



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its Charter: LEISURE & RESORTS WORLD CORPORATION

3. Province, country or other jurisdiction of incorporation or organization: MAKATI CITY, PHILIPPINES

4. SEC Identification Number: 13174

5. BIR Tax Identification Code: 321-000-108-278-000

6. Address of Principal Office: 26F, West Tower, PSE Center, Exchange Road, Ortigas, Pasig City, 1605

7. Registrant's telephone number, including area code: (632) 687-03-70

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

Date - July 25, 2014  
Time - 2:00 p.m.  
Place - Midas Hotel and Casino, 2702 Roxas Boulevard, Pasay City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: July 4, 2014

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

Title of Each Class	Number of Shares of Common Stock Outstanding and amount of Debt Outstanding
Common Stock, PhP1.00, par value	1,199,852,512/ Not applicable
Preferred Stock PhP1.00, par value	1,650,000,000/Not applicable
Warrants Nil-paid	82,500,000/Not applicable

11. Are any of the registrant's securities listed in the Philippine Stock Exchange?

  /   Yes        No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

PHILIPPINE STOCK EXCHANGE, Common shares, Preferred Shares, Warrants

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of Leisure & Resorts World Corporation (the "Corporation") will be held on July 25, 2014 at 2:00 p.m., Midas Hotel and Casino, 2702 Roxas Boulevard, Pasay City. Registration will start at 1:00 p.m. The agenda of the meeting will be as follows:

1. Call to Order
2. Proof of Notice
3. Determination of Quorum
4. Approval of the Minutes of the Annual Meeting held on July 26, 2013
5. Management Report
6. Approval of Annual Report and Audited Financial Statement for the fiscal year 2013 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on July 26, 2013
7. Nomination and Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

For the purpose of the meeting, only stockholders of record at the close of business on June 25, 2014 will be entitled to vote thereat.

Stockholders who cannot attend the meeting in person may designate their authorized representative by submitting a Proxy instrument in accordance with Sec. 58 of the Corporation Code. Validation of the proxies shall be held on July 18, 2014 at the office of the Corporation's transfer agent, Stock Transfer Services, Inc., Unit 34-D Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. To facilitate your registration of attendance, please have available some form of identification such as company I.D., passport or driver's license.

Thank you.

Pasig City. June 5, 2014.

FOR THE BOARD



**RAUL G. GERODIAS**  
Corporate Secretary

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

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

- (a) Date - July 25, 2014
- Time - 2:00 p.m.
- Place - Midas Hotel and Casino, 2702 Roxas Boulevard, Pasay City
- Principal Office - 26/F West Tower, PSE Center, Exchange Road, Ortigas, Pasig City

- (b) Approximate date on which the Information Statement is first to be sent or given to security holders: July 4, 2014

#### Item 2. **Dissenter's Right of Appraisal:** The appraisal right is generally available in the instances stated in Section 81 of the Corporation Code as follows:

- (1) In any case amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence.
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (3) In case of merger or consolidation.

In the foregoing instances, any stockholder of the registrant may exercise his right of appraisal right in the manner provided below:

- (a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
- (b) The dissenting stockholder shall make a written demand on the registrant for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. The failure of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right.
- (c) If the proposed corporate action is implemented or effected, the registrant shall pay to such dissenting stockholder upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demand thereof, provided the registrant has unrestricted retained earnings; and
- (d) Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the registrant.

In the present meeting, there are no matters to be acted upon which may give rise to any stockholder's exercise of his right of appraisal.

#### Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon:** There are no matters to be acted upon which a director, or officer of the registrant, each nominee for election as a director or each associate of any of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders thereof**

- (a) Number of Shares Outstanding and entitled to be voted at the meeting: 1,199,852,512 common stock (as of June 4, 2014), net of 21,567,000 shares acquired by AB Leisure Exponent, Inc., a wholly-owned subsidiary of the registrant.

Number of votes to which each share is entitled: One (1) vote per share

- (b) All stockholders of record as of June 25, 2014 are entitled to notice and to vote at the Annual Stockholders' Meeting.
- (c) Manner of Voting: Each stockholder of record as of June 25, 2014 shall have the right to vote in person or by proxy the number of shares of stock held in his name. In the election of directors, each stockholder entitled to vote, may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management

- (1) Security Ownership of Certain Record and Beneficial Owners (more than 5%)

<b>Title of Class (As of May 31, 2014)</b>	<b>Name and address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Holder</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percentage Held</b>
Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Filipino	® 761,423,974	61.50%
Common	Zoraymee Holdings, Inc. 21/F Wynsum Corporate Plaza, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 133,521,190	11.13%
Common	Grandshares Inc. 2809 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 120,000,000	10.00%
Common	Alfredo Abelardo Benitez 26/F West Tower, PSE Center, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 81,983,999	6.83%

\* Venture Securities, Inc., a beneficial owner under PCD Nominee Corporation, holds 187,818,040 shares or 15.65%. Said beneficial owner will be asked to appoint and authorize a representative who will vote in behalf of the corporation.

Except for the above mentioned \*beneficial owners, none of the common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's common stock. PCD Nominee

Corporation is a wholly owned subsidiary of the Philippine Central Depository and is the registered owner of the shares in the books of the Stock Transfer Service, Inc., the transfer agent of the registrant, and holds the shares in behalf of the beneficial owners.

Mr. Alfredo Abelardo Benitez, one of the major shareholders of the registrant owns 93.9% of the total issued and outstanding capital stock of Zoraymee Holdings, Inc. He has been authorized to exercise voting power over the shares of Zoraymee Holdings, Inc.

(2) Security Ownership of Management (other than as Nominees)

Title of Class (As of May 31, 2013)	Name and address of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percentage of Ownership
Common	Eusebio H. Tanco 543 Fordham Street, Wack-Wack Village, Mandaluyong City	10,432,480(direct) 22,672,729 (indirect)	Filipino	2.76%
Common	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	2,125,200 (direct) 1,032,000 (indirect)	Filipino	0.26%
Common	Wilson L. Sy 2703 Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City	2,286,600 (direct)	Filipino	0.19%
Common	Jose Francisco B. Benitez Unit 24 Cameron Tower of Essensa, East Forbes Condo, Fort Bonifacio Global City, Taguig	1,200 (direct) 77,400 (indirect)	Filipino	Nil
Common	Reynaldo P. Bantug No. 12 Harding Street, West Greenhills San Juan	2 (direct) 120,000 (indirect)	Filipino	Nil
Common	Clarita T. Zarraga 26 Santan Street, Tahanan Village, Parañaque City	1 (direct) 6,600 (indirect)	Filipino	Nil
Common	Ignatius F. Yenke 7 Bahamas Street, Loyola Grand Villas, Quezon City	1,200 (indirect)	Filipino	Nil
Common	All Other Directors and Officers as a group	10 (direct) 29,990 (indirect)	Filipino	Nil

*Aggregate ownership of all directors and officers as a group unnamed: 38,785,412*

(3) Voting Trust Holders of 5% or More

No person holds more than five percent (5%) of a class under voting trust or similar arrangement.

(4) Change in Control

There has been no change in control of the Corporation since the beginning of 2012 and the Corporation is not aware of any existing, pending, or potential transaction which may result in such a change in control.

- (e) Below is the summary list of foreign ownership as of May 31, 2013, the nationality, number of shareholders, the number of common shares held and the percentage of common shares held by each:

Nationality	No. of	No. of Shares	% To
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	Shareholders	Held	Total
Chinese	72	2,244,735	.19
American	10	141,117	.01
Spanish	2	19,442	Nil
British	1	13,619	Nil
German	1	1,064	Nil
Others	2	20,910,745	1.74

## Item 5. Directors and Executive Officers

### (a) Legal Proceedings

The registrant has no knowledge of any material pending legal proceedings in any court of administrative agency of the Government to which any of the directors and executive officers of the registrant is a party.

### b) Directors and Executive Officers

#### 1. Directors and Executive Officers

Name	Age	Directorships in Other Companies	Citizenship	Business Experience For the Past Five Years
Reynaldo P. Bantug (Director, April 19, 2002 to present)	64	AB Leisure Exponent, Inc. First Cagayan Leisure and Resort Corp. LR Land Developers, Inc. AB Leisure Global, Inc. BAPA Realty Development Corp. BAPA Holdings & Management Green Future Innovations, Inc. <b>(All-Director)</b>	Filipino	Bacolod Real Estate Development (Vice Chairman) Green Future Innovations, Inc. (CEO) BAPA Realty Development Corp. BAPA Holdings & Management (President)
Jose Conrado Benitez (Director, December 8, 1999 to present)	70	Benitez Investments, Inc. AB Leisure Exponent, Inc. Zoomak RPC, Inc. Gailand & Property Holdings, Inc. Mango Orchard Resource Development, Inc. J-Alfra Development Corp. <b>(All-Director)</b> The Philippine Women's University Tropical Disease Foundation (Chairman)	Filipino	Zoomak RPC, Inc. J-Alfra Development Corp. Mango Orchard Resource Development Corp. Gailand & Property Holdings Corporation Nirvana & Samsara Development, Inc. (President)
Edgardo S. Lopez (Director, August 18, 2006 to present)	72	LS Finance & Management Corp. Heerco Philippines, Inc. Kings Cross Development Corp. <b>(All-Director)</b>	Filipino	LS Finance & Management Corp. (President) Heerco Philippines, Inc. (President) Kings Cross Development Corp. (Vice-Chairman)

<p>Anthony L. Almeda ** (Director, June 30, 2004 to present)</p>	<p>49</p>	<p>Alameda Land, Inc. Alameda Holdings, Inc. Alameda &amp; Company, Inc. Alameda Acquisition, Inc. Uyalmeda, Inc. Alameda Energy, Inc. Calaca High Power Corp. Pacifica21 Holdings, Inc. National Grid Corporation of the Philippines Kingdom 888 Holdings, Inc. Dragonstore888 Holdings, Inc.</p> <p><b>(All - Director)</b></p>	<p><i>Filipino</i></p>	<p>Landision Corp. (Chairman, President) Filipinas Gaming Corp. (EVP) ALA Inc. Alameda &amp; Co. AI Alameda Land, Inc. Alameda Acquisitions Inc. (Chairman &amp; CEO) Blue Ocean Acquisitions Inc. (CEO) BB21 Remit Inc. Pacifica21 Holdings Inc. (Managing Director) National Grid Corp. of the Philippines Calaca High Power Corp. Enet Corp. Terra Firma Resources Inc. (Director)</p>
<p>Willy N. Ocier (Director, July 31, 2009 to present)</p>	<p>57</p>	<p>Pacific Online Systems Corporation Philippine Global Communications Inc. Tagaytay Midlands Golf Club, Inc. Sinophil Corporation Premium Leisure &amp; Amusement, Inc. Belle Corporation Highlands Prime, Inc. Tagaytay Highlands International Golf Club, Inc.</p> <p><b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>Pacific Online Systems Corporation (Chairman and President) Philippine Global Communications Inc. (Chairman and President) Tagaytay Midlands Golf Club, Inc. (Chairman) Sinophil Corporation (Chairman) Premium Leisure &amp; Amusement, Inc. (Chairman) Belle Corporation (Co-Vice Chairman) Highlands Prime, Inc. (Co-Vice Chairman) Tagaytay Highlands International Golf Club, Inc. (Vice Chairman)</p>
<p>Wilson L. Sy (Director; July 29, 2011 to present)</p>	<p>61</p>	<p>Philequity Management, Inc. Asian Alliance Holdings Corporation Xcell Property Ventures, Inc. Monte Oro Resources &amp; Energy, Inc. Monte Oro Grid Resources Corporation Vantage Equities, Inc. Yehey! Corporation Manila Stock Exchange Foundation Inc.</p> <p><b>(All-Director)</b></p> <p>Pacific Online Systems Corporation Tagaytay Highlands Country Club, Inc. Tagaytay Highlands Int'l Golf Club, Inc. Tagaytay Midlands Golf Club, Inc. Tagaytay Highlands Spa &amp; Lodge</p> <p><b>(All-Independent Director)</b></p>	<p><i>Filipino</i></p>	<p>Asian Alliance Holdings Corporation (Vice Chairman/Director) Philequity Management, Inc. (Director) Vantage Equities, Inc. (Director)</p>



<p>Eusebio H. Tanco (Director; July 29, 2011 to present)</p>	<p>64</p>	<p>Asian Terminals, Inc. Advent Capital &amp; Finance Corp. PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. Mactan Electric Company United Coconut Chemicals, Inc. J &amp; P Coats Manila Bay Mindanao Energy Inc. M.B. Paseo Philippine Health Educators, Inc. Ascent/STI Banawe Healthcare, Inc. Philippine Racing Club PhilPlans First, Inc. Asian Life Financial Assurance Mactan Electric Company Rescom Developers Inc. First Optima Realty Corp. Marbay Homes Inc. Insurance Builders Inc. Banlife Insurance Classic Finance, Inc. STMI Logistics, Inc. MBS Development Corp. Amina, Inc. Philippine Women's University (Vice-Chairman) Delos Santos – STI College PhilhealthCare Inc. Delos Santos – STI Medical Center Delos Santos – STI Megaclinic JTH Davies Holdings, Inc. Philippines First Insurance Co., Inc. Total Consolidated Asset Management, Inc. Eujo Phils., Inc. Venture Securities, Inc. Global Resource for Outsourced Workers, Inc. <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>Asian Terminals, Inc. (Vice Chairman and President) PhilPlans First, Inc. Philhealthcare, Inc. STI, Inc. Mactan Electric Company (Chairman) Philippines First Insurance Co., Inc. Global Resource for Outsourced Workers, Inc. (President) United Coconut Chemicals, Inc. (Director) J &amp; P Coats Manila Bay (Director)</p>
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<p>Bienvenido M. Santiago <i>(Director; November 28, 2003 to present)</i></p>	<p>68</p>	<p>AB Leisure Exponent, Inc. AB Leisure Global, Inc. The Print Gallery, Inc. Image Dimension, Inc. Corporate Image Dimensions, Inc. Market Light Realty &amp; Construction, Inc. St. James Holding Corporation LR Land Developers, Inc. One Boutique Amusement &amp; Recreation Corp. Worldwide Links Leisure &amp; Gaming Corp. North Luzon Gaming &amp; Amusement Corp. One Bingo Pavilion, Inc. 516 Games and Technology Corporation Big Time Gaming Corporation SG Amusement and Recreation Corporation Zoraymee Holdings, Inc. <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>AB Leisure Exponent, Inc. (VP for Administration) The Print Gallery, Inc. <i>(Treasurer)</i> Zoraymee Holdings, Inc. (Vice-President) Corporate Image Dimensions, Inc. (Corporate Secretary) Market Light Realty &amp; Construction, Inc. <i>(Director &amp; Corporate Secretary)</i> St. James Holding Corporation (Corporate Secretary) LR Land Developers, Inc. (Corporate Secretary)</p>
<p>Clarita T. Zarraga ** <i>(Director, July 30, 2010 to present)</i></p>	<p>73</p>	<p>Abacus Consolidated Resources and Holdings, Inc. Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Pride Star Development Bank Batangan Plaza, Inc. Montemayor Aggregates and Mining Corporation Alpha Asia Hotels and Resorts, Inc. Saturnina Estate &amp; Dev't Complex Corp. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. ARMCI Solutions &amp; Consultancy, Inc. Expolanka Freight, Inc. <b>(All-Director)</b></p> <p>Digi Software Phils, Inc. <b>(Independent Director)</b></p>	<p><i>Filipino</i></p>	<p>C.T. Zarraga and Associates <i>(Managing Partner)</i> Abacus Consolidated Resources &amp; Holdings Inc. <i>(Director/Chairman-Audit Committee)</i> Lucky Circle Corporation Philippine Regional Investment Development Corporation Blue Stock Development Farms, Inc. Batangan Plaza, Inc. Montemayor Aggregates and Mining Corp. Alpha Asia Hotels and Resorts, Inc. Defending Family Values Foundation, Inc. Batangas Social Dev't Foundation, Inc. <i>(Director)</i> Digi Software Phils, Inc. <i>(Independent Director)</i> Saturnina Estate &amp; Dev't Complex Corp. <i>(Director/Treasurer)</i> Pride Star Development Bank <i>(Director/Credit Committee Chair)</i> Carlos J. Valdes &amp; Co. CPAs (Senior Audit Staff) Marianas, Inc. (Internal Auditor) Sylvanna Tobacco Corp. (Asst. to the President) PGH Foundation, Inc. (Treasurer)</p>
<p>Ignatius F. Yenke <i>(Director, April 19, 2012 to present)</i></p>	<p>60</p>	<p>TKC Steel Corporation Sterling Bank of Asia Zoraymee Holdings, Inc. <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>TKC Steel Corporation <i>(Vice Chairman)</i> Sterling Bank of Asia <i>(Director)</i> Cyan Management Corporation <i>(Consultant)</i> PLDT <i>(First Vice President)</i> Primetown Property Group, Inc. <i>(Consultant)</i> Pittel <i>(Director/CFO)</i></p>

Jose Francisco B. Benitez (Director, July 27, 2012 to present)	44	Philippine Women's University (PWU) J-Alfra Development Corporation BBB (Betty Bantug Benitez) Foundation <b>(All Director)</b>	<i>Filipino</i>	Philippine Women's University (PWU) (President) Philippine Women's University (PWU) (Board of Trustees) J-Alfra Development Corporation (Vice President) BBB (Betty Bantug Benitez) Foundation (Trustee)
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*\*\* Re-elected as Independent directors in July 26, 2013 annual stockholders' meeting.*

*All of the independent directors possess all the qualifications and none of the disqualifications as independent directors under SRC Rule 38 from the time of their election as such independent directors.*

The following are the executive officers:

Mr. Reynaldo P. Bantug – President (please see discussion on directors)

Mr. Jose Francisco B. Benitez – Vice-President (please see discussion on directors)

Mr. Bienvenido M. Santiago – Vice-President (please see discussion on directors)

Mr. Raul G. Gerodias – Corporate Secretary/Compliance Officer

Mr. Gerodias is the Managing Partner of Gerodias Suchianco Estrella Law Firm, and Chairman and President of GSE Management Services, Inc. He is a Director of Citra Metro Manila Tollways Corporation, AB Food and Beverages Phils. Inc., Fujitsu Ten Corporation of the Philippines, Kiden Development Corporation, Diez Corporation, TKG Corporation, ParexGroup Inc., ASC Philippines, Inc., Fritz & Macziol Asia, Inc., ALK Holdings & Management, Inc., Pixiedust, Inc., The European Hair Factory, Inc., Continuitas Corporation, Kewalram Philippines, Inc., Elegant Infoventures, Inc., Unitel Productions, Inc., Quento Media, Inc., Merlin Information Systems Philippines, Inc., LIC Web Solutions, Inc., TD Outsourcing Philippines, Inc., Kyani Philippines, Inc., Adventure Bay Resort and Theme Park, Inc., Philippine Bio-Ethanol & Energy Investment Corp., Terramino Holdings, Inc., Zoraymee Holdings, Inc., Assetvalues Holding Company, Inc., Hi-Frequency Telecommunication, Inc., the various companies under the Music/Behringer Group, among others. He also acts as Corporate Secretary of several corporations including AB Leisure Exponent, Inc. (Bingo Bonanza Corporation) and AB Leisure Global, Inc.

Ms. Carmelita D. L. Chan – Treasurer

Ms. Carmelita D.L. Chan is the Chairman of Lucky Circle Corporation and Miguelunda Educational Corporation (St. Michael College, Biñan, Laguna). She is the President of Total Gaming Technologies, Inc. and a Director of Pacific Online Systems Corporation. She is also a Director of Biñan Doctors Hospital in Biñan, Laguna, and a Director and Financial Officer of A & L Corporation in Iloilo City. She was a former Executive Director of Valdes Consultants Inc. and served as Principal at the Management Consulting Division of Carlos J. Valdes & Co.

**Nominees for Directorship:** All incumbent directors, as well as independent directors, were re-nominated. The Nomination Committee of the Board of Directors of the registrant has determined that the following nominees for the Board of Directors, including the independent directors, to be elected at this Annual Meeting, possess all the qualifications and have none of the disqualifications for directorship set out in the registrant's Manual on Corporate Governance as well as the Guidelines on the Nomination and Election of Independent Directors set forth in SRC Rule 38 as provided in Article II Section 6 of Registrant's Amended

By-Laws dated November 28, 2003. The Chairman of the Nomination Committee is Mr. Willy N. Ocier and the members are Mr. Wilson L. Sy and Mr. Anthony L. Almeda.

1. Reynaldo P. Bantug
2. Anthony L. Almeda - Independent Director
3. Jose Conrado B. Benitez
4. Ignatius F. Yenke
5. Edgardo S. Lopez
6. Willy N. Ocier
7. Bienvenido M. Santiago
8. Wilson L. Sy
9. Eusebio H. Tanco
10. Clarita T. Zarraga - Independent Director
11. Jose Francisco B. Benitez

**Nomination of Independent Directors:** Mr. Anthony L. Almeda was nominated by Mr. Bienvenido M. Santiago, an incumbent director of the registrant, while Ms. Clarita T. Zarraga was nominated by Mr. Anthony L. Almeda. All of the persons recommending the nomination of the independent directors have no relationship to their respective nominees. Mr. Anthony L. Almeda is not a director in any other reporting companies.

The curriculum vitae of the directors nominated for re-election are described in the discussion on "Directors and Executive Officers."

## 2. Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

## 3. Family Relationships

Mr. Jose Conrado B. Benitez and Mr. Reynaldo P. Bantug are the father and uncle of Mr. Jose Francisco B. Benitez, respectively. Mr. Jose Conrado B. Benitez is the brother-in-law of Mr. Reynaldo P. Bantug. Except for the said relationships, there are no other family relationships known to the registrant.

## 4. Involvement in Certain Legal Proceedings

Ms. Carmelita D. L. Chan, Treasurer of the Company, is one of the defendants in a case pending before the First Division of the Sandiganbayan. The case arose from the alleged overpricing of the construction of the Diosdado Macapagal Boulevard at the Manila Bay Reclamation Area for which officers of the Philippine Estates Authority (now the Philippine Reclamation Authority) were charged. Ms. Chan was among those indicted in her capacity as former member of the Board of Directors of PEA.

As of May 31, 2014, to the best of the Company's knowledge, other than as disclosed above, there are no other occurrences of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer of the Company:

- (b) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- (c) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (d) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (e) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

5. Certain Relationships and Related Transactions:

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market. There were no transactions or proposed transactions during the last two (2) years to which the registrant or its subsidiaries, in which a director, executive officer, or stockholders owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

For transactions with related parties pertaining to those consummated with its subsidiaries and other related parties, please refer to Notes 22 and 28 of Notes to the Consolidated Financial Statements for the year 2012 and 2011.

- 6. Director's Disagreement with Registrant Leading to Directors' Resignation or Declining to stand for re-election: No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

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

Data as to all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly during the last two completed calendar years and the ensuing calendar year to the Company's President and five other most highly compensated executive officers.

Name and Principal Position	Year	Compensation	Bonuses	Other Annual Compensation
	2014	Estimated	Estimated	Estimated
Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Esther O. Cruz, Asst. Treasurer				
Rizalito S. Oades, CFO				
All above-named Officers as a group	2014	₱ 23,700,000	₱ 1,000,000	₱ 240,000
All other officers as a group unnamed	2014	None	None	None
Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				

Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Esther O. Cruz, Asst. Treasurer				
Rizalito S. Oades, CFO				
All above-named Officers as a group	2013	₱ 9,887,843	₱ 1,000,000	₱ 185,000
All other officers as a group unnamed	2013	None	None	None

Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Alejandro P. Alonte, Vice-President				
Carmelita D. Chan, Treasurer				
Geoffrey L. Uymatiao, (Treasurer up to 8/14/2012)				
Esther O. Cruz, Asst. Treasurer				
All above-named Officers as a group	2012	₱ 5,723,000	₱ 600,000	₱ 210,000
All other officers as a group unnamed	2012	None	None	None

\*Other annual compensation consists of director's fees of salaried directors.

## (2) Compensation of Directors

Members of the Board of Directors are elected for a term of one year. Except for the Company's President and Vice-President, all other directors receive no compensation except director's per diem of ₱ 10,000.00 per meeting and per diem of ₱ 5,000.00 in audit, compensation and nominating committees. In 2013 and 2012, a cash bonus of ₱ 500,000 and ₱ 300,000 was given to each director respectively.

Total payments to non-salaried directors amounted to ₱5,160,000.00 in 2013 and ₱3,400,000.00 in 2012.

## (3) Employment Contracts and Termination of Employment and Change in Control Arrangements

There are no agreements or employment contract existing between the Company and any of its directors or executive officers.

## (4) Outstanding Warrants and Options

The Company has no outstanding options.

As of 14 March 2014, the Corporation has outstanding warrants of 82,500,000 which are listed with the Philippine Stock Exchange. The warrants shall entitle the investor(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5<sup>th</sup> anniversary of the perpetual preferred shares until the 8<sup>th</sup> anniversary.

## Item 7. Independent Public Accountants

KPMG R.G. Manabat & Co. (formerly Manabat Sanagustin & Co.), served as Company's external auditors for the December 31, 2012 and 2011 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 26, 2013. The same auditing firm shall be recommended for appointment as the Company's external auditors for the ensuing year and Mr. Tomas G. Mahinay is the recommended partner-in-charge.

Mr. Tomas G. Mahinay was the partner in charge of the Company's 2012 and 2013 audit while Mr. Jose P. Javier Jr. was the partner in charge during 2011, 2010, 2009 and 2008 audit. In compliance with SRC Rule 68 as Amended, Paragraph 3(b)(ix), the handling audit partner is rotated every five (5) years and in case there will be a re-engagement of the same signing partner, a two-year cooling off period shall be observed.

There was no event in the past where KPMG R.G. Manabat & Co. had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statement disclosure or auditing scope or procedure.

Representatives of the Independent Public Accountant (KPMG R.G. Manabat & Co., CPA's) are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Chairman of the Audit Committee is Ms. Clarita T. Zarraga and the members are Mr. Reynaldo P. Bantug and Mr. Bienvenido M. Santiago.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

**ISSUANCE OF AND OFFER OF 1.75 BILLION PERPETUAL PREFERRED SHARES AND WARRANTS EQUIVALENT TO 87,500,000 COMMON SHARES IF FULLY ISSUED AND EXERCISED**

On 22 January and 22 March 2013, the Board of Directors and stockholders of the Corporation, respectively, approved the issuance of a nil-paid detachable warrant for every twenty (20) Perpetual Preferred Shares upon the approval of the stockholders of the increase in authorized capital stock and the corresponding amendment of the Articles of Incorporation. Each warrant shall entitle the warrant holder to purchase one (1) common share of the Corporation. The issuance and offer of 1.75 Billion Perpetual Preferred Shares shall be an exempt transaction, more specifically as a sale to qualified buyers, such institutions or persons defined as such pursuant to Section 10.1 (l) of the Securities Regulation Code (SRC) and SEC Memorandum Circular No. 6, Series of 2007, or as a private placement to not more than nineteen (19) buyers in accordance with Section 10.1 (k) of the SRC.

The Perpetual Preferred Shares and the detachable warrants shall have the following features:

Offer Price	₱1.00 per share
Dividend Rate	8.5 % per annum
Features	Non-voting, non-convertible, cumulative, non-participating and redeemable at the option of the Corporation
Dividend Rate Step-Up	Unless the preferred Shares are redeemed by the Corporation on the 5 <sup>th</sup> year anniversary from issue date (the "Optional Redemption Date"), the Dividend rate shall be adjusted on the Optional Redemption Date to the higher of (a) the Dividend Rate or (b) the prevailing Philippine Dealing System Treasury Note fixing 10-year treasury securities benchmark rate, plus a spread of 300 basis points.
Optional Redemption	The Corporation has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part on the Optional Redemption Date or on any Dividend Payment Date thereafter at a redemption price equal to the issue price of the perpetual preferred shares plus accumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Corporation.
Provision of Warrants	A nil-paid, detachable warrant shall be issued to for every twenty (20) Perpetual Preferred Shares. Each warrant shall entitle the warrant holder to purchase one (1) common share.

Exercise Price of Warrants	The exercise price of the warrant shall be ₱15.00 or the Corporation's weighted average trading price for three (3) months prior to the exercise date of the warrant less a ten percent (10%) discount, whichever is lower.
Exercise Period of Warrants	The warrants are exercisable starting on the 5 <sup>th</sup> anniversary of the issuance of the Perpetual Preferred Shares until the 8 <sup>th</sup> anniversary.
Early Redemption Due to Changes in Accounting Treatment	<p>If an accounting event occurs that will result in a change in the accounting treatment of the preferred shares, the Corporation may redeem the Perpetual Preferred Shares at the issue price plus all accumulated and unpaid cash dividends, if any.</p> <p>An accounting event shall occur if an opinion of a recognized person authorized to provide auditing services in the Republic of the Philippines states that there is more than an insubstantial risk that funds raised through the issuance of preferred shares may no longer be recorded as "equity" pursuant to the Philippine Financial Reporting Standards.</p>

**INCREASE IN AUTHORIZED CAPITAL STOCK, AMENDMENTS TO THE SEVENTH ARTICLE OF THE ARTICLES OF INCORPORATION AND THE SECOND AND THIRD ARTICLES OF THE BY-LAWS**

On 22 January and 22 March 2013, the Board of Directors and stockholders of the Corporation, respectively approved the following amendments to the Articles of Incorporation and By-Laws as follows:

(a) Seventh Article of the Articles of Incorporation

The authorized capital stock of the Corporation shall be increased from ₱1.6 billion to ₱5 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other, rights, preferences, restrictions and qualifications consistent with law and these articles of incorporation, as may be fixed by the Board of Directors at their issuance.

(b) Second Article of the By-Laws

The Annual Meeting of the Stockholders shall still be held within the principal office of the Corporation in Metro Manila on the last Friday of July each year, unless a different date is fixed by the Board of Directors. The reference as to the time of the Annual Meeting, i.e. at the hour of 2:00 P.M. shall be deleted.

(c) Third Article of the By-Laws

The notice requirement of regular or special meetings of the Board shall be amended to state that written notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be sent by the Secretary to each director by personal delivery (messenger), ordinary or express mail (courier), facsimile or e-mail. The notice shall also include the following (a) inquiry on whether the director will attend physically or through video/teleconference; (b) Contact number/s of the Corporate Secretary and his or her office staff whom the director may call to notify and state whether he shall be physically present or shall attend through video/teleconference; (c) Agenda of the meeting.

If the director chooses to attend the meeting through video/teleconference, he shall give notice of that fact to the Secretary at least two (2) days before the scheduled meeting and inform the latter of his contact number/s. The Corporate Secretary shall inform the director concerned of the contact number/s he will call to set up the video/teleconference to be able to join the meeting. The Corporate Secretary shall keep the records of the details and, on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting.



On 18 June 2013, the SEC approved the Increase in Authorized Capital Stock and the Amendment of the Articles of Incorporation and By-Laws.

**D. OTHER MATTERS**

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

The minutes of the previous Annual Stockholders' Meeting dated July 26, 2013 shall be submitted to the stockholders for approval. Lastly, the stockholders shall approval/ratify the Annual Report and the Audited Financial Statements for fiscal year 2013 and the actions taken by the Board of Directors and Officers since the last annual meeting of the stockholders as follows:

1. Approval of list of nominees for election to the Board of Directors including the independent directors as submitted by the Nomination Committee.
2. Approval of audit reports and financial statements as presented by the Audit Committee.

**Item 18. Other Proposed Actions**

There are no other proposed actions to be taken on matters other than those provided in the preceding items.

**Item 19. Voting Procedures**

(a) Vote required for Approval or Election

With respect to the election of directors, candidates who receive the highest number of affirmative votes will be declared elected.

With respect to: (i) the approval of the reports stated in Item 15 above; (ii) approval of appointment of KPMG R.G. Manabat & Co., as external auditor of the Corporation; and (iii) all other matters subject to vote, except in cases when the law provides otherwise, the affirmative vote of majority of the outstanding capital stock entitled to vote is required to approve such matters.

(b) Method by which votes will be counted

Except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock books of the registrant, which vote may be given personally or by attorney authorized in writing. The instrument authorizing as attorney or proxy to act shall be exhibited to the Secretary if he shall so request. In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the provisions of the Corporation Code.

Unless required by law, or demanded by a stockholder present in person or proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, in his name or by his proxy if there be such proxy, and shall state the number of shares voted by him. In any and all matters requiring the vote of the stockholders, it is the Company's Corporate Secretary who shall be authorized to count the votes to be cast.

The Company's 21,567,000 LR shares acquired by AB Leisure Exponent, Inc., a wholly-owned subsidiary of LRWC will not be voted on as these are deemed treasury shares.

**SIGNATURE**

*After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on June 5, 2014.*

**LEISURE & RESORTS WORLD CORPORATION**  
**Issuer**

By:

A handwritten signature in black ink, consisting of a large, sweeping arch followed by several loops and a final flourish.

**RAUL G. GERODIAS**  
*Corporate Secretary*

## MANAGEMENT REPORT

### PART I - BUSINESS AND GENERAL INFORMATION

#### Item 1. Business Development

##### Primary Purpose

Leisure and Resorts World Corporation (hereinafter referred to as "Company/LRWC" or the "Registrant" was incorporated on October 10, 1957. As part of the corporate restructuring of the Company in 1996, the Company's primary purpose was amended in 1999 to engage in realty development focusing on leisure business. However, for several years, it had minimal operations and functioned as a holding company.

##### Share Swap

In October 1999, the Board of Directors of the Company approved the Share Exchange Agreements (Agreements) with the shareholders of AB Leisure Exponent, Inc. (ABLE), operator of a number of bingo parlors, for the acquisition of the entire outstanding capital stock of ABLE in exchange for 750 million new shares of the Company valued at ₱750 million. By virtue of the Agreements, ABLE became a wholly owned subsidiary of the Company.

On September 19, 2000, the Securities and Exchange Commission (SEC) approved the Company's increase in authorized capital stock to ₱2.5 billion. Out of the aforementioned increase which consists of a total 2.5 billion common shares at ₱ 1 par value, a total of 750 million common shares with aggregate par value of ₱750 million have been subscribed and fully paid for through the assignment in favor of the Company of 500,000 common shares of ABLE representing the entire outstanding capital stock thereof by ABLE shareholders. This subscription and payment in ABLE shares was an implementation of the duly executed Agreements between the Company and ABLE's shareholders. Initially, 236,626,466 shares were approved by SEC for release to previous ABLE shareholders. The remaining shares corresponding to 513,373,534 were principally held in escrow with a local commercial bank. In 2003, the stockholders of LRWC approved the decrease in authorized capital stock from 2.5 billion shares to 1.6 billion shares at ₱1 par value per share. Accordingly, the Company's issued capital stock decreased from 1,162,678,120 to 744,114,784. This equity restructuring resulted in a reduction of ₱418,563,336 in the Company's deficit as at January 1, 2004 and reduced shares held in escrow to 328,559,059. In 2007 and 2008, SEC approved the release of 322,616,462 shares held in escrow. The remaining shares totaling 5,942,597 were finally approved for release on October 10, 2011.

##### AB Leisure Exponent, Inc. (ABLE)

On March 31, 1995, ABLE was registered with the SEC. The primary purpose of ABLE and its subsidiaries is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic, pulltabs and rapid bingo games. Doing business as Bingo Bonanza Corporation, ABLE has established itself as the pioneer in professional bingo gaming in the Philippines. ABLE has twenty-eight (28) wholly/majority owned subsidiaries. The Group operates 81 bingo parlors nationwide (inclusive of 2 bingo parlors closed in 2013), six (6) of which are owned by ABLE. There are two (2) dormant subsidiaries/bingo parlors and two (2) bingo parlors operated by minority owned affiliates. Philippine Amusement and Gaming Corporation (PAGCOR) granted ABLE and subsidiaries/affiliates the authority to operate bingo games pursuant to PD 1869.

##### First Cagayan Leisure & Resort Corporation (FCLRC)

On April 26, 2000, FCLRC was incorporated. The Company acquired 35% of the outstanding capital stock of FCLRC by purchasing 43,750 shares with a Par value of ₱100 last September 20, 2005. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA), to develop, operate and conduct internet and gaming enterprises and facilities in the Cagayan Special Economic Zone Free Port (CSEZFP). Pursuant to the License Agreement, FCLRC was issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to

regulate and monitor on behalf of CEZA all activities pertaining to the licensing and operation of interactive games. On March 3, 2006, the Company's Board of Directors (BOD) approved the additional investment of 40,000 shares in FCLRC for an aggregate amount of ₱32.0 million. This additional subscription to FCLRC's shares brought the registrant's total investment to 83,750 shares representing 50.75% of the issued and outstanding capital stock. On April 3, 2006, the BOD approved the acquisition of 31,250 shares, representing 25% of the issued shares (prior to issuance of the additional subscription) of FCLRC, from one of its shareholders, Joanna Heights, Inc. for an aggregate amount of ₱25.0 million on the same terms as the earlier additional subscription. The acquisition was completed upon execution of the Deed of Assignment of Rights on September 27, 2006. With this acquisition, the registrant now holds 115,000 shares representing 69.68% of the issued and outstanding capital stock of FCLRC.

LR Land Developers, Inc. (LRLDI)

On December 11, 2007, the SEC approved the incorporation of a wholly owned subsidiary, Northern Philippines Land and Property Development Inc. (NPLPDI), whose primary purpose is to engage in the business of purchasing, leasing, owning, using, improving, developing, subdividing, selling, mortgaging exchanging, leasing and holding for investment or otherwise, real estates of all kinds and build or cause to be built on any such land owned, held or occupied for management or disposition buildings, houses, or other structures with their appurtenances. On March 3, 2008, SEC approved the amendment to the Articles of Incorporation changing its name to LR Land Developers, Inc.

On April 16, 2012, Techzone was incorporated in the Philippines, a 50% owned associate of LRLDI, which is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. Techzone has not started commercial operations as of December 31, 2013.

Binondo Leisure Resources, Inc. (BLRI)

On February 11, 2003 BLRI was incorporated and subsequently amended last July 2, 2003. On July 25, 2003, the Company signed a Memorandum of Agreement (MOA) with BLRI. In accordance with the MOA, the Company acquired a 30% interest in BLRI through the assignment of shares. The MOA also indicated that the Company would subscribe to 200,000 preferred shares of BLRI with a Par value of ₱100 (after SEC approval on BLRI's application of increase in capital stock). The preferred shares are cumulative and shall be entitled to dividends at the rate of 14% per annum. On May 13, 2004, the SEC approved the BLRI's application for the increase in its capital stock. The Company will also acquire additional shares of BLRI representing 21% amounting to ₱2.1 million from BLRI's existing shareholders subject to completion of certain requirements.

AB Leisure Global, Inc. (ABLGI)

On October 20, 2009, SEC approved the incorporation of another wholly owned subsidiary, AB Leisure Global Inc. (ABLGI), whose primary purpose is to purchase, acquire, own, use, improve, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises, such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. The authorized capital stock of ABLGI is Five Million (₱ 5,000,000.00), divided into Fifty Thousand shares (50,000) with par value of One Hundred Pesos (₱ 100.00), of which, One Million Two Hundred Fifty Thousand (₱1,250,000.00) has been actually subscribed and Three Hundred Twelve Thousand Five Hundred (₱ 312,500.00) of the subscribed shares has been paid up. On May 6, 2013, the Company's BOD approved the increase in the authorized capital stock from Five Million Pesos (₱5,000,000) to Two Billion Pesos (₱2,000,000,000) divided into Twenty Million Shares (20,000,000) with par value of One Hundred Pesos (₱100) per share. Relative to this, LRWC subscribed and paid One Billion Four Hundred Fifty Million Pesos (₱1,450,000,000.00) as of December 31, 2013.

The SEC approved the increase in its authorized capital stock on February 2014.

Blue Chip Gaming and Leisure Corporation (BCGLC)

On October 9, 2009, BCGLC was registered with SEC. Its primary purpose is to provide investment, management, counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited – a foreign corporation duly organized and registered in British Virgin Islands entered into a contract of lease with PAGCOR (lessee) for the use of slot machines and gaming facilities. On April 27, 2011, LRWC purchased 26,250 shares of BCGLC representing 70% of BCGLC's outstanding capital stock. The purchase was ratified by LRWC's BOD on May 24, 2011.

#### Bingo Bonanza (HK) Limited (BBL)

On March 15, 2010, LRWC incorporated BBL, as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hongkong. BBL started its operations in March 2012.

#### HEPI

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty-one percent (51%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total investment in HEPI, paid in cash, is Seven Hundred Fifty Million Pesos (Php750,000,000.00). LRWC and Eco Leisure executed a Shareholders' Agreement to embody their mutual agreements and covenants concerning the sale and purchase of the HEPI shares, respective rights and obligations while certain covenants and conditions have not been fully complied by the parties under the Investment Agreement.

On December 26, 2012, HEPI filed an application for the amendment of its articles of incorporation to extend its corporate life, which application, however, was denied by the SEC.

On October 22, 2013, HEPI filed a Petition for Review (Petition) with the Court of Appeals (CA) seeking the reversal of the SEC Decision citing, among others, the following grounds: (a) HEPI's failure to file the application for the amendment of its articles of incorporation is due to justifiable reasons similar to cases where the SEC has allowed the filing, and eventually approved, application for extension of corporate term notwithstanding its expiration; (b) there is substantial evidence of HEPI's clear and unequivocal intention to continue with its corporate existence; (c) there are practical and socio-economic considerations in favor of allowing the extension of HEPI's corporate term; and, (d) recent developments relating to the corporate term negate the rationale behind the SEC's strict application of the rules.

As of December 31, 2013, HEPI's petition is still pending with the Court of Appeals.

#### PIKI

On March 22, 2013, LRWC purchased 10,000,000 shares of PIKI representing 100% ownership at a price of ₱1,000,000. The purchase was ratified by LRWC's BOD on June 10, 2013. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

#### LRWC Articles of Incorporation and By-Laws

The stockholders of LRWC approved various amendments to the Company's Articles of Incorporation. The more relevant amendments relating to the current operations are as follows:

1. On September 30, 2005, the extension of the registrant's corporate existence until the year 2055. SEC approved this amendment on November 6, 2006.
2. On November 28, 2003, change in the date of the annual meeting of stockholders from the third Tuesday of April to the last week of June. On September 30, 2005, it was again amended from the last week of June of

each year to the last week of July. This was further amended on August 18, 2006 from the last week of July of each year to the last Friday of July. SEC approved this amendment on May 25, 2007.

3. On January 22, 2013, at a special meeting of the BOD, matters to be submitted for the approval of the stockholders on the special meeting to be held on March 22, 2013, were approved by the BOD as follows:

- Increase in authorized capital stock of the Company and corresponding amendment of the Articles of Incorporation. The authorized capital stock shall be increased from ₱1.6 billion to ₱5.0 billion divided into 2.5 billion shares of common stock with par value of ₱1.00 per share and 2.5 billion shares of preferred stock with par value of ₱1.00 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as may be fixed by the BOD at their issuance.
- Amendment of by-laws to include attendance in board meetings may be through teleconferencing/videoconferencing.
- Issuance of 200,000,000 common shares with par value of ₱1.00 per share for distribution as stock dividends subject to the approval of stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend shall be rounded off to the nearest one (1), following the rules of rounding off.
- A maximum of 2.5 billion of the Company's preferred shares and 125 million warrants on the Company's shares shall be listed on the Philippine Stock Exchange (PSE). The warrants, if fully exercised, shall be equivalent to 125 million common shares.
- Upon approval of the stockholders and SEC of the increase in authorized capital stock and corresponding amendment of the Articles of Incorporation, the Company shall offer ₱1.75 billion perpetual preferred shares at a dividend rate of 8.5% through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Company shall offer the Preferred Shares with a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating.
- On the fifth anniversary of the issue date or "Optional Redemption Date" or on any dividend payment date thereafter, the Company has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by the Company. A nil-paid, detachable warrant shall be issued to the investor(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or the Company's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5<sup>th</sup> anniversary of the perpetual preferred shares until the 8<sup>th</sup> anniversary.

4. On June 24, 2013, at a special meeting of the BOD, matters to be submitted for the approval of the stockholders on the special meeting to be held on July 26, 2013, were approved by the BOD as follows:

- Primary offer and sale of 250,000,000 preferred shares with a par value of Php1.00 per share (the "Offer Shares"), the 12,500,000 warrants to be issued free of charge, and the underlying 12,500,000 common shares (the "Offer").
- There shall be one warrant corresponding to every twenty (20) preferred shares held by the shareholder and one common share resulting from the exercise of one warrant.
- The Offer Shares will be offered at a price of Php1.00 per Share (the "Offer Price"). Prior to the Offer, LRWC has a total of 1,199,852,512 issued and outstanding common stock. A total of up to 1,294,852,512 common Shares will be outstanding assuming the full exercise of all the warrants

attached to the preferred shares (issued under private placement and this Offer) are exercised starting on the fifth year.

- In a meeting held on 24 February 2014, the Company's management decided to defer the offering due to a change in the timing in the implementation of its work program and to further review its current expansion program to align with its over-all business strategy in the medium term. As a consequence, the Company will revisit its financing program.

#### Cash Dividends

On July 29, 2011, the BOD approved the declaration of cash dividend equivalent to P 0.030 per share payable to all common stockholders of record as of September 28, 2011, another cash dividend of P 0.025 per share payable to all common stockholders of record as of January 30, 2012 and another cash dividend of P 0.020 per share payable to all common stockholders of record as of February 29, 2012. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Two Hundred Thousand (P200,000.00) each.

On July 27, 2012, the BOD approved the declaration of cash dividend equivalent to P 0.040 per share payable to all common stockholders of record as of September 28, 2012, and another cash dividend of P 0.035 per share payable to all common stockholders of record as of February 28, 2013. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Three Hundred Thousand (P300,000.00) each.

On July 26, 2013, the BOD approved the declaration of cash dividend equivalent to P 0.04 per share payable to all common stockholders of record as of September 28, 2013, and another cash dividend of P 0.04 per share payable to all common stockholders of record as of February 28, 2014. In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of Five Hundred Thousand (P500,000.00) each.

#### Others

On February 19, 2008, the BOD of ABLE approved the acquisition of LRWC shares of up to 15,000,000 shares as a temporary investment in marketable securities in consideration that ABLE has excess funds for investments. Thereafter, ABLE started to acquire LRWC shares at the prevailing market price. However, on June 2, 2008 the BOD of ABLE approved the extension of the acquisition of LRWC shares, based on the consensus that LRWC shares are currently undervalued and upon consideration that ABLE still has excess funds for investments, was increased from 15,000,000 to 30,000,000 shares. As at December 31, 2013, ABLE has a total of 20,274,700 LRWC shares (at a market value of ₱123,675,670) held as temporary investments in marketable securities.

On March 17, 2009, the BOD approved a resolution recalling the resolution to issue 37,000,000 shares out of the unissued portion of its authorized capital stock in favor of Asianlogic Limited at the subscription price of ₱3.10 per share or an aggregate amount of One Hundred Fourteen Million Seven Hundred Thousand Pesos (₱114,700,000), in accommodation of Asianlogic's preference to defer indefinitely the subscription to said shares in view of the worldwide adverse market conditions. The Corporation and Asianlogic have agreed to revisit this planned subscription to such time when the market conditions are more stable.

On March 11, 2011, the BOD authorized the issuance, through private placement, of ₱150 million shares from its unissued capital stock at a price of ₱7.50 per share. The newly issued shares were subscribed by third parties. Twenty-Five percent (25%) of the subscription amount was paid upon the execution of the Subscription Agreements on March 24, 2011, while the remaining Seventy-Five percent (75%) was settled on May 15, 2011. The issuance of these shares was filed with SEC on May 2011 and was approved and ratified by the Stockholders in the Annual Stockholders' Meeting held on 29 July 2011. As a result of this issuance, the total issued and outstanding stocks of the registrant as at December 31, 2011 increased to 999,877,094 shares.

On November 11, 2012, LRWC executed an Investment Agreement with Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure) and Hotel Enterprises of the Philippines, Inc. (HEPI) for the acquisition of fifty percent (50%) of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total advances amounted to Seven Hundred Fifty Million Pesos (P750,000,000.00) which pertain to the deposits made by

the Company to Eco Leisure in relation to the aforementioned purchase agreement. The deed of absolute sale for the transfer of shares of stocks was executed on 13 November 2012.

On various dates from May 2013 to September 2013, LRWC issued ₱1.65 billion preferred shares through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The ₱1.65 billion perpetual preferred shares have a par value of ₱1.00 per share and an issue price of ₱1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the ₱1.65 billion perpetual preferred shares or on any dividend payment date thereafter, LRWC has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by LRWC. A nil-paid, detachable warrant was issued to the investor/(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor/(s) to purchase one (1) common share. The exercise price of the warrant shall be ₱15.00 or LRWC's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5<sup>th</sup> anniversary of the perpetual preferred shares until the 8<sup>th</sup> anniversary.

On February 9 and June 2, 2008, the BOD of ABLE approved the acquisition of up to 30,000,000 shares of the Parent Company. As of December 31, 2013, ABLE has a total of 36,500,000 preferred shares (at a cost of ₱36,500,000.00) and 20,274,700 common shares (at a cost of ₱34,642,419.00) of the Parent Company. These are accounted as treasury shares in the consolidated financial statements.

**Products, Games and Distribution Methods**

**AB LEISURE EXPONENT, INC. (ABLE)**

ABLE (popularly known as Bingo Bonanza Corporation), the pioneer in professional bingo gaming in the Philippines, is a 100% subsidiary of the Company. ABLE bingo parlors have become community and entertainment centers, a source of revenue for the government, and a sponsor for fund-raising activities relating to social and educational programs.

The traditional bingo game remains the principal product line. ABLE is trying to lead the way, not only through profitable business partnerships, but also through sound business strategy that combines technological innovation and continuous variations of the traditional bingo game in terms of number combinations, payouts and game mechanics. Such variations include among others Quick Shot, Circle 8, Instant Bingo Bonanza, Player's Choice, and X Game. In addition to these variations, ABLE also introduced the Video Link Bingo, which enables bingo players in one parlor to play simultaneously same game with players in other parlors for bigger payouts. The majority of the Metro Manila bingo parlors have been linked for the metro-wide bingo game. Likewise, the Visayas' bingo parlors have been linked to form their own cluster.

ABLE also launched the E-bingo games (EBG) in 2002 with 20 machines. As of December 31, 2013, around 5,390 machines were installed in 74 affiliated bingo parlors.

In August 2005, ABLE introduced Rapid Bingo with 14 terminals in 14 bingo parlors. By end of 2013, a total of 70 Rapid Bingo terminals were installed in 61 bingo parlors, 10 of which are located in non-affiliated bingo parlors and casinos. ABLE also introduced Pull Tabs in the latter part of 2005 and continues to market said product to all its operational bingo parlors and other non-affiliated establishments.

ABLE and its subsidiaries/affiliates operate a total of 81 bingo parlors, 6 of which are owned by ABLE, 73 sites are owned through subsidiaries and two (2) minority owned affiliates. There are 2 dormant subsidiaries/bingo parlors for relocation as of December 31, 2013. Most of these bingo parlors are located in major shopping malls in Metro Manila and in key provincial cities. Enumerated below is a list of bingo branches, subsidiaries/affiliates, its locations, date of organization and ABLE's equity interest.

Company-Owned Bingo Parlors:		Location
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		1.	SM Mega Mall, EDSA, Mandaluyong City
		2.	Sta. Lucia East Mall, Cainta, Rizal
		3.	SM City, North EDSA, EDSA, Quezon City
		4.	New Farmers Plaza, EDSA, Quezon City
		5.	Makati Cinema Square, Pasong Tamo, Makati City
		6.	SM Southmall, Almanza, Las Pinas City
<b>Bingo Parlors Owned Through Subsidiaries/Equity</b>	<b><u>Date of Organization</u></b>		<b>Location</b>
Alabang Numbers & Gaming Corp., 100%	11/18/97	1.	Festival Supermall, Alabang, Muntinlupa City
		2.	Festival Boutique, Alabang, Muntinlupa City
		3.	Wharf Boutique at Lakefront, Km 20, East Service Road, Sucat, Muntinlupa City
		4.	2 <sup>nd</sup> Floor, V. Central Mall, New Molino Blvd. Molino, Cavite City
All Point Leisure Corporation, 100%	07/16/97	5.	3 <sup>rd</sup> Floor, SM Centerpoint, Araneta Avenue cor Magsaysay Blvd., Sta. Mesa Manila
		6.	Ground Floor, Harrison Plaza Commercial Complex, Mabini St., Malate, Manila
Big Time Gaming Corporation, 100%	03/27/06	7.	Sunshine Blvd. Plaza, Quezon Ave. Corner Sct Santiago & Panay Ave., Quezon City
		8.	2/F Intrepid Plaza Bldg., E. Rodriguez Ave. Bgry Bagumbayan, Quezon City
		9.	G/F QY Plaza, 233 Tomas Morato Ave., South Triangle 4, Quezon City
		10.	Unit 102, 6 <sup>th</sup> Flr., Web Jet Acropolis Bldg. 88 E. Rodriguez Jr Ave., Bagumbayan 3, Quezon City
Bingo Dinero Corporation, 95%	08/19/98	11.	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza, Inc., 100%	01/11/99	12.	SM Sucat, Sucat Road, Paranaque City
		13.	SM City Bicutan, Don Bosco, Paranaque City
		14.	Tonie's Mart, Puerto Princesa, Palawan
		15.	BLC Bldg, Rizal Ave., Puerto Princesa, Palawan (closed)
		16.	A. Salvador St., Sta. Veronica, Guimba, Nueva Ecija
		17.	8343 Elorde Sports Complex, San Antonio, Paranaque City
Bingo Gallery, Inc., 100%	10/16/98	18.	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		19.	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		20.	Armal Centre Bldg., Bgry. Malinao, Pasig City
		21.	Robinsons Metro East, Santolan, Pasig City
		22.	Ground Flr., Molino Blvd., 678 Dampa Wet & Dry Commercial Complex, Bgry Bayaran, Bacoor Cavite
Bingo Palace Corporation, 100%	08/19/98	23.	Robinson's Place, Ermita, Manila
		24.	SM Mall of Asia, Pasay City
Bingo Zone, Inc., 95%	05/13/99	25.	Dormant

Cebu Entertainment Gallery, Inc., 100%	09/07/98	26.	Elizabeth Mall, Leon Kilat St., Cebu City
		27.	SM Consolacion, North Road, Bgry Lamas, Consolacion, Cebu
Fiesta Gaming & Entertainment Corp, 100%	11/07/97	28.	<i>Dormant</i>
First Leisure and Game Co., Inc., 100%	12/09/97	29.	Robinson's Place, Mandalagan, Bacolod City
		30.	G/F Lopue's Mandalagan Bldg, Lacson St, Mandalagan, Bacolod City
		31.	Manapla Boutique, Bacolod City
Galleria Bingo Corporation, 100%	10/27/98	32.	Robinson's Galleria, EDSA, Quezon City
G-One Gaming and Technology, Inc., 100%	04/06/98	33.	SM City Bacoor, Tirona Highway, Cavite
Highland Gaming Corporation, 100%	06/06/00	34.	Baguio Centermall, Baguio City
		35.	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	12/01/99	36.	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	04/24/98	37.	SM City Naga, CBD2, Bgry Trianggulo, Naga City
		38.	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Trianggulo, Naga City
Manila Bingo Corporation, 95%	09/24/97	39.	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	06/24/98	40.	M-Star, CV Star Ave., Pamplona, Las Pinas City
		41.	SM Supercenter, Molino Rd., Bacoor, Cavite
		42.	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		43.	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City
		44.	RSAM Center Bldg, J.P. Laurel Cor. Munting Bayan St, Bgry Poblacion IX, Nasugbu, Batangas
		45.	Starmall, Bgry Kaypian San Jose Del Monte Bulacan
Negrense Entertainment Gallery, Inc.	04/24/12	46.	Ground Floor, Robinsons Place Dumaguete Brgy. Calindagan Business District, Dumaguete City
		47.	Ground Floor, Lee Plaza Hypermart, Bagacan, Dumaguete City
One Bingo Place, Inc., 80%	05/03/00	48.	SM City Manila, Arroceros St., Manila
One Bingo Pavillion, Inc.	01/28/13	49.	Puregold Price Club, Magsaysay Road, Brgy San Antonio, San Pedro, Laguna
Rizal Gaming Corporation, 100%	11/12/98	50.	Robinson's Place, Cainta, Rizal
		51.	Robinson's Pioneer, Edsa, Mandaluyong City
		52.	UGF 101, 102 SM City Masinag, Brgy Mayamot, Antipolo City ( <i>closed</i> )
		53.	Robinsons Boutique, Cainta, Rizal
		54.	ITSP Bldg, Ortigas Ave., Bgry San Isidro, Taytay, Rizal
		55.	2 <sup>nd</sup> Flr., Graceland Plaza Bldg., J.P. Rizal St., Brgy. Malanday, Marikina City
SG Amusement and Recreation Corp., 100%	08/24/05	56.	Greenhills Shopping Center, San Juan City
		57.	Villa Bldg. Jupiter St., Makati City
		58.	Wilson Square, P.Guevarra, San Juan City
		59.	Unit # M5 Hobbies of Asia, #8 Pres. Diosdado Macapagal Blvd, Pasay City
South Bingo Corporation, 100%	12/10/97	60.	SM City Davao, Quimpo Blvd., Davao City
South Entertainment Gallery, Inc., 100%	12/13/00	61.	SM City, San Fernando City, Pampanga
		62.	SM City Lucena, Dalahican, Dupay, Lucena City ( <i>temporary closed</i> )
		63.	SM Supercenter, Muntinlupa City
		64.	Pacific Mall, Tagarao St., Lucena City ( <i>temporary</i> )

			<i>closed</i> )
		65.	SM City Tarlac, San Roque, Tarlac City
		66.	Robinsons Calasiao, Calasiao, Pangasinan
Summit Bingo, Inc., 60%	01/19/99	67.	2 <sup>nd</sup> Flr., New St Bldg., Macarthur Highway, Balibago, Angeles City, Pampanga
Topmost Gaming, Corp. 100%	01/13/98	68.	2 <sup>nd</sup> Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City
		69.	4 <sup>th</sup> Flr., Star J Plaza, F. Sevilla Blvd, Brgy. Tañong, Malabon City
		70.	2 <sup>nd</sup> Flr., SM Hypermarket Cubao, EDSA cor Main Ave., Brgy Socorro 3, Cubao Quezon City
		71.	2 <sup>nd</sup> Flr., SM Hypermarket Cainta, Felix Avenue, Cainta, Rizal
		72.	Fortune Plaza, Brgy Wawa, Balagtas Bulacan
Worldwide Links Leisure and Gaming Corp., 100%	12/08/11	73.	Silver City, Frontera Drive, Dona Julia Vargas Avenue, Pasig City
<b>Bingo Parlor Owned Through An Affiliate/Equity:</b>	<b>Date of Organization</b>		<b>Location</b>
Insular Gaming Corporation, 40%	12/13/00	1.	G/F, Berds Bldg., Iligan City
Vinta Gaming Corporation, 50%	04/28/03	2.	Gaisano Mall, Koronadal, South Cotabato <i>(temporary closed)</i>

#### AB LEISURE GLOBAL, INC. (ABLGI)

On January 14, 2011, ABLGI entered into an agreement to act as an operator and manager of the casino with Premium Leisure and Amusement, Inc. (PLAI), a subsidiary of Belle Corporation. PLAI is a member of consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation and SM Commercial Properties. On the same date, an Operating Agreement was signed by PLAI and ABLGI, wherein as operator and manager of the casino, ABLGI shall exercise supervision, direction and responsibility for the operation of the casino in behalf of PLAI pursuant to the Provisional License issued by PAGCOR.

In 2012, ABLGI, LRWC, PLAI and Belle Corporation amended its 2011 agreement to allow the entrance and participation of a foreign partner. In exchange, ABLGI would have a direct interest in the economic benefits to be derived by Belle Corporation and PLAI from the casino operations. ABLGI will provide funding to Belle Corporation (Belle) for the Casino Project equivalent to 30% of Belle's interest, or an estimated P4 Billion which will be funded through debt and internally generated funds. In exchange for ABLGI's contribution, ABLGI shall be entitled to 30% of the fixed yearly income generated from the leasing of all commercial spaces in the project, inclusive of the hotel, retail and casino premises. Moreover, ABLGI shall be paid fees equivalent to 30% of the 50% share of Premium Leisure and Amusement, Inc. (PLAI) on the EBITDA from Casino operations or 30% of PLAI's 15% share of the Net Win, whichever is higher, after deducting PLAI's Royalty which is based on Gross Win. Belle and PLAI subsequently entered into a Cooperation Agreement to have Melco Crown Entertainment Limited (MCE or MELCO) as the foreign partner and operator of the casino.

On May 20, 2013, ABLGI executed an Omnibus Loan and Security Agreement (OLSA) of P3 Billion Pesos with BDO Unibank, Inc. as Lender, BDO Unibank, Inc – Trust and Investment Group as Security Trustee and the Company, LRWC, as Surety. The OLSA was executed to partially fund the ABLGI contribution pursuant to the Agreements wherein ABLGI will provide funding to Belle for the Belle Grande Integrated Casino & Resort Project.

#### LR LAND DEVELOPERS, INC. (LRLDI)

In 2010, LRLDI entered into an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), both third parties and corporations incorporated in the Philippines, to finance the construction of the airport at Lal-lo, Cagayan. The terms and conditions

of the agreement include the following: (1) LRLDI agrees to invest funds or make advances into the Lal-lo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum of ₱ 700 million. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction development of the airport; (2) LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share; (3) CLPDC acknowledges and agrees that the advances will be directly received by CPVDC and (4) CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

The construction of the airport is in line with the Master Development Plan with CEZA within the CSEZFP. LRLDI and FCLRC have significant operations within the CSEZFP which will benefit from the construction of the airport. The construction of the airport is expected to be finished by the first quarter of 2014 when all the documents needed by the Civil Aviation Authority of the Philippines are submitted.

The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

LRLDI is in a joint venture property development project in Makati City with Total Consolidated Asset and Management, Inc. called Techzone Philippines, Inc. As envisioned, the building planned will be a world-class BPO center with offices for various BPO locators not limited to the licensees of First Cagayan.

#### FIRST CAGAYAN LEISURE AND RESORT CORPORATION (FCLRC)

On February 3, 2001, FCLRC and CEZA entered into a License Agreement authorizing FCLRC to set up a network operation/hub with its internet server including web sites, gaming software, application programs, administrative software, hardware, internet, as well as telecommunication connections, collection and payment system and toll-free telephone operations, all in connection with the development, operation and conduct of internet and gaming enterprises and facilities in CSEZFP. In line this mandate, FCLRC was also authorized and licensed to conduct interactive games as defined in the License Agreement.

Subsequent to the signing of the License Agreement, FCLRC and CEZA signed a Supplemental Agreement which provides authority for FCLRC in the following capacity: (1) Appointment as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP; (2) Assist CEZA in its functions as regulator for interactive gaming activities on behalf of CEZA in accordance with CSEZFP Interactive Gaming Rules and Regulations; (3) The authorization as Master Licensor shall be exclusive for twenty-five (25) years starting from 2006 until 2031; (4) Authorized to collect a sub-license fee to two (2) percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also,

the Company is authorized to collect from sub-licenses, an annual fixed amount equivalent to \$48,000 for the first year of operations and \$60,000 thereafter, from sportsbook operators and (5) The Company must pay CEZA, on a monthly basis to commence upon the start of actual operations, an amount equivalent to one (1) percent of the monthly gross winnings payable not later than the seventh (7<sup>th</sup>) day of the subsequent month. Starting on the sixth (6<sup>th</sup>) year after the start of the Company's operation, it shall pay a minimum guaranteed amount of \$250,000 each month.

FCLRC proposed a Master Development Plan in keeping its authority under the License Agreement. The Master Development Plan will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed.

The Master Development Plan as envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

Phase I: which shall be completed one (1) year after authorization of the CEZA BOD, includes telecommunication connectivity via microwave radio, upgrading of the existing internet data center, conversion of the CEZA Complex into a gaming facility, upgrading of the San Vicente naval Airport and construction of a new CEZA Administration Office;

Phase II: which shall be completed three (3) years from completion of Phase I, shall include the telecommunication

connectivity via fiber optic, redundant telecommunication connectivity and construction of a leisure and resort complex;

Phase III: which shall be completed three (3) years from completion of Phase II, shall include the implementation of the Comprehensive Feasibility Study that will provide a complete telecommunication infrastructure for the whole of the CSEZFP and development of a beach front property into a leisure and gaming facility.

As at December 31, 2013, there were 81 licensed locators, 71 of which are operational. Last year, FCLRC had 69 licensed locators, of which 62 were operational then.

First Cagayan Converge Data Center, Inc. (FCCDCI)

FCLRC and IP Converge Data Center Corporation (IPCDCC), a wholly-owned subsidiary of listed firm IPVG Corp., formed a joint venture corporation with the name First Cagayan Converge Data Center, Inc which was incorporated on November 14, 2007. FCLRC owns 60% of the outstanding capital stock of FCCDCI. This joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol (VOIP), IP-wide area network services and other value added services. Presently, FCCDCI provides a range of services to Internet Gaming Operators at the CSEZFP for a fee. These revenue streams include but are not limited to the following:

- Connectivity using wide bandwidth capabilities
- Physical housing of the server to host the Internet site, in a high security site
- High quality monitoring and maintenance services for the Internet infrastructure
- Hosting services which include connection of servers and data networking equipment to the same monitoring and management system
- A range of call center services
- A range of value added services for ongoing operation of the Internet Site and management of the Internet Casino Site
- Office space
- Administration services which includes facilities management, server management and network monitoring
- Payment and receipt of gaming funds services
- Telecommunication services
- Physical security and monitored access
- Off-site storage of back up materials in secure premises
- Second level help desk service that includes provision of a single answering point for operational, performance, reporting and commercial issues
- Value added services, such as website monitoring, traffic analysis. Marketing analysis, telemarketing, and customer relationship management among others.

FCCDCI commenced its commercial operations on January 1, 2008; thus FCLRC's statement of income includes its 60% equity in net earnings from FCCDCI.

In 2009, FCLRC and FCCDCI agreed to apply ₱ 3.75 million of FCLRC's cash dividend against the subscription payable to FCCDCI.

IPVG Corp. acquired IP Converge Data Center Corporation's ownership interest in FCCDCI and entered into a Deed of Assignment of Subscription Rights with IP E-Games Ventures, Inc. (IP E-Games), whereby IPVG Corp. assigned 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1. The assignment was made effective January 1, 2009. However, on April 13, 2011, the Board of Directors of both IP E-Games and IPCDCC jointly approved the sale of IP E-Games 40% equity stake in FCCDCI to IPCDCC for a total consideration of ₱120 million.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. (IPVI), a third party company, whereby IPCDCC assigned all the rights, interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1 to IPVI.

## **Competition**

### **ABLE**

ABLE manages to stay on top of competition with its extensive network of bingo parlors, and by continuing the development of new parlors and game products. Consolidated sales grew by ₱193.4 million or 5.0% from ₱3,850.6 million in 2012 to ₱4,044.0 million in 2013.

Ever mindful of the growing major competitors such as Bingo Mania, Bingo Amusement Corporation, as well as small players and new entrants, ABLE sustains its market presence by aggressively offering huge jackpot payouts and launching new products to attract more players. Based on informal surveys, ABLE estimates its market share of the traditional bingo to be 33% to 40% in the last 3 years.

### **FCLRC**

Being the master licensor of Internet gaming in Southeast Asia, FCLRC is in the forefront in leading the Cagayan Free Port as the premier i-Gaming licensing jurisdiction. FCLRC virtually has no competition in the industry in the Southeast Asia region. However there are around 80 gaming jurisdictions around the globe.

## **Major Suppliers**

### **ABLE**

Currently, ABLE sources its bingo cards and supplies mainly from BK Systems Philippines, exclusive distributor of Bingo King, USA, one of the world's largest manufacturers and suppliers of bingo cards and bingo related products.

In 2002, ABLE entered into a Lease and Technical Assistance Agreement with FBM Gaming Arizona, Inc., to provide the necessary equipment, systems, facilities and technical support for the conduct and operation of Electronic Bingo Games.

In 2007, ABLE entered into a Lease and Services Agreement with Dingo Systems, Inc. to supply and lease gaming equipment and systems for the operation of the "Dingo Thunder Series System and Games".

In 2005, ABLE entered into a Memorandum of Understanding with Intralot S.A. Integrated Lottery Systems and Services to supply state-of-the-art hardware/software machines, equipment and accessories for the operation and conduct of computerized "on-line" bingo system known as the Rapid Bingo.

In 2011, ABLE and Intralot S.A. Integrated Lottery Systems and Services amended its Equipment Lease and Services Agreement which includes: (1) Assignment of parent company Intralot S.A. Integrated Lottery Systems and Services to Intralot, Inc. and (2) Extension of Equipment lease and Services Agreement from its original scheduled expiration in August 2010 to September 2015.

In 2013, ABLE and Intralot, Inc. entered into a new Equipment Lease and Services Agreement covering a new system and upgraded equipment, with a provision that the contract mentioned in the preceding paragraph automatically terminates on the date that the new Bingo System is ready to accept bets.

## **Dependence if any to Major Customers**

The Company and its subsidiaries are not dependent upon a single customer or a few customers, the loss of any or more of which would not have a material adverse effect on the company and its subsidiaries taken as a whole.

## **Patents, trademarks and licenses**

### **ABLE**

PAGCOR granted ABLE and its subsidiaries/affiliates (the Group), the authority to operate bingo halls pursuant to Presidential Decree No. 1869 (P.D. 1869). In consideration for the Grants, the Group shall pay PAGCOR 20% of its gross cards sales, representing franchise fees and taxes, which shall be remitted to PAGCOR on weekly basis. Pursuant to P.D. 1869, the BIR Franchise Tax shall be 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. The Group deposited cash and performance bonds with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the Grants.

In 2008, PAGCOR approved and issued to its bingo grantees the Bingo Regulatory Order No. 2008-01 entitled "Modified Computation of the Five Percent (5%) Franchise Tax". The regulation modified the basis for the computation of the BIR Franchise Tax being remitted to PAGCOR by the bingo grantees for their Traditional Bingo operations as follows: fifteen percent (15%) of its gross receipts from bingo card sales (representing PAGCOR share), and five percent (5%) of its gross revenue (i.e. gross sales less payouts), representing BIR franchise tax retroactive to January 1, 2008.

On June 13, 2000, PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) cards to complement its existing bingo game operations pursuant to Presidential Decree No. 1869. In consideration for the Grant, ABLE shall pay PAGCOR, upon withdrawal of Instant Charity Bingo Game II cards, the regulatory fee of 12.5% of the gross sales value of the cards sold/purchased. However, because of the poor sales performance, ABLE discontinued the distribution of the cards during 2005 and wrote off the unsold cards amounting to ₱10,197,124.00 million in 2005. On February 2, 2007, ABLE received a letter from PAGCOR stating the conditions to continue the operations of ICBG2. On December 12, 2008, ABLE resumed commercial operations of ICBG2 scratch cards.

On May 8, 2001, PAGCOR granted the Group the authority to operate and conduct Electronic Bingo Games (E-bingo). In consideration for the Grants, ABLE shall pay PAGCOR 60% (representing 5% BIR franchise tax and 55% PAGCOR franchise fee) of their gross revenues from E-bingo operations. Starting May 1, 2010, ABLE shall remit to PAGCOR 52.5% of the gross revenues from E-bingo games to be distributed as follows: 5% representing BIR franchise tax and 47.5% as PAGCOR franchise fee.

On August 3, 2005, PAGCOR granted ABLE, the authority to distribute and sell pull-tabs or break-open cards in all branches and subsidiaries of ABLE. Distribution and sales of pull-tabs or break-open cards followed thereafter. In consideration of the Grant, ABLE shall pay PAGCOR 15% of gross card price, which will be remitted to PAGCOR upon draw-down of cards from the supplier regardless of quantity of cards sold.

On September 27, 2005, PAGCOR granted the Group, the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of the New Rapid Bingo System (NRBS) operations and the use of the prescribed NRBS card format. In consideration of the Grant, the Group shall pay PAGCOR 15%, representing franchise fees and taxes, of its gross sales from its conduct and operations.

On June 20, 2007, Philippine Congress passed Republic Act No. 9487, an act further amending P.D. 1869, otherwise known as the PAGCOR Charter. PAGCOR was granted from the expiration of its original term on July 11, 2008, another period of twenty-five (25) years, renewable for another twenty-five (25) years.

For all bingo sites, the Group has secured all other necessary licenses and permits at the local government level.

#### FCLRC

By virtue of CEZA Board Resolution No.05-003-01, dated 30 May 2001, FCLRC was granted by CEZA the exclusive authority as Master Licensor of internet gaming games and facilities in the CSEZFP for a renewable period of 2 years. CEZA also authorized FCLRC to assist CEZA in its functions as a Regulator of interactive gaming activities. Said appointment of FCLRC as Master Licensor was extended for 25 years by CEZA under Board Resolution No.09-002-06, dated 15 September 2006. The same resolution also granted FCLRC the authority to manage and operate the telecommunication facility in CSEZFP.

#### HEPI

On 08 December 2011, HEPI and PAGCOR executed a Contract of Lease for the operation of a casino on the ground floor, second floor and penthouse of Midas Hotel and Casino. The term of the lease is ten (10) years, renewable at the option of PAGCOR. In consideration of the lease, PAGCOR shall pay HEPI the amount of Php9.36 Million per month, payable within the first fifteen (15) days of the succeeding month.

Also on 08 December 2011, HEPI and PAGCOR entered into a Marketing and Cooperation Agreement which shall be co-terminus with the Contract of Lease. Under the Marketing and Cooperation Agreement, HEPI shall formulate the marketing, advertising and promotion of the casino while PAGCOR shall provide the necessary expertise for the day-to-day operation of the casino. HEPI and PAGCOR agreed to share in NET monthly gaming revenues of the casino (total bets placed less payouts less 5% franchise tax) in the following proportion:

- a. 65% to PAGCOR
- b. 35% to HEPI after deducting PAGCOR's Php9.36 Million expense (monthly rentals under this Contract of Lease); HEPI, however, is required to devote another 5% of the NET monthly gaming revenues (taken from HEPI's share) exclusively for advertising, publicity, marketing and promotional activities for the casino.

#### PIKI

On July 26, 2013, PIKI and the PAGCOR executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City. The Junket Agreement is effective for a period of three (3) years and renewable at the option of PAGCOR.

Concurrent with the execution of the Junket Agreement with the PAGCOR, PIKI executed a Sub-Agency Junket Agreement with Gurutech Asia, Inc. (Sub-Agent) wherein PIKI and the Sub-Agent will jointly conduct junket gaming operations in accordance with and under similar terms and conditions as the PAGCOR Junket Agreement.

On September 13, 2013, the parties executed a Supplement Junket Agreement to offer supplementary services to enhance the existing junket gaming operations within PAGCOR's Casino Filipino-Midas. The Supplementary Services will allow PAGCOR and PIKI to tap into foreign gaming markets in order to attract foreign tourist arrivals in the Philippines.

The Supplementary Services shall include operating gaming tables equipped with high definition video cameras, VOIP facilities, internet data facilities, among others, which shall allow PIKI to broadcast PAGCOR-approved table gaming activities from within the gaming rooms to PAGCOR-approved locations outside the Casino Filipino-Midas.

#### **Government Regulations**

##### ABLE

ABLE is the biggest contributor to the Company's gross revenue. Bingo Bonanza is the trade name used by ABLE in its traditional and electronic bingo gaming operations.

Prior to April 2013, ABLE and its subsidiaries have been paying only the 5% franchise tax due to the following legal guidelines provided to ABLE by PAGCOR in the previous years.

Effective November 1, 2005, Republic Act No. (R.A.) 9337, "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features," particularly Section 27 (c) , excluded PAGCOR from the provision which identifies government-owned or controlled corporations or agencies exempted from the corporate income tax.

The management believes that ABLE's payment of 5% Franchise Tax to the Bureau of Internal Revenue (BIR) was effectively equivalent to the payment of corporate income tax. Based on consultations with tax advisers, the management also believes that the collection of income tax in addition to the 5% Franchise Tax has no legal basis.

Pursuant to P.D. 1869, also known as PAGCOR Charter and as amended by R.A. 9487, the 5% Franchise Tax shall be in lieu of all kinds of taxes, incurred or otherwise, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. This exemption inures to the benefits of corporations, associations, agencies or otherwise, or individuals with whom PAGCOR has a contractual relationship in



connection with the operations of casinos under the PAGCOR Franchise. Thus, the exemption referred to under PD 1869 is extended to its Bingo grantees/licensees.

In accordance with PAGCOR's directives, the Company continued to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it paid the 5% Franchise Tax.

In view of the above, management has not provided for provision for income tax in previous years up to the first quarter of 2013.

The applicability of RMC No. 33-2013 was clarified by PAGCOR in a Memorandum dated July 9, 2013 stating: "Pursuant to RMC No. 33-2013, PAGCOR's contractees and licensees, which include bingo grantees, are subject to income tax, under the National Internal Revenue Code (NIRC), as amended, and no longer subject to the 5% franchise tax. In view thereof, please be advised that effective the second quarter of this year, bingo grantees should no longer remit the 5% franchise tax. However, you ("bingo grantees") are now subject to income tax."

Hence, for the third quarter of 2013, ABLE has stopped paying the 5% Franchise Tax to PAGCOR and began recognizing provisions for income tax instead. For the year ended December 31, 2013, provision for income tax amounted to ₱53.7 million.

#### FCLRC

As exclusive Master Licensor for interactive operations in the CSEZFP, FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local and national shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the National Government 5% of their gross income less allowable deductions. Gross income shall refer to gross sales or gross revenues derived from business activity within the CSEZFP, net of sales discounts, sales returns and allowances and minus costs of sales or direct costs but before any deduction is made for administrative, marketing, selling and/or operating expenses or incidental losses during a given taxable period.

#### **Transactions with and/or Dependence on Related Parties**

The Company's transaction with ABLE consists mainly of non-interest bearing advances, while ABLE's related party transactions with its subsidiaries and/or affiliates including FCLRC consist mainly of non-interest bearing advances to and from subsidiaries and/or affiliates, officers and employees and supply of bingo cards and supplies. FCLRC related party transactions also consist mainly of non-interest bearing advances to its officers and employees which are subject to liquidation within 12 months from date granted or collectible in cash upon demand.

#### **Research and Development**

##### ABLE

Development of other bingo games/variants does not require that much expenditure since most are only ideas developed by ABLE's marketing people. ABLE also participates in Bingo and related gaming trade shows to evaluate if new games offered may be introduced to its own operations. The expenses in attending these trade shows are not significant.

##### FCLRC

Telecommunication facilities and services of FCLRC are continuously updated to the latest advances in hardware and software technology to ensure that FCLRC's locators are provided with quality broadband and high-speed data services.

#### **Cost and effects of compliance with environmental laws**

All ABLE and affiliate bingo parlors have complied with the provisions of Smoking Ordinances issued by most local government units. All bingo parlors have made provisions in its playing area to accommodate smokers and non-smokers alike. Future expansions and parlor upgrades will incorporate enclosures and advanced air-purifying systems.

FCLRC also complies with environmental laws being enforced by CEZA in the Cagayan Special Economic Zone and Free Port (CSEZFP).

### **Employees**

LRWC has 23 and 12 employees in 2013 and 2012 respectively, while ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,035 and 1,057 in 2013 and 2012 respectively. On the other hand, FCLRC has 67 and 70 employees in 2013 and 2012 respectively. BCGLC has 8 employees in 2013 and 12 employees in 2012, whereas BBL has 7 employees for both 2013 and 2012. For the year 2013, the Company and its subsidiaries, ABLE, FCLRC, LRLDI, BCGLC and BBL are not expected to have major changes in their employment portfolios. Their employees are not subject to a collective bargaining agreement. The Company does not have a stock option plan as part of its remuneration to all directors and senior management.

### **Major Risks Involved in the Business**

#### **ABLE**

ABLE and its subsidiaries operate bingo parlors. By the nature of the business (gaming), there is a risk of possible non-renewal of business permits by the local governments. To counter this risk ABLE and subsidiaries obtained ordinances to do business from the respective local Sanggunian Mangabatas. The business is located in high traffic areas, specifically in SM and Robinson malls, thus there is also risk of difficulty in finding similar high traffic areas should the lease contracts not be renewed upon expiration. ABLE has expanded to other locations so the effect of non-renewal of one or two leases will not have significant effect on ABLE's results of operations.

#### **FCLRC**

As revenues are dependent to locators whose business is internet gaming operations outside the Philippines, potential or future government regulations in countries where internet gaming operations is presently allowed, can be considered as a major business concern for FCLRC.

## **Item 2. Properties**

The major assets of the Company and its subsidiaries are: building, furniture & fixtures, leasehold improvements, bingo equipments and paraphernalia. There are no real estate properties owned. In the next 12 months, the Company through its subsidiary LR Land Developers, Inc. (LRLDI) is considering acquiring other properties in the vicinity of Cagayan Special Economic Zone Free Port for the purpose of making facilities available to FCLRC's future locators.

ABLE and its subsidiaries lease bingo parlors ranging in size from 90 to 2,000 square meters located in major shopping malls in Metro Manila and in key provincial cities. Lease term ranges from one (1) to five (5) years. All lease agreements have provisions for renewal subject to terms and conditions mutually agreed upon by all parties. All lease payment computations are based on a fixed rate per square meter of occupied space or on a certain percentage of bingo cards sales. Total lease payments amounted to ₱ 268.3 million in 2013 and ₱238.8 million in 2012.

## **Item 3. Legal Proceedings**

Except for the following, there are no other legal proceedings to which the Company or any of its subsidiaries is a party:

#### **ABLE**

- (1.) "People of the Philippines vs. Ryan Baltazar,"  
Criminal Case No. 135459,

**Case Summary:**

This is a complaint for violation of Article 315, paragraph 3(b) of the Revised Penal code for estafa committed by resorting to some fraudulent practice to ensure success in a gambling game. On September 2, 2006, a glitch occurred in the generation of winning numbers for New Rapid Bingo Game - Bingo Draw No. 18652. The winning numbers flashed on the television screens were different from those transmitted to the cashiers' terminals. At such time, respondent Baltazar was the Application Operator on duty and the one manning the bingo generator machine. Because of the ensuing confusion, respondent Baltazar advised the cashiers to pay the prizes of all winning tickets and cash shortages shall be reimbursed. The following day, accused Baltazar sent text messages to co-employees, apologizing and admitting responsibility for the incident.

**Status:**

On December 10, 2012, the defense rested their case. In view thereof, the Court considered the case submitted for decision.

- (2.) **"People of the Philippines vs. Ana Santos,"**  
Criminal Case No. 11-14128  
MTC-Pasay City, Branch 45s
- 

**Case Summary:**

This is a criminal case for Falsification by Private Individual and use of Falsified Document filed by Bingo Palace Corporation (BPC) against Ms. Ana Santos. BPC alleged that Santos cashed a falsified electronic bingo ticket at Bayview Bingo at Mall of Asia.

**Status:**

On April 4, 2012, the Metropolitan Trial Court Branch 45 of Pasay City issued an Order to archive the case pending the arrest of the accused. To this date, the accused is still at large.

- (3.) **"People of the Philippines vs. Gilbert C. Velasco"**  
Criminal Case No. 397453-SA  
MTC-Manila, Branch 11
- 

**Case Summary:**

This is a criminal case for Falsification by Private Individual and Use of Falsified Document filed by Bingo Palace Corporation against Mr. Gilbert C. Velasco who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount than what is actually won.

**Status:**

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(4.) **“People of the Philippines vs. Willy de Leon”**

Criminal Case No.  
MTC-Pasay City, Branch 46

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**Case Summary:**

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by Metro Gaming Entertainment Corporation against Mr. Willy de Leon who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount than what is actually won.

**Status:**

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(5.) **“People of the Philippines vs. Michael dela Rosa”**

Criminal Case No.  
MTC-Pasay City, Branch 46

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**Case Summary:**

This is a criminal case for Falsification by Private Individual and Use of Falsified Document by All Point Leisure Corporation against Mr. Michael dela Rosa who was caught fraudulently claiming a cash prize for an electronic bingo game with the use of a tampered Cash Out Ticket whereby he made it appear that he won a bigger amount than what is actually won.

**Status:**

The arraignment of the accused was scheduled on April 2013. Case is still on-going.

(6.) **“Bingo Bonanza Corporation vs. Bailinang Mail Zainal and Joan Trinidad Martin”**

NPS Docket No. XV-13-INV-11-I-03257  
Office of the City Prosecutor-Quezon City

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**Case Summary:**

This is a criminal complaint for violation of Article 168 of the Revised Penal Code (Illegal Possession and Use of False Bank Notes) filed against the abovementioned accused on November 3, 2011 before the OCP of Quezon City. Bingo Bonanza Corporation alleged that two women, Zainal and Martin, were apprehended by employees of the Company's Electronic Bingo Hall in SM City Annex, Quezon City for using bank notes while playing the company's electronic bingo machines. A total of twenty-eight (28) false bank notes were recovered from the possession of Zainal and Martin. While a subpoena was issued for the accused, both failed to appear or submit counter-affidavits, despite numerous opportunities extended by the OCP.

**Status:**

The case has been submitted for resolution on November 17, 2011. As of this date, no resolution has been issued by the OCP.

(7.) **“South Entertainment Gallery, Inc. vs. Commissioner of Internal Revenue”**

CTA Case No. 8257

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**Case Summary:**

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on March 31, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pampanga, for collection of alleged deficiency income tax and value-added tax for taxable year 2009 in the aggregate amount of P4,024,393.51. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2005 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

**Status:**

Upon filing of the Petitioner and respondent's Memorandum on February 24, 2014 and March 24, 2014, respectively, the case is deemed submitted for Decision of the CTA.

(8.) **"South Entertainment Gallery, Inc. vs. Commissioner of Internal Revenue"**  
CTA Case No. 8286

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**Case Summary:**

This is an appeal by way of Petition for Review (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) filed on May 11, 2011 with the Court of Tax Appeals (CTA) contesting the validity of the Warrant of Distraint and/or Levy (WDL) issued by the Commissioner of Internal Revenue, through its Revenue District Office No. 21B, South Pampanga, for collection of alleged deficiency income tax and value-added tax for taxable year 2009 in the aggregate amount of ₱39,788,105.55. The Company assails the validity of the WDL for failure to receive any Formal Assessment Notice covering alleged deficiency taxes for taxable year 2007 in violation of the due process requirements under Section 228 of the 1997 National Internal Revenue Code and Revenue Regulations No. 12-99.

**Status:**

On April 22, 2014, petitioner received a copy of the Decision partially granting the Petition for Review and held:

- a) The Formal Letter of Demand, with attached Details of Discrepancies and Assessment Notices, dated December 9, 2009 ("FAN"). The Final Notice Before Seizure dated May 28, 2010 ("Final Notice") Warrant of Distraint and/or Levy dated September 1, 2010 ("WDL") insofar as it covers the deficiency value-added tax ("VAT") for taxable year 2007, are hereby CANCELLED and SET ASIDE;
- b) On the other hand, petitioner is hereby ORDERED to PAY the amount of ₱7,734,282.50, representing deficiency Income Tax, inclusive of the twenty-five percent (25%) surcharge, deficiency interest at the rate of 20% per annum on the basic deficiency Income tax in the amount of ₱6,187,400.92, computed from April 15, 2008, until full payment thereof and delinquency interest at the rate of 20% per annum on the total deficiency taxes of ₱7,734,282.50 and on the twenty percent (20%) deficiency interest computed from January 15, 2009 until full payment.

On May 7, 2014, petitioner filed a Motion for Partial Reconsideration of the abovementioned Decision.

BCGLC

(1.) **"Blue Chip Gaming and Leisure Corporation vs. Josie M. Duncil"**

**Case Summary:**

This is a criminal complaint filed by BCGLC before the City Prosecutor's Office of San Fernando City, Pampanga against Josie M. Duncil (Josie), its former Human Resource and Administrative Officer, for violation for Article 310 of the Revised Penal Code (Qualified Theft). Josie was the cash custodian of the company in its PAGCOR VIP Club (VIP Club) in Bacolor , San Fernando City, Pampanga. The company alleged that from September 2009 to February 2013, Josie took without its permission the total amount of One Million Three Hundred Twenty Seven Thousand Pesos (₱1,327,000.00). Said amount stolen was the excess of the budget for advertising and promotions, cigarette sales, and the excess of the budget for the afternoon snacks for the players of the VIP Club.

**Status:**

The Prosecutor conducted the last clarificatory hearing on February 26, 2014. The complaint was already submitted for resolution.

**Item 4. Submission of Matters to a Vote of Security Holders**

(a) An annual meeting of stockholders of the registrant was held on July 26, 2013.

(b) During the said annual meeting the following persons were elected as directors of the registrant:

1. Reynaldo P. Bantug
2. Jose Conrado Benitez
3. Edgardo S. Lopez
4. Ignatius F. Yenko
5. Willy N. Ocier
6. Bienvenido M. Santiago
7. Wilson L. Sy
8. Eusebio H. Tanco
9. Jose Francisco B. Benitez

with the following as independent directors under Section 38 of the Security Regulation Code (RA 87):

10. Anthony A. Almeda
11. Clarita T. Zarraga

(c) During the annual meeting of stockholders of the registrant last 26 July 2013, the following matters was submitted to a vote of and duly approved by the stockholders of the registrant:

1. Approval of the Minutes of the Annual Meeting held on July 27, 2012;
2. Management Report;
3. Approval of Annual Report and Audited Financial Statement for the fiscal year 2012 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on July 27, 2012;
4. Approval of the primary offer in the Philippines of Two Hundred Fifty Million (250,000,000) Series "2" preferred shares with a par value of ₱1.00 per share; and
5. Appointment of KPMG Manabat Sanagustin & Co., CPAs, as external auditors for year 2013.

(d) No other matter has been submitted to a vote of security holders otherwise than at a meeting of such security holders.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a) *Market Information*

Principal market where the equity is traded – Philippine Stock Exchange

The table shows the high & low prices of the company's share within the last two fiscal years, including the volume of transactions for each quarter.

QUARTER ENDING	IN PHILIPPINE PESO				VOLUME (MAIN BOARD)	VOLUME (TOTAL)
	HIGH	HIGH_ADJ*	LOW	LOW_ADJ*		
1Q 2012	9.77	8.14	6.28	5.23	184,999,100	185,000,949
2Q 2012	8.29	6.91	6.45	5.38	86,105,500	86,106,194
3Q 2012	9.29	7.74	7.20	6.00	157,689,500	157,690,837
4Q 2012	9.90	8.25	7.55	6.29	133,276,000	145,323,731
1Q 2013	9.31	7.76	8.01	6.68	50,326,800	50,327,899
2Q 2013	9.50	7.92	6.75	5.63	61,122,200	131,123,506
3Q 2013	8.41	7.01	5.91	5.91	12,885,100	12,885,881
4Q 2013	6.94	6.94	5.81	5.81	50,037,400	62,430,285
1Q 2014	8.45	8.45	6.20	6.20	127,932,000	127,936,271
April 2014	8.30	8.30	7.75	7.75	6,126,800	6,128,185
May 2014	8.09	8.09	6.85	6.85	12,305,600	12,306,745

*\*adjustment due to stock dividend declaration effective 22 August 2013*

Closing Market Price as of December 31, 2013 is ₱6.10 per share. While the Closing Market Price as of March 31, 2014 is ₱7.75 per share.

The Company complied with the required minimum public ownership. As of December 31, 2013, total number of common shares owned by the public is 762,971,325 shares or equivalent to 63.59% of the total issued and outstanding common shares. The preferred shares and warrants owned by the public as of December 31, 2013 is 1,650,000,000 and 82,500,000 respectively, or equivalent to 100% of total issued and outstanding preferred shares and warrants.

The Company's earnings (loss) per share are: ₱0.2155 per share in 2013 and ₱0.2847 in 2012.

a) *Holdings*

The stock transfer agent reported 1,856 holders of common shares of the registrant, and 1 holder both for preferred shares and warrants as of December 31, 2013. The top 20 shareholders, the number of common shares held and the percentage of common shares held by each are as follows:

	Name	No. Of Shares Held	% To Total
1.	PCD Nominee Corporation (Filipino)	735,570,977	61.31
2.	Zoraymee Holdings, Inc.	133,521,190	11.13
3.	Grandshares Inc.	100,000,000	10.00
4.	Alfredo Abelardo B. Benitez	81,983,999	6.83

5.	Dominique L. Benitez	31,680,000	2.64
6.	Pacific Online Systems Corporation	30,000,000	2.50
7.	AB Leisure Exponent, Inc.	21,567,000	1.80
8.	PCD Nominee Corporation (Non-Filipino)	16,665,336	1.39
9.	Wilson L. Sy	2,286,600	.19
10.	Willy Ng Ocier	2,125,200	.18
11.	Paul Luis Paul P. Alejandrino	1,426,224	.12
12.	OCX Development Corporation	1,032,000	.09
13.	Liberty Farms, Inc.	809,129	.07
14.	Provident Insurance Corporation	591,023	.05
15.	Brisot Economic Development Corporation	512,004	.04
16.	Visayan Surety & Insurance Corporation	486,294	.04
17.	Allen Cham	347,974	.03
18.	Oliver V. Amorin	311,220	.03
19.	Tan Keg Tiam	279,618	.02
20.	Fe Palting Lagdameo &/or Roberto J. Lagdameo	263,350	.02

Below is the summary list of foreign ownership as of December 31, 2013, the nationality, number of shareholders, the number of common shares held and the percentage of common shares held by each:

Nationality	No. of Shareholders	No. of Shares Held	% To Total
American	10	141,117	.01
British	1	13,619	.00
Chinese	72	2,244,735	.19
German	1	1,064	.00
Spanish	2	19,442	.00
Others	2	16,682,136	.00

Preferred shares and warrants are 100%-owned by Filipino.

a) *Dividends*

The Company does not have any restrictions which limit the ability to pay dividends on common equity or that are likely to do so except in cases where the Company does not have enough retained earnings or is in a deficit position. For six consecutive years, the Company was able to distribute cash dividend to its shareholders. During the annual stockholders' meeting held on July 26, 2013 the Board of Directors (BOD) declared cash dividend twice, ₱0.040 per share with record date of September 28, 2013, and another ₱0.040 with record date of February 28, 2014. BOD also declared cash dividends equivalent to ₱0.03 per share in 2007, ₱0.06 per share in 2008, ₱0.06 per share in 2009, ₱0.08 per share in 2010, and ₱0.075 per share in 2011 and 2012.

a) *Recent Sale of Unregistered Securities*

The issuance of ₱1.65 billion worth of preferred shares was approved by LRWC's Board of Directors and stockholders on January 22, 2013 and March 22, 2013, respectively. The listing application was filed with the exchange on September 20, 2013 and approved on November 27, 2013. The exchange approved the listing of the preferred shares and warrants on December 20, 2013. The shareholders of the private placement transaction are as follows:

Name	Preferred Shares	Amount Paid (Php)
Philippine Commercial Capital, Inc.	200,000,000	200,000,000.00
Vantage Equities, Inc.	100,000,000	100,000,000.00
Maybank ATR Kim Eng Capital Partners, Inc. – As Trustee for Various Trust Accounts	100,000,000	100,000,000.00



Beneficial Life Insurance, Co., Inc.	100,000,000	100,000,000.00
Liberty Flour Mills, Inc.	50,000,000	50,000,000.00
United Coconut Planters Life Assurance Corporation	50,000,000	50,000,000.00
Cocolife Fixed Income Fund, Inc.	50,000,000	50,000,000.00
Government Service Insurance System	800,000,000	800,000,000.00
Philippine Business Bank, Inc. (A Savings Bank) - Trust and Investment Center	200,000,000	200,000,000.00
<b>TOTAL</b>	<b>1,650,000,000</b>	<b>1,650,000,000.00</b>

The Php1.65 billion perpetual preferred shares was issued through private placement or issuance to not more than nineteen (19) non-qualified buyers under the Section 10.1(k) of the Securities Regulation Code. The Php1.65 billion perpetual preferred shares has a par value of Php1.00 per share and an issue price of Php1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the Php1.65 billion perpetual preferred shares or on any dividend payment date thereafter, LRWC has the option, but not the obligation, to redeem the perpetual preferred shares in whole or in part at a redemption price equal to the issue price of the perpetual preferred shares plus cumulated and unpaid cash dividend, if any, for all dividend periods up to the date of actual redemption by LRWC. A nil-paid, detachable warrant was issued to the investor(s) for every twenty (20) preferred shares. Each warrant shall entitle the investor(s) to purchase one (1) common share. The exercise price of the warrant shall be Php15.00 or LRWC's weighted average trading price for three (3) months prior to the exercise date of the warrant less ten percent (10%) discount. The warrants are exercisable starting on the 5<sup>th</sup> anniversary of the perpetual preferred shares until the 8<sup>th</sup> anniversary.

On September 25, 2013, LRWC filed the listing of 82,500,000 warrants and the underlying common shares with the PSE.

## **Item 6. Management's Discussion and Analysis or Plan of Operation**

### **LRWC Operations**

As mentioned, LRWC is functioning basically as a holding company with minimal operations. The Company is focusing its endeavor in supporting the productivity programs of its subsidiaries as follows: (1) AB Leisure Exponent, Inc. (ABLE – 100% owned); (2) LR Land Developers, Inc. (LRLDI – 100% owned); (3) AB Leisure Global, Inc. (ABLGI – 100% owned); (4) Prime Investment Korea, Inc (PIKI – 100% owned); (5) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned); (6) Bingo Bonanza (HK) Ltd. (BBL - 60% owned); (7) Blue Chip Gaming and Leisure Corporation (BCGLC – 70% owned) and (8) Hotel Enterprises of the Philippines, Inc. (HEPI – 51% owned, an associate).

Based on PFRS 3, Business Combination, LRWC and subsidiaries are required to perform an annual test for goodwill impairment. As a result of the annual test, there is no need to provide for allowance for impairment of goodwill in 2013.

Starting in 2009, LRWC did not recognize any losses from BLRI, a 30% owned affiliate, as its investment balance has already been consumed.

### **2013 vs. 2012**

### **ABLE Operations**

ABLE posted total sales of ₱4,044.0 million for 2013, a ₱193.4 million or 5.0% growth from the ₱3,850.6 million total sales for 2012. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo and Pull Tabs.

The traditional bingo was the Company's principal product line last year with annual sales of ₱1,832.2 million or 47.6% contribution to total sales. However, traditional bingo sales for the year ended December 31, 2013 contributed

₱1,660.7 million or about 41.1% to total sales, surpassed by the contribution from Electronic Bingo games of 50.0% of total sales. Traditional Bingo sales in 2013 decreased by ₱171.4 million or 9.4% as compared to the same period in 2012.

Sales increase faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. Thus, ABLE expanded its game offerings to a variety of gaming products that could be played simultaneously with the programmed bingo games. These products include Electronic Bingo, Rapid Bingo and Pull Tabs.

The sales of Electronic Bingo for 2013 of ₱2,023.1 million increased by ₱393.1 million or 24.1% from the reported sales of ₱1,630.0 million in 2012. At the end of December 31, 2013, there were a total of 5,390 E-bingo machines in 77 bingo parlors compared with 4,044 E-bingo machines in 62 bingo parlors as of December 31, 2012. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2013 of ₱356.6 million decreased by ₱24.9 million or 6.5% from the ₱381.5 million sales in 2012. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2013, there were a total of 70 Rapid Bingo terminals in 61 bingo parlors installed as compared to 84 terminals in 68 bingo parlors in 2012.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱3.6 million or 0.1% to 2013 total sales as compared to 2012 sales of ₱6.5 million.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued, thus posting sales for 2012 of ₱0.4 million. ICBG2 scratch cards will be replaced with new game variants in the future.

There was a slight increase of ₱10.0 million or 0.4% in ABLE's consolidated operating expenses in 2013 amounting to ₱2,259.8 million as compared to ₱2,249.8 million in 2012. The increase is mainly attributable to the opening of several bingo parlors as follows: (1) Rent by ₱29.5 million or 12.3%; (2) Communication and Utilities by ₱23.0 million or 15.5%; (3) Salaries and Wages by ₱15.2 million or 10.1%; (4) Contracted Services ₱26.1 million or 26.6%; (5) Depreciation and Amortization by ₱6.2 million or 8.7% and (6) Bingo cards and supplies by ₱10.0 million or 39.9%. These increases were partially offset by the following decreases generally due to management's continuous implementation of ABLE's cost reduction program: (1) Employee Benefits by ₱6.9 million or 15.7% and (2) "Others Expenses" of ₱25.4 million or 34.1%. ABLE's management approved the recognition of the impairment loss on its receivables in 2013 amounting to ₱15.3 million as compared to ₱24.0 million in 2012, further decreasing in operating expenses by ₱8.7 million or 36.3%. This is a conservative measure implemented by ABLE in its effort to present a reasonable results of operations.

The resulting net income in the "Other Income (Expense) account" in 2013 of ₱0.9 million grew by ₱4.8 million or by 121.5% when compared to the resulting net expense of ₱4.0 million in 2012. This was principally attributable to the following: (1) lower interest expense arising from substantial payments of loan principal and (2) interest income derived from ABLE's receivable from BLRI.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱122.2 million in 2013, a slight decrease of ₱2.2 million or 1.8% from the ₱124.4 million consolidated net income in 2012. The decline in net income is mainly due to higher cost and operating expenses in which the improvement in the net revenues was not able to compensate. This was primarily due to the opening of new sites. Initial months' operations exhibit a gradual build-up of sales in the first year.

### **FCLRC Operations**

For the year 2013, FCLRC posted gross revenues of ₱859.6 million. These were generated from hosting and service fees amounting to ₱765.8 million and from license application and renewal fees, amounting to ₱93.8 million. Total revenues in 2013 were higher than the revenues in 2012 at ₱281.7 million or 48.8%. CEZA fees in 2013 increased to

₱382.9 million versus ₱249.5 million in 2012, or an increase of ₱133.4 million or 53.5% than last year's fees. As a result, FCLRC's net revenues increased by ₱148.3 million or 45.2% as compared to last year. The principal growth driver for FCLRC was the increase in the number of operating locators – 71 in 2013 from 62 in 2012, that contributed to the increase in fees.

FCLRC generated gross revenues from foreign sales amounting to ₱859.6 million in 2013, ₱577.8 million in 2012 and ₱355.8 million in 2011 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2013, 2012 and 2011.

Cost and operating expenses increased by ₱14.7 million or 10.8% from last year's ₱136.7 million. The increase is mainly due to the Company's efforts to generate higher revenues thus necessitating the hiring of additional consultants, enhancing marketing strategies to attract new locators and generally providing a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). Thus the following expenses increased: (1) Salaries, wages and benefits by ₱8.0 million attributable to increase in salaries and improved benefits; (2) Professional Fees by ₱5.0 million; (3) Rent by ₱1.6 million due to rate escalation; (4) Advertising and Promotions by ₱4.8 million due to participation in international gaming summits and conferences; (5) Representation by ₱1.5 million; (6) Taxes and Licenses by ₱0.06 million and (7) "Others Expenses" by ₱3.4 million. These afore-mentioned increases in expenses were offset by the following decreases primarily due to the Company's efforts to reduce cost by implementing its cost saving measures: (1) Depreciation and Amortization by ₱4.7 million; (2) Communications Expense by ₱1.8 million; (3) Insurance by ₱0.5 million; (4) Repairs and Maintenance by ₱0.1 million and (5) Donations and contribution by ₱2.1 million.

The resulting net income in the "Other Income (Expense) - Net" account of ₱70.4 million in 2013, decreased by ₱11.5 million or 14.0% as compared to ₱81.9 million in 2012. The decline is principally attributable to the increase in interest expense from payables to CEZA as well as foreign exchange loss due to revaluation.

Thus, FCLRC posted a net income of ₱368.2 million in 2013, an increase of ₱110.8 million or 43.1% than last year's ₱257.3 million. The growth in net income is mainly attributable to the increase in revenues partially offset by the slight increase in costs and operating expenses as well as decrease in the resulting income from the "Other Income (Expense) – Net".

Net income generated from foreign revenues amounted to ₱357.3 million or 97.0% of ₱258.2 million in 2012; ₱254.3 million or 98.5% of ₱258.2 million in 2012 and ₱146.6 million or 93.7% of ₱156.5 million in 2011 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱80.4 million in 2013 and ₱60.0 million in 2012; a ₱20.4 million or 34.0% improvement due to higher generated revenues.

### **LRLDI Operations**

LRLDI posted total rent income of ₱15.7 million in 2013 as compared to ₱16.0 million in 2012. The slight decline of ₱0.3 million is due to the adjustment of revenue recognition to straight line method. Total operating expenses of ₱0.2 million in 2013, decreased by ₱0.5 million as compared to ₱0.7 million in 2012. The decrease in expenses is mainly attributable to the decrease in taxes and licenses due to LRLDI's certification as a CEZA registered enterprise in 2013 which makes it exempt from business taxes. LRLDI recorded its 50% share in the net income of Techzone, an associate, in 2013 amounting to ₱43.1 million as compared to its share in net loss of ₱0.5 million in 2012. Hence, LRLDI posted a net income of ₱50.1 million in 2013, as compared to ₱5.6 million last year. The major improvement in net income by ₱44.5 million is due to the net income reported by Techzone.

### **ABLGI Operations**

In accordance with the new Memorandum of Agreement between LRWC, Belle and PLAI, ABLGI started to receive its participation income from Belle's share in the casino project in 2013 amounting to ₱180.5 million as of December 31, 2013. Total expenses amounted to ₱46.6 million in 2013 as compared to ₱54.4 million in 2012. The decrease in expenses is principally attributable to the amendment of the Operating Agreement with Belle Corporation in 2012 which effectively terminated the casino land and building leases which were in the original agreement to be paid by ABLGI.

Finance expense in 2013 amounting to ₱114.1 million increased as compared to ₱0.04 million in 2012 attributable to ABLGI's long term bank borrowings to finance its contribution to Belle Corporation. As a result, ABLGI declared net income of ₱40.5 million in 2013 as against net loss of ₱3.4 million in 2012.

### **BCGLC Operations**

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱86.5 million and ₱88.4 million in 2013 and 2012, respectively. Total operating expenses amounted to ₱8.1 million in 2013 and ₱10.0 million in 2012. The decline in operating expenses by ₱1.8 million or 18.4% is mainly due to the allowance for impairment loss on receivables amounting to ₱1.4 million as provided in 2012 coupled with cost-cutting measures implemented by BCGLC management to reduce its operating expenses. As a result, BCGLC posted a net income of ₱2.4 million in 2013 versus ₱4.9 million in 2012, a decrease of ₱2.5 million or 50.1% due to the decrease in revenues coupled with an increase in direct costs.

### **BBL Operations**

BBL, a 60% owned subsidiary of LRWC, started its commercial operations last March 5, 2012. It generated gross revenues from its electronic bingo club operations amounting to ₱0.6 million for both years ended December 31, 2013 and 2012. Total cost and operating expenses amounted to ₱29.6 million in 2013 and ₱32.5 million in 2012. The decrease is mostly due to foreign currency translation loss. Thus, it posted a net loss of ₱29.2 million in 2013 as compared to ₱31.9 million in 2012.

### **PIKI Operations**

PIKI started its commercial operations on July 26, 2013. Together with Philippine Amusement and Gaming Corporation (PAGCOR), PIKI executed a Junket Agreement to jointly conduct junket gaming operations within PAGCOR's Casino Filipino-Midas located at Midas Hotel and Casino in Roxas Boulevard, Pasay City.

PIKI generated gross revenues from its junket gaming operations totaling ₱11.4 million. Total costs and operating expenses amounted to ₱24.0 million. Thus, it posted a net loss of to ₱12.6 million.

### **LRWC**

LRWC posted a consolidated net income (exclusive of minority interest) of ₱323.8 million in 2013 as compared with ₱280.1 million in 2012. The increase in net income amounting to ₱43.7 million or 15.6% is mostly due to the improvement in net income of ABLGI, FCLRC and LRLDI.

### **Consolidated Financial Condition**

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Receivables – Net of ₱142.2 million mainly attributable to ABLE's receivable from an investment broker partially offset by the decrease in FCLRC's receivable due to reclassification; (2) Increase in Due from Related Parties of ₱59.3 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (3) Increase in Investments and Advances – Net of ₱717.5 million mainly attributable to LRWC's advances to Eco Leisure in relation to the purchase agreement and advances to DFNN; (4) Advances to a third party of ₱4,001.7 million mainly due to ABLGI's contribution to Belle pursuant to their agreements; (5) Deferred tax assets of ₱7.8 million mainly attributable to the change in ABLE's taxation from franchise tax to income tax partly offset by the decrease in ABLGI due to its declaration of net income in 2013 and (6) Other assets – Net of ₱121.1 million attributable to ABLGI pursuant to its bank loan agreement coupled with ABLE's deposits to venue, PAGCOR bonds and others as a result of the opening of several bingo parlors. These increases in total assets was partly offset by the following: (1) Decrease in Bingo cards and supplies of ₱6.2 million due to ABLE's decreased level of inventory owing to the decline in revenues of traditional bingo and (2) Prepaid expenses and other current assets of ₱65.9 million mainly due to ABLGI's amortization to appropriate accounts in connection to the amendment of Operating Agreement with Belle. Thus, the total assets of LRWC and subsidiaries as of December 31, 2013 of ₱9,191.8 million increased by ₱5,068.3 million or 122.9% from ₱4,123.5 million as of December 31, 2012.

The following are the changes in the total liabilities of LRWC: (1) Increase in Trade and Other Payable of ₱181.3 million attributable to FCLRC's payable to CEZA, ABLGI's accruals for loan interest and ABLE's liability to various suppliers; (2) Short term loans payable of ₱100.3 million due ABLE's short term borrowings to finance its working capital requirements; (3) Long term loans payable (inclusive of current portion) of ₱2,657.9 million mainly due to ABLGI's bank loan to finance its contribution to Belle; (4) Obligations under finance lease (inclusive of current portion) of ₱10.1 million attributable to ABLE's vehicle financing agreements; (5) Increase in Due to a related party of ₱6.9 million arising from advances to future projects that will benefit the Group in the future; (6) Income tax payable of ₱25.3 million principally due to ABLE's change in taxation from franchise tax to income tax as well as FCLRC's increase in revenues and (7) Retirement Benefits Liability of ₱17.4 million principally owing to ABLE and FCLRC's accrual of retirement obligation. The afore-mentioned increases were partially offset by the decrease in Rent deposit of ₱0.3 million due to LRLDI's application to rent income.

Cash as of December 31, 2013 of ₱295.7 million increased by ₱104.7 million or 54.8% from ₱191.1 million for the same period last year. The growth is mainly attributable to cash generated from financing activities arising from ABLGI's proceeds from bank loan partially offset by cash in financing activities attributable to ABLGI's investment contribution to Belle and decrease in cash provided by operating activities.

The Company and its subsidiaries:

- a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
- b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
- d) Have not breached any loans, leases or other indebtedness or financing agreement; and
- e) Have no material commitment for capital expenditure, aside from those already discussed as continuous development of new bingo parlors.

#### Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	<u>As Of</u>	
	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
<u>Liquidity</u>		
Current Ratio	59.8%	74.1%
<u>Leverage Ratio</u>		
Debt to Equity	94.1%	39.1%
Asset to Equity	194.1%	139.1%
	<u>For the Year Ended</u>	
	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
<u>Activity Ratio</u>		
Payout Turn-over	2.37 times	2.00 times
<u>Profitability Ratio</u>		
Return on Average Equity	8.4%	9.8%
Return on Average Assets	4.9%	7.2%

<u>Solvency Ratio</u>	10.4%	37.2%
<u>Interest Coverage Ratio</u>	3.8	10.1
<u>Net Book Value Per Share</u>	2.98	3.02
<u>Earnings (Loss) Per Share</u>	0.2155	0.2847

The manner by which the Company calculates the above indicators is as follows:

<i>Key Performance Indicator</i>	<i>Formula</i>
<i>Current Ratio</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
<i>Debt to Equity Ratio</i>	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$
<i>Asset to Equity Ratio</i>	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$
<i>Payout Turn-over</i>	$\frac{\text{Net Revenues}}{\text{Payout}}$
<i>Return on Average Equity</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$
<i>Return on Average Assets</i>	$\frac{\text{Net Income}}{\text{Average Total Assets}}$

<i>Solvency Ratio</i>	$\frac{\text{Net Income} + \text{Depn}}{\text{Total Liabilities}}$	<b>2012</b> <b>vs.</b> <b>2011</b>
<i>Interest Coverage Ratio</i>	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$	
<i>Net Book Value Per Share</i>	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	
<i>Earnings (Loss) Per Share</i>	$\frac{\text{Net Income}}{\text{Weighted Average Shares Outstanding}}$	

### **ABLE Operations**

ABLE posted total sales of ₱3,850.6 million for 2012, a ₱220.9 million or 6.1% growth from the ₱3,629.7 million total sales for 2011. Sales from Electronic Bingo operations contributed to the increase in sales partly offset by decreases in the sales of Traditional Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The traditional bingo remains the Company's principal product line with annual sales of ₱1,832.2 million or 47.6% contribution to total sales. Annual sales for 2012 decreased by ₱173.7 million or 8.7% from 2011 sales of ₱2,005.9 million. ABLE currently operates 65 bingo parlors; an increase of 9 bingo parlors from last year's number of bingo parlors. The total number of bingo parlors does not include two (2) dormant bingo parlors, which are to be relocated and two (2) minority owned affiliates.

Sales increase faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. Thus, ABLE expanded its game offerings to a variety of gaming products that could be played simultaneously with the programmed bingo games. These products include Electronic Bingo, Rapid Bingo, Pull Tabs and Instant Charity Bingo.

The sales of Electronic Bingo for 2012 of ₱1,630.0 million increased by ₱478.2 million or 41.5% from the ₱1,151.8 million sales in 2011. At the end of December 31, 2012, there were a total of 4,044 E-bingo machines in 62 bingo parlors compared with 2,985 E-bingo machines in 53 bingo parlors as of December 31, 2011. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The sales of Rapid bingo for 2012 of ₱381.5 million decreased by ₱69.3 million or 15.4% from the ₱450.8 million sales in 2011. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of December 2012, there were a total of 84 Rapid Bingo terminals in 68 bingo parlors installed as compared to 81 terminals in 66 bingo parlors in 2011.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs contributed ₱6.5 million or 0.2% to 2012 total sales as compared to 2011 sales of ₱12.8 million.

PAGCOR granted ABLE the authority to be the primary and exclusive distributor of the Instant Charity Bingo Game II (ICBG2) on June 13, 2000. However, because of the poor sales performance, ABLE discontinued the distribution of the

cards in 2005. On December 12, 2008, ABLE resumed commercial operations of the ICBG2 scratch cards. At the beginning of the third quarter of 2012, sales of the ICBG2 scratch cards were discontinued, thus posting sales for 2012 of ₱0.4 million only as compared to ₱8.5 million for the same period last year. ICBG2 scratch cards will be replaced with new game variants in the future.

There was a decrease of ₱144.2 million or 6.0% in ABLE's consolidated operating expenses in 2012 amounting to ₱2,249.9 million as compared to ₱2,394.1 million in 2011. This is mainly attributable to the following: (1) Payout of ₱127.5 million or 8.6% principally due to the implementation of new gaming programs; (2) Employees Benefits of ₱20.9 million or 32.3% and (3) "Others Expenses" of ₱17.4 million or 18.9% generally due to management's continuous implementation of ABLE's cost reduction program. ABLE's management approved the recognition of the impairment loss on its receivables in 2012 amounting to ₱24.0 million as compared to ₱64.5 million in 2011, augmenting the decrease in operating expenses by ₱40.5 million or 62.5%. This is a conservative measure implemented by ABLE in its effort to present a reasonable results of operations. On the other hand, these decreases were partially offset by the following increases mainly due to the opening of several bingo parlors: (1) Rental of ₱25.3 million or 11.8%; (2) Salaries and Wages of ₱17.3 million or 13.0%; (3) Contracted Services of ₱4.9 million or 5.3%; (4) Depreciation of ₱14.9 million or 26.5% and (5) Taxes and Licenses of ₱3.9 million or 17.6%.

The resulting net expense in the "Other Income (Expense) account" in 2012 of ₱ 4.0 million grew by ₱1.6 million or 67.3% from ₱2.4 million in 2011 principally attributable to the income derived from sales of LRWC shares in 2011. However, this was partially offset by the following in 2012: (1) lower interest expense arising from substantial payments of loan principal and (2) interest income derived from ABLE's receivable from BLRI.

ABLE posted a consolidated net income (exclusive of minority interest) of ₱124.4 million in 2012, an increase of ₱72.7 million or 140.7% from the ₱51.7 million consolidated net income in 2011. The improvement in net income is mainly due to higher revenues generated from Electronic Bingo in 2012 coupled with lower operating expenses.

### **FCLRC Operations**

For the year 2012, FCLRC posted total revenues (exclusive of CEZA fees) of ₱577.8 million. These were generated from hosting and service fees amounting to ₱499.0 million and from license application and renewal fees, amounting to ₱78.8 million. Total revenues in 2012 were higher than the revenues in 2011 at ₱355.8 million. CEZA fees in 2012 increased to ₱249.5 million versus ₱139.0 million in 2011, or an increase of ₱110.8 million or 79.5% than last year's fees. Moreover, net revenues increased by ₱111.6 million or 51.5% as compared to last year.

FCLRC generated gross revenues from foreign sales amounting to ₱577.8 million in 2012; ₱355.8 million in 2011 and ₱295.7 million in 2010 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2012, 2011 and 2010.

Cost and operating expenses increased by ₱21.7 million or 19.0% from last year's ₱114.1 million. The increase is mainly due to the Company's efforts to generate higher revenues thus necessitating the hiring of additional manpower and consultants, enhancing marketing strategies to attract new locators and generally providing a more efficient service to its locators operating in the Cagayan Special Economic Zone Free Port (CSEZFP). Thus the following expenses increased: (1) Salaries, wages and benefits by ₱4.0 million; (2) Depreciation and Amortization by ₱4.1 million due to the purchase of additional equipment as well as the accelerated depreciation of transportation equipment; (3) Professional Fees by ₱3.1 million; (4) Insurance by ₱1.2 million; (5) Repairs and Maintenance by ₱1.1 million; (6) Advertising & Promotions by ₱6.1 million; (7) Transportation and Travel by ₱8.1 million; (8) Representation by ₱4.0 million; (9) Taxes and Licenses by ₱0.1 million and (10) "Others Expenses" by ₱5.6 million. These afore-mentioned increases in expenses were offset by the decrease in Communications Expense by ₱3.4 million primarily due to the Company's efforts to reduce cost by implementing its cost saving measures. There was no impairment loss on receivables recognized in 2012 while in 2011, FCLRC's management decided to recognize an impairment loss on its receivables amounting to ₱11.7 million as a conservative measure in its effort to present a reasonable results of operations.

The resulting net income in the "Other Income (Expense) - Net" account of ₱81.9 million in 2012, grew by ₱18.4 million or 28.9% as compared to ₱63.5 million in 2011. The growth is principally attributable to the increase in net income of FCCDCI coupled with the improvement in other income derived from rental of gaming facility and equipment to locators.



Thus, FCLRC posted a net income of ₱258.2 million in 2012, an increase of ₱101.7 million or 65.0% than last year's ₱156.5 million. The growth in net income is mainly attributable to the increase in gross revenues as well as the increase in the resulting income from the "Other Income (Expense) – Net" partially offset by the slight increase in cost and operating expenses.

Net income generated from foreign revenues amounted to ₱254.3 million or 98.5% of ₱258.2 million in 2012; ₱146.6 million or 93.7% of ₱156.5 million in 2011 and ₱109.1 million or 93.6% of ₱116.5 million in 2010 respectively.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱60.0 million in 2012 and ₱40.4 million in 2011; a ₱19.6 million or 48.5% improvement due to higher generated revenues.

### **LRLDI Operations**

LRLDI posted total rent income of ₱16.0 million in 2012 as compared to ₱15.0 million in 2011. The growth of ₱1.0 million is due to the rental income generated from the lease of dormitory facilities which started last September 2012. Total operating expenses of ₱0.8 million in 2012, decreased by ₱0.7 million as compared to ₱1.4 million in 2011. The decrease in expenses is mainly attributable to the cost saving measures implemented by LRLDI in keeping with its overall financial prudence policy. LRLDI recorded its 50% share in the pre-operating expenses of Techzone, an associate, in 2012. Hence, LRLDI posted a net income of ₱5.6 million in 2012, as compared to ₱4.5 million last year.

### **ABLGI Operations**

ABLGI has not started its commercial operations as of December 31, 2012. Total comprehensive loss amounted to ₱3.4 million in 2012 as compared to ₱168.7 million in 2011. The significant decrease in pre-operating expenses is principally attributable to the amendment of the Operating Agreement with Belle Corporation in 2012 which effectively terminated the casino land and building leases. Accordingly, accrued rent in 2011 amounting to ₱55.1 million was reversed and presented as "Other Income" which substantially decreased the net loss in 2012.

### **BCGLC Operations**

The Group acquired 70% of BCGLC's outstanding capital stock on April 27, 2011. BCGLC generated gross revenues from slot machines totaling ₱88.4 million and ₱65.0 million in 2012 and 2011, respectively. The growth in gross revenues by ₱23.6 million or 36.3% from last year is mainly attributable to the implementation of the 24-hour casino operations starting February 2012. Total operating expenses amounted to ₱10.0 million in 2012 and ₱11.9 million in 2011. The decline in operating expenses of ₱1.9 million or 16.1% is mainly due to the decrease in rent expense by ₱4.8 million as a result of the adjustment in the allocation of rent between direct cost and operating expenses; partially offset by the increase in the following expenses due to the extended operating hours: (1) Marketing and Advertising by ₱0.3 million, (2) Communications and Utilities by ₱0.2 million, (3) Representation and Entertainment by ₱0.3 million; (4) Contracted Services by ₱0.4 million and (5) Salaries and Wages by ₱0.1 million. For the year ended, December 31, 2012, BCGLC's management decided to provide for an allowance for the impairment loss on its receivables amounting to ₱1.4 million as a conservative measure in its effort to present a reasonable result of operations. Thus, BCGLC posted a net income of ₱4.9 million in 2012 as compared to a net loss of ₱2.0 million in 2011.

### **BBL Operations**

BBL, a 60% owned subsidiary of LRWC, started its commercial operations last March 5, 2012. It generated gross revenues from its electronic bingo club operations amounting to ₱0.6 million in 2012. Total cost and operating expenses amounted to ₱32.5 million. Thus, it posted a net loss of ₱31.9 million as of the year ended December 31, 2012.

### **LRWC**

LRWC posted a consolidated net income (exclusive of minority interest) of ₱280.1 million in 2012 as compared with the consolidated net loss of ₱36.4 million in 2011. The substantial improvement in net income is due to the increase in net

income of ABLE, FCLRC, BCGLC and LRLDI coupled with the significant decrease in pre-operating expenses of ABLGI partially offset by the operating losses of BBL.

### **Consolidated Financial Condition**

The changes in total assets of LRWC and subsidiaries are accounted as follows: (1) Increase in Prepaid expenses and other current assets of ₱25.5 million owing to ABLGI's prepaid rent, advances to contractors and suppliers; (2) Increase in Due from Related Parties of ₱20.7 million mainly due to FCLRC's short term advances to an affiliate for working capital and construction projects requirements; (3) Increase in Investments and Advances – Net of ₱1,026.2 million mainly attributable to LRWC's advances to Eco Leisure in relation to the purchase agreement as well as ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances and LRLDI's advances to CPVDC and CLPDC to finance the construction and development of CSEZFP International Airport in Cagayan and (4) Other Assets – Net of ₱74.2 million mainly due to FCLRC's new memorandum of agreement pertaining to the purchase of land rights. These increases in total assets was partly offset by the following: (1) Decrease in Cash and cash equivalents of ₱753.2 million owing to the LRWC's advances to Eco-Leisure; (2) Decrease in Receivables - Net of ₱76.5 million principally due to FCLRC's substantial collection of its receivables partially offset by ABLE's advances for expansion projects that is projected to generate more revenues; (3) Decrease in Bingo cards of ₱1.7 million due to ABLE's decreased level of inventory owing to the decline in revenues of traditional bingo; (4) Decrease in Property and Equipment – Net of ₱82.3 million mainly due to ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances partially offset by ABLE's opening of new bingo parlors and FCLRC's construction of additional facilities for its staff and locators; (5) Decrease in Investment Property – Net of ₱7.2 million due to LRLDI's adjustments and (6) Decrease in Deferred Tax Assets of ₱4.1 million mainly due to ABLGI's reversal of accrued rent. Thus, the total assets of LRWC and subsidiaries as of December 31, 2012 of ₱3,924.0 million increased by ₱221.7 million or 6.0% from ₱3,702.4 million as of December 31, 2011.

The following are the changes in the total liabilities of LRWC: (1) Increase in Obligations under finance lease (inclusive of current portion) of ₱8.4 million attributable to ABLE's vehicle financing agreements; (2) Increase in Retirement Benefits Liability of ₱6.4 million principally owing to ABLE's accrual of retirement obligation and (3) Increase in Rent Deposit of ₱0.6 million because of LRLDI's new lease agreements pertaining to the dormitory. The afore-mentioned increases were partially offset by the following decreases in liabilities: (1) Long Term Loans Payable (inclusive of current portion) of ₱24.3 million principally due to FCLRC's and ABLE's substantial settlement of its obligations and (2) Income Tax Payable of ₱1.2 million due to FCLRC's higher tax payments made in the first three quarters of the year.

Cash as of December 31, 2012 of ₱191.1 million decreased by ₱753.2 million or 79.8% from ₱944.3 million for the same period last year. The decline is mainly attributable to cash used in investing activities arising from LRWC's advances to Eco Leisure, ABLGI's reclassification of its leasehold improvements and construction in progress accounts to advances, LRLDI's advances to CPVDC and CLPDC and FCLRC's new memorandum of agreement pertaining to the purchase of land rights partially offset by cash provided by operating activities as a result of the increase in net income of ABLE, FCLRC, BCGLC and LRLDI.

The Company and its subsidiaries:

- a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
- b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
- d) Have not breached any loans, leases or other indebtedness or financing agreement; and
- e) Have no material commitment for capital expenditure, aside from those already discussed as continuous development of new bingo parlors.

Key Performance Indicators

The Company monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	<u>As Of</u>	
	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
<u>Liquidity</u>		
Current Ratio	91.2%	180.1%
<u>Leverage Ratio</u>		
Debt to Equity	31.6%	34.4%
Asset to Equity	132%	134%
	<u>For the Year Ended</u>	
	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
<u>Activity Ratio</u>		
Payout Turn-over	2.00 times	1.81 times
<u>Profitability Ratio</u>		
Return on Average Equity	12.1%	0.2%
Return on Average Assets	9.1%	0.1%
<u>Solvency Ratio</u>	50.4%	9.9%
<u>Interest Coverage Ratio</u>	10.7	-7.7
<u>Net Book Value Per Share</u>	3.04	2.96
<u>Earnings (Loss) Per Share</u>	0.2853	(0.0391)

The manner by which the Company calculates the above indicators is as follows:

<i>Key Performance Indicator</i>	<i>Formula</i>
<i>Current Ratio</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
<i>Debt to Equity Ratio</i>	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$
<i>Asset to Equity Ratio</i>	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$
<i>Payout Turn-over</i>	$\frac{\text{Net Revenues}}{\text{Payout}}$
<i>Return on Average Equity</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$
<i>Return on Average Assets</i>	$\frac{\text{Net Income}}{\text{Average Total Assets}}$

<i>Solvency Ratio</i>	$\frac{\text{Net Income} + \text{Depn}}{\text{Total Liabilities}}$
<i>Interest Coverage Ratio</i>	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$
<i>Net Book Value Per Share</i>	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$
<i>Earnings (Loss) Per Share</i>	$\frac{\text{Net Income}}{\text{Weighted Average Shares Outstanding}}$

**Plans for  
2014**

As in previous years, ABLE plans to expand by applying for permits to open new bingo parlors in high traffic areas, specifically in new SM and Robinson's Malls/Supercenters and several bingo outlets with smaller area in Metro Manila.

FCLRC's plan is to invite and qualify more licensed and operating locators within the year. Major capital expenditures shall mainly be pertaining to the development of the information technology (IT) and telecommunications facilities of CSEZFP and the development of Cagayan Business Park.

LRLDI plans to continue investing into the Lallo Airport Project of CPVDC for the following year in keeping with their commitment to support the development of CSEZFP.

BCGLC intends to intensify their marketing campaign to increase foot traffic in the casino as well as extend their operating hours.

ABLGI, as a result of the amendment of the agreement among LRWC, ABLGI, PLAI and Belle Corporation making way for the participation of a foreign partner in the casino project, will assist Belle Corporation in the funding of its own capital requirements in exchange for a share in the economic benefits to be derived by Belle and PLAI in the casino operation.

BBL has initiated sales and marketing projects to boost membership sign-ups and sales.

LRWC through its investment in Hotel Enterprises of the Philippines, Inc. (HEPI), plans to strengthen and enhance the operations of Midas Hotel and Casino.

#### **Item 7. Financial Statements**

The Annual Audited Consolidated Financial Statements for 2012 and the Interim Consolidated Financial Statements for the first quarter of 2013 are presented separately to form part of this information package.

#### **Item 8. Information on Independent Accountant and other Related Matters**

##### External Audit Fees and Services

The aggregate fees billed and paid by registrant in favor of its External Auditors for Audit and Audit Related Fees is Pesos: Four Million Nine Hundred Fifty Eight Thousand and Two Hundred Forty (₱4,958,240.00) for the fiscal year 2013 and Four Million Six Hundred Thirty Three Thousand and One Hundred Four (₱4,633,104.00) for the fiscal year 2012. These fees comprise the audit and audit related services rendered in favor of registrant and its subsidiaries. The registrant also paid Three Million Eighty Nine Thousand Seven Hundred Forty Four Pesos (₱3,089,744.00) for the special audit and review of the Financial Statements for the first and second quarter of 2013.

Except for the fees indicated above, there were no tax fees or all other fees billed or paid to registrant's External Auditors for the last two (2) fiscal years.

The audit plan, including the corresponding audit fees, of the external auditors has been submitted to the Company's Audit Committee for review. The Audit Committee evaluates and approves the audit fees on the basis of reasonableness, scope of work, inflationary increase and the prevailing market price for such services in the audit industry. If the Audit Committee finds the audit plan and audit fees are in order, these are presented and recommended for final approval of the Board of Directors. As regards to services that may be rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review, evaluation and approval by the Board of Directors.

#### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

KMPG Manabat Sanagustin & Co., CPAs served as Company's external auditors for the December 31, 2013 and 2012 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on July 26, 2013. Mr. Tomas G. Mahinay is the partner-in-charge for the Corporation's audit for the December 31, 2013 Financial Statements. There were no disagreements with independent accountants on accounting and financial disclosures.

#### **Compliance with Leading Practice on Corporate Governance**

The Board of Directors of LRWC and its subsidiaries declares that:

- (a) The evaluation system established by the company measures and determines the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. All directors, officers and employees complied with all the leading practices and principles on good corporate governance embodied in this manual.
- (b) There are measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance. All members of the Board of Directors including officers have completed and were duly certified to have attended a seminar on Corporate Governance.
- (c) There is no significant undisclosed deviation from the company's Manual of Corporate Governance.
- (d) The current manual on corporate governance is addressing critical areas affecting the company's operations.

In as much as the Company's business presently primarily pertain to the gaming operations of its wholly-owned subsidiary, AB Leisure and Exponent, Inc., the Company deems that the management of the various Bingo halls all over the country from which it derives its cash revenues from customers, is the more critical area of concern for the Company. In view of the same, in addition to the Anti-Fraud Procedures adopted by ABLE, the Company's Audit Committee conducts regular meetings with the Internal Audit of ABLE to discuss any significant findings and deviations from the established procedures. No such significant finding and deviations have been reported so far.

#### **SEC FORM 17-A**

**The Company shall provide to the stockholders, without charge, on written request, the Annual Report of the company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to:**

**The Corporate Secretary  
Leisure & Resorts World Corporation  
26/F West Tower, PSE Center, Exchange Road  
Ortigas, Pasig City**

**SIGNATURE**

*Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.*

**LEISURE & RESORTS WORLD CORPORATION**  
**Issuer**

By:

**RAUL G. GERODIAS**  
*Corporate Secretary*