognition

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

The specific recognition criteria described below must also be met before revenue is recognized.

#### *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 Parent Company's gaming facilities and gaming equipment.

#### *Hotel, food and beverage*

Hotel, food and beverage are recognized when services are performed or the goods are sold. Deposits received from customers in advance on rooms are recorded as "Unearned income" under "Accounts payable and other current liabilities" until services are provided to the customers.

Other income consists of:

#### *Revenue from Bingo*

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 less prizes/winnings. This is included at "Other income" in the parent company statements of comprehensive income.

#### *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.

#### *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 cash equivalents and advances to related parties.

#### Operating Costs and Expenses

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

#### Gaming Fees

As a grantee of PAGCOR, the Parent Company 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".

#### Taxes

##### *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 Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company 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 OCI or directly in equity

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

#### Retirement Benefits Cost

The Parent Company has noncontributory defined benefit plans, covering substantially all of its regular employees.

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 remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is or those assets are not explicitly specified in an arrangement

#### *Parent Company as a lessee*

Lease where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are charged against profit or loss.

*Parent Company as a lessor*

Leases in which the Parent Company 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.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

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" accounts in the parent company statements of financial position.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the 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 Parent Company is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the parent company reports its segment information presented in Note 25.

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.

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## 6. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from the estimates and assumptions used. The effects of any change in estimates or assumptions are reflected in the parent company financial statements when these become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the parent company financial statements.

### *Evaluating Lease Commitments*

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

### *Parent Company as the lessor - Operating Lease commitments*

The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the Parent Company by the end of the lease term, the Parent Company has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

### *Recognition of deferred tax assets*

The Parent Company makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

From its hotel operations as of December 31, 2016 and 2015, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 18).

From the casino operations, no deferred tax assets will be recognized since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

#### *Estimation of the useful lives of property and equipment*

The useful lives of each of the parent company's property and equipment are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

As discussed in Note 12, the construction in progress in 2015 was substantially completed and reclassified in 2016 to its appropriate property and equipment category. The carrying value of property and equipment as of December 31, 2016 and 2015 are disclosed in Note 12 to the parent company financial statements.

#### *Recoverability of input VAT*

The Parent Company assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT as of December 31, 2016 and 2015 are recoverable from future revenue that will be generated from the hotel operations and are disclosed in Note 10 to the parent company financial statements.

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## 7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	<b>₱2,859,930</b>	₱50,000
Cash in banks	<b>57,653,854</b>	1,233,742,556
Cash equivalents	<b>6,644,436</b>	6,564,864
	<b>₱67,158,220</b>	<b>₱1,240,357,420</b>

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱1.2 million in 2016, ₱4.6 million in 2015 and ₱9.9 million in 2014.

## 8. Receivables

This account consists of:

	2016	2015
Trade (Note 20)	<b>₱8,291,951</b>	<b>₱-</b>
Receivable from PAGCOR	<b>18,246,057</b>	<b>-</b>
Advances to contractors and suppliers	<b>124,118,787</b>	<b>481,736,341</b>
Advances to related parties (Note 20)	<b>74,186,804</b>	<b>-</b>
Advances to employees (Note 20)	<b>212,577</b>	<b>330,321</b>
Others	<b>111,133,784</b>	<b>111,604,801</b>
	<b>₱336,189,960</b>	<b>₱593,671,463</b>

Trade receivables mainly include claims against the lessees of the building spaces for commercial operations and are usually collected within 30 to 60 days.

Receivable from PAGCOR pertains to the outstanding balance of Parent Company's revenue share in gaming operations 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 Parent Company within 15 days of the following month.

Advances to contractors and suppliers are noninterest-bearing down payments which are applied against final billings by the contractors and suppliers.

Advances to related parties and employees are noninterest-bearing loans and are due and demandable (see Note 20).

Others mainly pertain to receivable from a third party for consideration related to certain disposed assets.

## 9. Inventories

This account consists of:

	2016	2015
Operating supplies	<b>₱18,116,614</b>	<b>₱3,938,140</b>
Food, beverage, tobacco	<b>3,191,477</b>	<b>-</b>
	<b>₱21,308,091</b>	<b>₱3,938,140</b>

All of the inventories recorded at year end are carried at cost. Operating supplies include cards, seals and dice.

# 10. Input VAT

This account consists of:

	2016	2015
Current:		
Input VAT	<b>₱387,795,739</b>	₱320,420,400
Noncurrent:		
Deferred input VAT	<b>25,883,288</b>	38,100,275
	<b>₱413,679,027</b>	<b>₱358,520,675</b>

Input VAT pertains mainly to the Parent Company's purchases related to the construction of Winford Hotel building, while 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.

# 11. Other Current Assets

This account consists of:

	2016	2015
Deposits	<b>₱375,000</b>	₱615,749
Others	<b>41,619</b>	5,112,500
	<b>₱416,619</b>	<b>₱5,728,249</b>

Deposits pertain to security deposits for billboard, office and parking space rental.

Others in 2015 mainly consist of the debt issue cost of undrawn loan amount of ₱1.0 billion, which was subsequently utilized in April 2016 upon drawdown of the remaining balance of loan facility (see Note 15).

## 12. Property and Equipment

This account consists of:

		2016					
		Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen and bar equipment, Computer software and hardware
Cost							Construction in Progress
							Total
Balance at beginning of year	P600,800,000		P-	P-	P203,095,681	P102,527,807	P152,601,300
Additions	-		234,685,850	2,521,448	107,072,824	83,304,270	27,401,147
Reclassifications	-		3,639,225,813	187,498,231	62,374	238,864,367	407,865,139
Disposal	-		-	-	-	(1,025,892)	-
Balance at end of year	600,800,000		3,873,911,663	190,019,679	310,230,879	423,670,552	587,867,586
Accumulated depreciation							
Balance at beginning of year	-		-	-	-	732,238	442,679
Depreciation	-		93,440,349	1,562,485	35,778,249	33,058,145	68,084,243
Disposal	-		-	-	-	(512,946)	-
Balance at end of year	-		93,440,349	1,562,485	35,778,249	33,277,437	68,526,922
Net book value	P600,800,000		P3,780,471,314	P188,457,194	P274,452,630	P390,393,115	P519,340,664
							P-
							P5,753,914,917
		2015					
		Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen and bar equipment, Computer software and hardware
Cost							Construction in Progress
							Total
Balance at beginning of year	P600,800,000		P-	P-	P-	P1,812,280	P695,664
Additions	-		-	-	203,095,681	100,715,527	151,905,636
Balance at end of year	600,800,000		-	-	203,095,681	102,527,807	152,601,300
Accumulated depreciation							
Balance at beginning of year	-		-	-	-	342,611	181,773
Depreciation	-		-	-	-	389,627	260,906
Balance at end of year	-		-	-	-	732,238	442,679
Net book value	P600,800,000		P-	P-	P203,095,681	P101,795,569	P152,158,621
							P2,799,184,871
							P3,857,034,742



Construction in progress in 2015 pertains mainly to the construction of the Winford Hotel building in San Lazaro Tourism and Business Park in Sta. Cruz, Manila. It was substantially completed in December 2016 and was reclassified to its appropriate property and equipment account.

Land and building with carrying values of ₱600.8 million and ₱3,780.5 million, respectively, as of December 31, 2016 were pledged as collateral for the loan facility (see Note 15).

The amount of borrowing cost capitalized for the year ended December 31, 2016 and 2015 was ₱63.9 million and nil, respectively. The rate used to determine the amount of borrowing cost eligible for capitalization was 6.1%.

Gain on sale of non-gaming equipment amounted to ₱0.1 million in 2016 and nil in 2015 and 2014, respectively.

### 13. Other Noncurrent Assets

This account consists of:

	2016	2015
Operating equipment	₱86,826,374	₱—
Long term deposit	6,976,249	7,404,741
	<b>₱93,802,623</b>	<b>₱7,404,741</b>

Operating equipment pertains to linens, uniforms and utensils purchased by the Parent Company to be amortized over a period of three years. Purchases were made in 2016 amounting to ₱97.0 million. Amortization amounted to ₱10.2 million for the year ended December 31, 2016.

Long term deposit pertains to guarantee payment for utility bills.

### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	2016	2015
Retention payable	₱349,373,245	₱202,160,962
Accounts payable	264,484,809	388,238,778
Accrued expenses	11,291,676	10,516,105
Advances from related parties (Note 20)	4,970,819	4,096,965
Withholding tax payable	2,335,136	6,123,067
Unearned income	1,669,510	—
Income tax payable	—	3,318
Others	4,362,441	43,508
	<b>₱638,487,636</b>	<b>₱611,182,703</b>

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



Accounts payable are noninterest-bearing and are normally settled within the next financial year. As of December 31, 2016 and 2015, a significant amount of the accounts payable pertains to the construction cost incurred for the Winford Hotel building in Sta. Cruz, Manila (see Note 12).

Accrued expenses pertain to accrual of utilities, travel and transportation, meeting and conferences, among others, which are normally settled in the next financial year.

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

Unearned income pertains to the deposits received from customers in advance on rooms until services are provided to the customers.

Others include statutory liabilities and other various individually insignificant items.

## 15. Loans Payable

This account consists of:

	2016	2015
Principal	<b>₱3,500,000,000</b>	₱2,500,000,000
Less unamortized debt discount	<b>28,025,253</b>	24,548,140
	<b>₱3,471,974,747</b>	₱2,475,451,860

The movements in unamortized debt discount follow:

	2016	2015
Unamortized debt discount at beginning of year	<b>₱24,548,140</b>	₱-
Additions	<b>10,000,000</b>	25,000,000
Less: amortization*	<b>6,522,887</b>	451,860
Unamortized debt discount at end of year	<b>₱28,025,253</b>	₱24,548,140

\*Included in "Interest expense" in the parent company statements of comprehensive income

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 PDST R2 +125 basis points at drawdown date, plus gross receipts tax. 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 ₱2.47 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. Out of the ₱17.5 million upfront fee, ₱5.0 million pertains to the undrawn portion amounting to ₱1.0 billion as at December 31, 2015 which is presented as part of "Other current assets" in the 2015 parent company statement of financial position as (see Note 11).

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.

The related interest recognized amounted to ₱192.1 million and ₱14.5 million in 2016 and 2015, respectively. Total interest paid amounted to ₱116.6 million and nil in 2016 and 2015, respectively.

Part of the said interest in 2016 was capitalized as borrowing cost in relation to the construction of the building which amounted to ₱63.9 million in 2016 (see Note 12).

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.4 billion and ₱3.4 billion as of December 31, 2016 and 2015, respectively (see Note 12).

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. The Parent Company continues to comply with the loan covenants.

Future repayment of the principal as of December 31, 2016 follows:

2018	<b>₱700,000,000</b>
2019	<b>700,000,000</b>
2020	<b>700,000,000</b>
2021	<b>700,000,000</b>
2022	<b>700,000,000</b>
	<b><u>₱3,500,000,000</u></b>

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**16. Retirement Benefits**

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. An independent actuary conducted the valuation of the fund. The latest actuarial valuation reports are as of December 31, 2016.

The retirement cost and retirement liability for the year ended December 31, 2016 amounted to ₱0.8 million.

The cost of the retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. The principal assumptions used in determining the retirement liability of the Parent Company in 2016 are shown below:

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Discount rate	<b>5.86%</b>
Salary Increase rate	<b>3.00%</b>

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability	
	Increase (Decrease)	2016
Discount Rate	+1.00%	(113,017)
	-1.00%	138,064
Salary increase rate	+1.00%	131,641
	-1.00%	(110,054)

The weighted average duration of the defined benefit obligation as of December 31, 2016 is 18.2 years.

As of December 31, 2016, the expected future benefit payments in six to ten years amounted to ₱1.1 million.

## 17. Commitments

### *Accounting treatment for the Permit to Operate*

As discussed in Note 1 and 2, the Parent Company was granted a Permit to Operate by PAGCOR. In the accounting treatment of the provisions of the Permit to Operate, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on IFRIC 4, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:

- The use of certain floors in its building as gaming facility (two floors as of December 31, 2016), and
- The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Parent Company retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of December 31, 2016, the Parent Company continues to recognize these assets in the parent company statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱171.9 million and are presented as "Revenue share in gaming operations" in the parent company statements of comprehensive income.

### *Operating Lease Commitment – the Parent Company as Lessor*

- The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 sq. m. The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also states that rental payment shall escalate by 10% per annum.
- The Parent Company also entered into an agreement of lease with Ifoods Group Inc. (the lessee) to lease a 315.5 sq. m area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Upon completion of all hotel rooms of Winford Hotel, base rental shall be

₱600 per sq. m per month, exclusive of VAT. Percentage rental rate shall be 10% of Gross Sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and 7% of gross sales upon completion of all hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

- c. The Parent Company also entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sq. m. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per square meter per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher.
- d. The Parent Company also entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sq. m for a basic rent of ₱1,300 per sq. m plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sq. m per month), whichever is higher.

Rent escalation shall separately apply to both basic rent and minimum guaranteed rent.

- e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation (the lessee) to lease a 390 sq. m area of Winford Hotel and Casino to be used for spa and salon services. The base rental rate amounts to ₱650 per sq. m per month. In addition to the amount, the lessee shall pay during the initial term and any renewal term of this lease, a percentage rental which is 10% of Gross Revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

The estimated future minimum lease payments for the above agreements are as follows:

	2016	2015
Within one year	<b>₱3,214,955</b>	₱—
After one year but not more than five years	<b>51,588,468</b>	—
Five years onwards	<b>47,835,873</b>	—
	<b>₱102,639,296</b>	<b>₱—</b>

Rent income amounted to ₱2.8 million in 2016 (Note 24).

*Operating Lease Commitment – the Parent Company as Lessee*

- a. On July 15, 2014, the Parent Company entered into a lease agreement with EEG Development Corporation to lease a property located at 1774 Consuelo Street, Sta. Cruz, Manila consisting of a floor area of 225 square meters for the purposes of the mockup of Winford Hotel and Casino project. The lease term is for a period of two (2) years commencing July 15, 2014 and expiring on July 14, 2016, renewable under such terms and conditions mutually agreed upon by the parties. The monthly rate for rental amounted to ₱45,000, exclusive of VAT and subject to withholding tax, which is payable every 15<sup>th</sup> day of each calendar month. No renewal was made on July 14, 2016.
- b. On September 3, 2014, the Parent Company also entered into a lease agreement with Carosal Development Corporation to lease Unit E, 17<sup>th</sup> Floor, Strata 100 Bldg., F Ortigas Jr. Road, Ortigas Center, Pasig City with an area of 120 square meters. The lease term is for a period of one (1) year commencing on September 3, 2014 and expiring on September 2, 2015, renewable

under the terms and conditions as the parties may hereafter agree upon. The monthly rate for rental amounted to ₱45,600 exclusive of VAT and association dues. The Parent Company extended the lease term until November 2, 2015 and was not further renewed.

As of December 31, 2015, the estimated future minimum lease payments for the above agreements are as follows:

Within one year	₱304,750
After one year but not more than five years	—
	<u>₱304,750</u>

Rent expense amounted to ₱4.6 million, ₱3.5 million and ₱1.4 million in 2016, 2015 and 2014, respectively (see Note 23).

#### *Operations and management agreement*

The Parent Company also entered into an operations and management contract with a service provider engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management, and development of the hotel. The agreement shall take effect on November 1, 2015 and will continue until terminated in accordance with the provision thereof. The monthly service fee is equivalent to the necessary and reasonable costs of providing the services plus ten percent (10%) markup, which in no event shall be less than ₱1,655,800 per month.

#### *Others*

As discussed in Note 2, the Parent Company was granted by PAGCOR the right to operate the traditional bingo operations.

### **18. Income Taxes**

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Company's income from casino 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 (see Note 2).

The provision for income tax consists of the following:

	2016	2015	2014
Current:			
Final	<b>₱2,563,284</b>	₱924,825	₱1,975,623
MCIT	—	3,318	6,000
	<b>₱2,563,284</b>	₱928,143	₱1,981,623

There were no deferred tax liabilities as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, no deferred tax assets were recognized as management believes that the Company may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of Presidential Decree (P.D.) 1869, as amended (see Note 2).

As of December 31, 2016 and 2015, the unrecognized deferred tax assets from the hotel operations are composed of the following:

	2016	2015
NOLCO	<b>P495,568,395</b>	P129,727,418
Customer deposits	<b>1,722,579</b>	—
Unearned income	<b>1,669,510</b>	—
Retirement expense	<b>812,718</b>	—
Amortization of long term deposit	<b>428,491</b>	—
Unrealized foreign exchange loss	<b>134,173</b>	—
MCIT	<b>9,318</b>	15,318
	<b>P500,345,184</b>	<b>P129,742,736</b>

As of December 31, 2016, the details of NOLCO and MCIT are as follows:

*NOLCO*

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	P40,141,400	P—	P40,141,400	P—	2016
2014	32,053,407	—	—	32,053,407	2017
2015	57,532,611	—	—	57,532,611	2018
2016	—	405,982,377	—	405,982,377	2019
	<b>P129,727,418</b>	<b>P405,982,377</b>	<b>P40,141,400</b>	<b>P495,568,395</b>	

*MCIT*

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	P6,000	P—	P6,000	P—	2016
2014	6,000	—	—	6,000	2017
2015	3,318	—	—	3,318	2018
	<b>P15,318</b>	<b>P—</b>	<b>P6,000</b>	<b>P9,318</b>	

The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 are as follows:

	2016	2015	2014
Benefit from income tax based on accounting income before income tax	(P127,803,409)	(P15,903,500)	(P6,671,223)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	111,176,534	17,263,101	9,622,022
Nondeductible expenses and others	13,163,629	32,049	18,635
Expired NOLCO and MCIT	12,048,420	—	—
Income from gaming operations exempt from income tax	(5,632,300)	—	—
Expired NOLCO and MCIT	12,048,420	—	—
Interest income subjected to final tax	(389,290)	(463,507)	(987,811)
Provision for income tax	P2,563,584	P928,143	P1,981,623

#### 19. PEZA Registration

On February 10, 2015, the Parent Company's registration as an Ecozone Tourism Enterprise for the development and operation of tourist, leisure and entertainment facilities is approved by Philippine Economic Zone Authority (PEZA).

As provided in its Registration Agreement dated February 24, 2015, the Parent Company shall be entitled only to tax and duty-free importation and zero-VAT rating on local purchases of capital equipment in accordance with PEZA Board Resolution No. 12-610 dated November 13, 2012, except for casino operations and other gaming/gambling operations, if any, subject to all evaluation and/or processing requirements and procedures prescribed under PEZA Rules and Regulations, pertinent circulars and directives.

#### 20. 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 Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Entity and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the entity, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related 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 Company has significant transactions with related parties as follows:

Entity	Relationship	Nature	2016		2015		Terms	Condition
			Amount	Receivable (Payable)	Amount	Receivable (Payable)		
Trafalgar Square and Leisure Corp (TSLC)	Subsidiary	Advances <sup>(a)</sup>	₱127,303,173	₱74,186,804	₱-	₱-	Noninterest-bearing, payable upon call	Unsecured, unguaranteed
		Advances <sup>(b)</sup>	873,853	(4,970,819)	1,317,166	(4,096,965)	Noninterest-bearing, due and demandable	Unsecured, unguaranteed
Manila Jockey Club, Inc (MJCI)	Stockholder	Commission from the off-track betting <sup>(c)</sup>	10,137	10,137	701,640	-	Noninterest-bearing, due and demandable	Unsecured, unguaranteed
Manilacockers Club, Inc (MCI)	Affiliate	Commission from the off-track betting <sup>(d)</sup>	75,934	75,934	-	-	Noninterest-bearing, due and demandable	Unsecured, unguaranteed

<sup>(a)</sup> Advances of the Parent Company to its subsidiary of a stockholder, were provided to fund the payments of license fees to PAGCOR in consideration of the grant given by PAGCOR authorizing the Parent Company to bring in pre-registered foreign players to play in the designated junket gaming areas within PAGCOR San Lazaro

<sup>(b)</sup> The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees

<sup>(c)</sup> Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino and presented under "Trade receivables"

<sup>(d)</sup> Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino and presented under "Trade receivables"

### Key Management Personnel

Total key management personnel compensation of the Parent Company amounted to ₱11.2 million, ₱16.7 million and ₱11.5 million as of December 31, 2016, 2015 and 2014, respectively.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2016, 2015 and 2014, the BOD received directors' fees aggregating ₱0.6 million, ₱0.4 million and ₱0.7 million, respectively.

The Parent Company's advances to its employees amounted to ₱0.2 million and ₱0.3 million as of December 31, 2016 and 2015, respectively (see Note 8).

## 21. Equity

### Capital Stock

Details of capital stock are as follows:

	2016		2015		2014	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Common shares - ₱1 par value						
Authorized - 5,000,000,000 shares						
Issued and subscribed shares	3,174,405,821	₱3,174,405,821	2,500,614,159	₱2,500,614,159	2,309,601,064	₱2,309,601,064
Additional subscription during the year	-	-	673,791,662	673,791,662	191,013,095	191,013,095
Subscriptions receivable	-	-	-	(38,739,719)	-	(105,548,554)
Total issued and outstanding and subscribed capital (held by 443, 444 and 452 equity holders in 2016, 2015 and 2014, respectively)	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,135,666,102	2,500,614,159	₱2,395,065,605

On January 23, 2009, MJCI executed a subscription agreement to subscribe to 107,360,137 shares out of the unissued portion of the authorized capital stock of the Parent Company at the subscription



price of ₱1.0 per share. In 2013, MJCI has paid ₱64.6 million representing the initial and partial payments of 60.13% of the subscription price. The remaining balance of ₱42.8 million was paid by MJCI on July 14, 2015.

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 January 14, 2015, the Parent Company received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in parent company statements of changes in equity.

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**22. Basic/Diluted Loss Per Share**

	2016	2015	2014
Net loss for the year	<b>₱428,574,647</b>	₱53,939,809	₱24,219,033
Divided by weighted average number of outstanding common shares	<b>3,174,405,821</b>	3,146,331,168	2,500,614,159
Basic/diluted losses per share	<b>₱0.14</b>	₱0.02	₱0.01

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The Parent Company has no potential dilutive common shares as of December 31, 2016, 2015 and 2014. Therefore, the basic and diluted loss per share are the same as of those dates.

## 23. Operating Costs and Expenses

This account consists of:

	2016	2015	2014
<b>Cost of Operations</b>			
Depreciation and amortization (Notes 12 and 13)	₱140,441,197	₱—	₱—
Utilities	56,118,764	—	—
Salaries and wages	26,017,556	—	—
Professional fees	9,545,332	—	—
Gaming fees (Note 2)	7,420,079	—	—
Food, beverage, and tobacco	6,912,332	—	—
Communication	5,381,984	—	—
Hotel room and supplies	4,238,114	—	—
Banquet expenses	2,931,745	—	—
Entertainment	1,943,401	—	—
Repairs and maintenance	926,415	—	—
Others	3,866,803	—	—
	<b>265,743,722</b>	<b>—</b>	<b>—</b>
<b>Operating Expenses</b>			
Depreciation and amortization (Notes 12 and 13)	101,730,153	650,533	489,366
Contract services	51,365,621	385,791	401,957
Security	27,582,364	—	—
Management fee (Note 17)	17,385,900	—	—
Salaries and wages	15,293,323	23,221,602	17,449,825
Utilities	9,903,311	4,617,872	237,947
Advertising and marketing	6,112,218	—	25,357
Taxes and licenses	5,767,596	496,453	46,705
Rent (Note 17)	4,610,654	3,492,289	1,448,736
Insurance	2,150,766	35,328	623
Transportation and travel	2,096,979	353,881	3,020,204
Professional fees	1,684,470	6,763,212	1,671,000
Meetings and conferences	1,515,417	563,400	3,195,012
Supplies	1,249,668	152,906	110,363
Representation	1,203,731	106,830	62,117
Communication	949,762	573,898	339,264
Directors' fees	553,000	449,000	707,000
Others	2,672,571	1,417,051	3,208,496
	<b>253,827,504</b>	<b>43,280,046</b>	<b>32,413,972</b>
<b>Total</b>	<b>₱519,571,226</b>	<b>₱43,280,046</b>	<b>₱32,413,972</b>

## 24. Other Revenue

This consists of:

	2016	2015	2014
Revenue from bingo operations	<b>₱16,378,521</b>	<b>₱—</b>	<b>₱—</b>
Rent income (Note 17)	<b>2,839,601</b>	<b>—</b>	<b>—</b>
Miscellaneous	<b>1,348,712</b>	<b>—</b>	<b>—</b>
	<b>₱20,566,834</b>	<b>₱—</b>	<b>₱—</b>

Miscellaneous revenue includes revenue from sale of tobacco and parking fees collected.

## 25. Operating Segment Information

The Parent Company has two operating segments in 2016 and only one operating segment in 2015 and 2014. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segment 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 income on the financial statements. The Parent Company'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 years ended December 31, 2016, 2015 and 2014 are as follows:

	2016		
	Gaming	Non-gaming	Total
Revenue	<b>₱188,309,126</b>	<b>₱32,507,068</b>	<b>₱220,816,194</b>
Operating costs and expenses	<b>(153,156,273)</b>	<b>(366,414,953)</b>	<b>(519,571,226)</b>
Other expenses - net	<b>—</b>	<b>(127,256,331)</b>	<b>(127,256,331)</b>
Provision from income tax	<b>(2,563,284)</b>	<b>—</b>	<b>(2,563,284)</b>
Net loss	<b>₱32,589,569</b>	<b>(₱461,164,216)</b>	<b>(₱428,574,647)</b>

	2015		
	Gaming	Non-gaming	Total
Operating costs and expenses	<b>₱—</b>	<b>(₱57,805,325)</b>	<b>(₱57,805,325)</b>
Other income- net	<b>—</b>	<b>4,793,659</b>	<b>4,793,659</b>
Provision from income tax	<b>—</b>	<b>(928,143)</b>	<b>(928,143)</b>
Net loss	<b>₱—</b>	<b>(₱53,939,809)</b>	<b>(₱53,939,809)</b>

	2014		
	Gaming	Non-gaming	Total
Operating costs and expenses	<b>₱—</b>	<b>(₱32,415,524)</b>	<b>(₱32,415,524)</b>
Other income - net	<b>—</b>	<b>10,178,114</b>	<b>10,178,114</b>
Provision from income tax	<b>—</b>	<b>(1,981,623)</b>	<b>(1,981,623)</b>
Net loss	<b>₱—</b>	<b>(₱24,219,033)</b>	<b>(₱24,219,033)</b>

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2016 and 2015 are as follows:

	2016		
	Gaming	Non-gaming	Total
Assets	<b>₱2,196,266,272</b>	<b>₱4,510,203,185</b>	<b>₱6,706,469,457</b>
Liabilities	<b>3,549,056,887</b>	<b>581,274,050</b>	<b>4,130,330,937</b>
Capital expenditures	<b>531,172,612</b>	<b>1,598,143,980</b>	<b>2,129,316,592</b>
Interest income	–	<b>1,200,782</b>	<b>1,200,782</b>
Depreciation and amortization	<b>68,953,579</b>	<b>173,217,771</b>	<b>242,171,350</b>
	2015		
	Gaming	Non-gaming	Total
Assets	₱–	<b>₱6,066,655,430</b>	<b>₱6,066,655,430</b>
Liabilities	–	<b>3,100,681,982</b>	<b>3,100,681,982</b>
Capital expenditures	–	<b>2,083,771,542</b>	<b>2,083,771,542</b>
Interest income	–	<b>4,793,659</b>	<b>4,793,659</b>
Depreciation and amortization	–	<b>650,533</b>	<b>650,533</b>

**26. Financial Risk Management Objectives and Policies and Fair Value Measurement**

The Parent Company's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits (presented as part of "Other current assets" in the parent company financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. As a matter of policy, the Parent Company limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Parent Company transacts only with related parties and with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, 2016 and 2015 as follows:

	2016	2015
Loans and receivables:		
Cash and cash equivalents*	<b>₱64,298,290</b>	<b>₱1,240,307,420</b>
Receivables**	<b>212,071,173</b>	<b>111,935,122</b>
Long-term deposit***	<b>6,976,249</b>	<b>7,404,740</b>
	<b>₱283,345,712</b>	<b>₱1,359,647,282</b>

\*Excluding cash on hand amounting to ₱2,859,930 and ₱50,000 for the year ended December 31, 2016 and December 31, 2015, respectively

\*\*Excluding advances to contractors and suppliers amounting to ₱124,118,787 and ₱481,736,341 for the year ended December 31, 2016 and December 31, 2015, respectively

\*\*\*Presented under "Other noncurrent assets" in parent company financial statements.

As of December 31, 2016 and 2015, the aging analysis of receivables is as follows:

2016	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	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		
Trade (Note 20)	P8,291,951	P6,171,011	P529,777	P680,283	P375,938	P534,942	P-	P-
Receivable from PAGCOR	18,246,057	18,246,057	-	-	-	-	-	-
Advances to related parties	74,186,804	74,186,804	-	-	-	-	-	-
Advances to employees (Note 20)	212,577	212,577	-	-	-	-	-	-
Others	111,133,784	-	-	-	-	-	111,133,784	-
	<b>P212,071,173</b>	<b>P98,816,449</b>	<b>P529,777</b>	<b>P680,283</b>	<b>P375,938</b>	<b>P534,942</b>	<b>P111,133,784</b>	<b>P-</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016

2015	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	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		
Others	P111,604,801	P-	P-	P-	P-	P-	P 111,604,801	P-

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015

The table below shows the credit quality of the parent company's neither past due nor impaired receivables as of December 31, 2016 and 2015, based on the parent company's experience with its debtor's ability to pay:

	2016			
	Grade A	Grade B	Grade C	Total
Trade (Note 20)	P3,605,224	P1,001,330	P1,564,457	P6,171,011
Receivable from PAGCOR	-	18,246,057	-	18,246,057
Advances to related parties	74,186,804	-	-	74,186,804
Advances to employees (Note 20)	212,577	-	-	212,577
	<b>P78,004,605</b>	<b>P19,247,387</b>	<b>P1,564,457</b>	<b>P98,816,449</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016

	2015			
	Grade A	Grade B	Grade C	Total
Advances to employees (Note 20)	330,321	-	-	330,321

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015

The credit quality of the financial assets was determined as follows:

- **Grade A**  
This includes cash and cash equivalents deposited with banks having good reputation and bank standing and receivables from related parties and employees that always pay on time or even before the maturity date.

- **Grade B**  
This includes receivables that are collected on their due dates provided that they were reminded or followed up by the parent company.
- **Grade C**  
This includes receivables which are still collected within their extended due dates.

### Liquidity Risk

Liquidity risk is defined as the risk that the Parent Company would not be able to settle or meet its obligations on time or at a reasonable price. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Parent Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments.

2016				
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	P-	P-	P4,212,351,992	P4,212,351,992
Accounts payable and other current liabilities**	4,970,819	631,181,681	-	636,152,500
	P4,970,819	P631,181,681	P4,212,351,992	P4,848,504,492

\*Including interest.

\*\*Excluding withholding taxes payable amounting to P2,335,136.

2015				
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	P-	P-	P3,173,862,935	P3,173,862,935
Accounts payable and other current liabilities**	4,096,965	600,962,671	-	605,059,636
	P4,096,965	P600,962,671	P3,173,862,935	P3,778,922,571

\*Including interest.

\*\*Excluding withholding taxes payable amounting to P6,123,067

The following tables show the profile of financial assets used by the Parent Company to manage its liquidity risk:

2016				
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	P64,298,290	P-	P-	P64,298,290
Receivables**	74,186,804	137,884,369	-	212,071,173
Long-term deposit***	-	-	6,976,249	6,976,249
	P138,485,094	P137,884,369	P6,976,249	P283,345,712

\*Excluding cash on hand amounting to P2,859,930

\*\*Excluding advances to contractors and suppliers amounting to P124,118,787

\*\*\*Presented under "Other noncurrent assets" in parent company financial statements

	2015			Total
	Due and Demandable	Less than 1 year	1 year or above	
Loans and receivables:				
Cash and cash equivalents*	P1,240,307,420	P-	P-	P1,240,307,420
Receivables**	-	111,935,122	-	111,935,122
Long-term deposit**	-	-	7,404,740	7,404,740
	P1,240,307,420	P111,935,122	P7,404,740	P1,359,647,282

\*Excluding cash on hand amounting to P50,000.

\*\*Excluding advances to contractors and suppliers amounting to P481,736,341.

\*\*\*Presented under "Other noncurrent assets" in parent company financial statements

### Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), 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 value of long term deposits and loans payable was 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 loans payable and long term deposits as of 2016 and 2015 are as follows:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Long term deposits	P6,976,249	P6,976,249	P7,404,741	P6,585,709
<b>Financial Liabilities</b>				
Other financial liability				
Loans Payable	P3,471,974,747	P3,729,639,356	P2,475,451,860	P2,725,692,158

There were no financial instruments carried at fair value as of December 31, 2016 and 2015.

## **27. Capital Management**

The primary objective of the Parent Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value. The Parent Company considers its total equity amounting to P2.6 billion and P3.0 billion as its capital as of December 31, 2016 and 2015.

The Parent Company maintains a capital base to cover risks inherent in the business. The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity) should not exceed 2.0x.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity") should not exceed 2.0x. As of December 31, 2016, the Group complies with the covenant. Debt to equity ratio of Group as of December 31, 2016 and 2015 is as follows:

	2016	2015
Total Liabilities	<b>₱4,130,330,937</b>	₱3,100,681,981
Total Equity	<b>2,576,138,520</b>	2,965,973,448
Debt to equity ratio	<b>1.60</b>	1.05

## 28. Note to Consolidated Statement of Cash Flows

Noncash investing activity for the year ended December 31, 2016 pertains to the construction of building on account and capitalized borrowing cost amounting to ₱101.8 million and ₱63.9 million, respectively, recorded under the "Property and equipment" account.

## 29. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR 15-2010 to amend certain provisions of RR 21-2002 prescribing the matter of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosure of taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2016.

- a. The Parent Company has VAT output tax declaration of ₱3.3 million in 2016 based on the amount reflected in the revenue from hotel, food and beverage and other income arising from sale of tobacco amounting to ₱252.9 million.

The Parent Company's revenue share from gaming operation is exempt from VAT as mentioned in P.D. 1869. The Parent Company is subject to 5% franchise tax, which shall be in lieu of all other taxes, including income tax and value added tax.

The following table shows the sources of input VAT claimed:

Balance at beginning of the year	₱320,471,141
Purchases of:	
Goods other than for resale	4,060,275
Services lodged under other accounts	66,581,155
Claims for tax credit/refund and other adjustments	(3,302,170)
Balance at end of the year	<b>₱387,810,401</b>



b. Other taxes and licenses

These include all other taxes, national and local, including real estate taxes, licenses and permit fees included under the 'Taxes and licenses' account under the 'Operating Expenses' account in the parent company's statements of comprehensive income. Details consist of the following:

National	
BIR registration	₱10,000
PSE listing fee	809,511
Custom duties and taxes	612,320
Documentary stamp taxes	270,328
Public performance license	₱62,779
Trademark fees	8,726
Optical Media Board license	14,550
	<hr/>
	₱1,788,214
Local	
Annotation costs	₱1,895,023
Real property tax	664,249
Zoning and processing fee	911,073
PEZA permit	445,692
Business permit	53,295
Notarial services	5,050
Barangay clearance certificate	4,000
Hotel permit	1,000
	<hr/>
	3,979,382
Total	<hr/>
	₱5,767,596

The Parent Company incurred franchise tax amounting to ₱9,697,715 from its gaming operations and is offset against "Revenue share in gaming operations" account.

The Parent Company did not have any importations or purchases of any products subject to excise tax. Details of the parent company's withholding taxes in 2016 are as follows:

Expanded withholding taxes	₱45,816,746
Withholding taxes on compensation	3,898,339
Total	<hr/>
	₱49,715,085

Tax Assessments or Tax Cases

The Parent Company is currently not involved in any tax cases, preliminary investigations, litigations and/or prosecution in courts outside of BIR.