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SEC Registration Number

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(Company's Full Name)

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

<b>MR. RIZALITO S. OADES</b>
------------------------------

(Contract Person)

<b>(02) 638-5557</b>
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(Company Telephone Number)

1	2	3	1
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*Month Day*  
(Fiscal Year)

1	7	-	A
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(Form Type)

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*Month Day*  
(Annual Meeting)

<b>Not Applicable</b>
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles Number/section

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Total No. of Stockholders

Total Amount of Borrowings	

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

**SEC FORM 17-A**

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

1. For the fiscal year ended 31 December 2016
2. SEC Identification Number 13174                      3. BIR Tax Identification No. 000-108-278-000

LEISURE & RESORTS WORLD CORPORATION

4. Exact name of issuer as specified in its charter

PHILIPPINES

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

6. Industry Classification Code: \_\_\_\_\_ (SEC use only)

26F WEST TOWER, PSE CENTER, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY

7. Address of registrant's principal office

(02) 687-0370

8. Issuer's telephone number, including area code

NOT APPLICABLE

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

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

<u>Title of each class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
Common	1,199,852,512/Not Applicable
Preferred	1,650,000,000
Warrants	82,500,000

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

Yes [ / ]                      No [ ]

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

Philippine Stock Exchange                      Common Shares/Preferred Shares/Warrants

12. Check whether the issuer:

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

Yes [ / ]                      No [ ]

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

Yes [ / ]                      No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Aggregate market value of voting stock held by non-affiliates: ₱3,229,769,996  
(based on market price on 31 March 2017)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]                      No [ ]

NOT APPLICABLE

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
- (a) Any annual report to security holders;
  - (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
  - (c) Any prospectus filed pursuant to SRC Rule 8.1-1.

**LEISURE & RESORTS WORLD CORPORATION**

**ANNUAL REPORT  
(SEC FORM 17-A)**

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business Development

#### Primary Purpose

Leisure and Resorts World Corporation (hereinafter referred to as “the Company” or “LRWC” or “the Registrant”) was incorporated in 10 October 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 19 September 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 01 January 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 10 October 2011.

#### Subsidiaries

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

On 31 March 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. It has thirty-three (33) wholly/majority owned subsidiaries including three (3) 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. Since then, bingo outlets of ABLE and its subsidiaries 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.

##### **Total Gamezone Xtreme, Inc. (TGXI)**

On 21 July 2014, the Company entered into an Asset and Share Purchase Agreement with Premiere Horizon Alliance Corporation (PHAC) to purchase the latter’s 100% stake in Total Gamezone Xtreme, Inc. (TGXI). TGXI is the assignee and purchaser of the assets, rights and interests of Digiwave Solutions, Inc. (DSI), the operator and licensee of Philippine Amusement and Gaming Corporation (PAGCOR) e-games stations.

To date, LRWC is the registered owner to 100% of TGXI's outstanding capital stock in the amount of ₱218,000,000 divided into 2,180,000 shares with par value of ₱100.

#### **Blue Chip Gaming and Leisure Corporation (BCGLC)**

On 09 October 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 20 October 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 27 April 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 24 May 2011. On 01 December 2015, LRWC purchased the remaining 30% or 11,250 shares from BCGLC's minority stockholders.

On 24 July 2015, BCGLC incorporated a subsidiary, Gold Coast Leisure World Corp. (GCLWC) with authorized capital stock of ₱15,000,000 divided into 150,000 shares with par value of ₱100, of which ₱3,750,000 has been subscribed. GCLWC was incorporated to comply with Section 18, Chapter III of the Implementing Rules and Regulations of Republic Act No. 7227. GCLWC obtained an Enterprise Registration with the Subic Bay Metropolitan Authority in 2016.

On 17 December 2015 BCGLC received a letter from PAGCOR, informing that its Board of Directors approved and confirmed the assignment in favor of BCGLC of the Contracts of Lease over four PAGCOR VIP Clubs at: (1) Venezia at Subic Bay Freeport Zone, Subic Zambales with Palmgold International Limited; (2) Pan Pacific, Malate Manila with Pacific Palm Corporation; (3) Paseo Premier Hotel, Sta. Rosa Laguna with Pacific Palm Corporation; and (4) Apo View Hotel, Davao City with Pacific Palm Corporation.

On 18 January 2016, BCGLC assigned the VIP Club at Venezia at Subic Bay Freeport Zone to its subsidiary, GCLWC.

On 28 January 2016, the Amended Contracts of Lease of three (3) VIP Clubs, namely Pan Pacific, Paseo Premier Hotel and Apo View Hotel were executed under the name of BCGLC, while the other VIP Club, Venezia at Subic Bay Freeport Zone was under the name of GCLWC.

#### **Prime Investment Korea, Inc. (PIKI)**

On 22 March 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 10 June 2013. The acquisition is in line with the Group's goal to expand and venture in other forms of gaming.

PIKI started its commercial operations on 26 July 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.

#### **Hotel Enterprises of the Philippines, Inc. (HEPI)**

On 11 November 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 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 ₱750.0 million. LRWC and Eco Leisure executed a Shareholders' Agreement to embody their mutual agreements and covenants concerning the sale and purchase of HEPI's shares, respective rights and obligations while certain covenants and conditions have not been fully complied by the parties under the Investment Agreement.

On 26 December 2012, HEPI filed an application for the amendment of its Articles of Incorporation to extend its corporate life, which application, however, was disallowed by the Corporate Registration and Monitoring Department (CRMD) of the Securities and Exchange Commission (SEC). In compliance with the rules of procedure of the SEC, HEPI appealed the SEC-CRMD's decision before the SEC *En Banc* via a Memorandum on Appeal.

On 01 October 2013, the SEC *En Banc* denied HEPI's appeal and affirmed the SEC-CRMD's denial of HEPI's application. On 22 October 2013, HEPI filed a Petition for Review (Petition) with the Court of Appeals 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.

The Office of the Solicitor General (OSG) filed its Comment dated 28 January 2014 to the Petition on behalf of the respondents essentially reiterating the arguments of the SEC *En Banc* in denying HEPI's Memorandum on Appeal. HEPI filed its Reply to the Comment on 25 February 2014.

On 25 July 2014, HEPI filed its Memorandum. The OSG filed its manifestation that it is adopting its Comment dated 28 January 2014 as its Memorandum.

On 02 December 2014, the Court of Appeals issued a Decision finding for HEPI and directing the SEC to give due course to HEPI's application for amendment of articles of incorporation to extend its corporate term.

On 10 March 2016, the Amended Articles of Incorporation of Hotel Enterprises of the Philippines, Inc. amending Article II Primary Purpose, Article IV extending the term of the corporate existence of the company to another fifty (50) years from 30 July 2012, Article VI decreasing the number of the Board of Directors to 7 and Article XI adding new provisions governing the issuance and transfer of shares of the corporation.

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

On 26 April 2000, FCLRC was incorporated. LRWC acquired 35% of the outstanding capital stock of FCLRC by purchasing 43,750 shares with a par value of ₱100 last 20 September 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 03 March 2006, LRWC's Board of Directors (BOD) approved the additional investment of 40,000 shares in FCLRC for an aggregate amount of ₱32 million. This additional subscription to FCLRC's shares brought LRWC's total investment to 83,750 shares representing 50.75% of the issued and outstanding capital stock. On 03 April 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 million on the same terms as the earlier additional subscription. The acquisition was completed upon execution of the Deed of Assignment of Rights on 27 September 2006. With this acquisition, LRWC now holds 115,000 shares representing 69.68% of the issued and outstanding capital stock of FCLRC.

#### **LR Data Center and Solutions, Inc. (LRDCSI)**

On 20 May 2016, LRDCSI was registered with SEC. LRDCSI is a technology company engaged in aggregating data and telecommunication services. The company's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by the company. LR Data's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and voice platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in all industry sectors including land based and online gaming operators. The authorized capital stock of LRDCSI is ₱100,000,000, divided into 100,000,000 shares with par value of ₱1 per share, of which ₱25,000,000 has been subscribed and paid. Leisure and Resorts World Corporation owns 80% of the outstanding capital stock of LRDCSI while Jaime Enrique Y. Gonzales owns 20%.

### **AB Leisure Global, Inc. (ABLGI)**

On 20 October 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 ₱5,000,000, divided into 50,000 shares with par value of ₱100, of which ₱1,250,000 has been subscribed and ₱312,500 has been paid up. On 06 May 2013, the Company's BOD approved the increase in the authorized capital stock from ₱5,000,000 to ₱2,000,000,000 divided into 20,000,000 with par value of ₱100 per share. The SEC approved the increase on February 2014. As of 31 December 2013, LRWC has subscribed and paid ₱1,450,000,000.

During 2014, LRWC subscribed and paid additional ₱98,750,000 bringing its total investment to ₱1,550,000,000.

### **LR Land Developers, Inc. (LRLDI)**

On 11 December 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 03 March 2008, SEC approved the amendment to the Articles of Incorporation changing its name to LR Land Developers, Inc.

On 16 April 2012, Techzone Philippines, Inc. was incorporated, a 50% owned associate of LRLDI, which is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. Techzone started its commercial operations in 2016.

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

On 15 March 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 and started its operations in March 2012. On 1 February 2014, the company ceased its operation in Hong Kong and is currently applying for the de-registration of its registration with the Inland Revenue & Companies of the company under the Companies Ordinance of Hong Kong.

### **Binondo Leisure Resources, Inc. (BLRI)**

On 11 February 2003 BLRI was incorporated and subsequently amended in 02 July 2003. On 25 July 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. On 13 May 2004, the SEC approved BLRI's application for the increase in its authorized capital stock from ₱5,000,000 divided into 50,000 common shares with par value of ₱100, to ₱50,000,000 divided into 200,000 common shares and 300,000 preferred shares both with par value of ₱100.

### *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:

(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 the 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 an (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.

The above-mentioned Increase in Authorized Capital Stock and the Amendment of the Articles of Incorporation and By-Laws were approved by SEC on 18 June 2013.

(d) Third Article of the Articles of Incorporation

The Company's specific principal office address is at 26<sup>th</sup> Floor, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. This amendment is in compliance with SEC Memorandum Circular No. 6, Series of 2014 and was approved on August 18, 2014.

Cash Dividends

On 26 June 2014, the BOD approved the declaration of cash dividend equivalent to ₱0.040 per share payable to all common stockholders of record as of 29 September 2014, and another cash dividend of ₱0.040 per share payable to all common stockholders of record as of 27 February 2015. Also on 26 June 2014, the BOD approved the declaration of cash dividend equivalent to ₱0.0425 per share payable to all preferred stockholders of record as of 10 July 2014. Another cash dividend of ₱0.0425 per share payable to all preferred stockholders of record as of 11 December 2014 was declared on 26 November 2014.

In addition, the Board also approved the distribution of cash bonus to all its directors in the amount of ₱500,000.00 each.

On 15 June 2015, the BOD approved the declaration of cash dividend equivalent to ₱0.0425 per share payable to all preferred stockholders of record as of 30 June 2015 and cash dividend of ₱0.0425 per share payable to all preferred stockholders of record as of 29 December 2015. On 09 July 2015, the BOD approved the declaration of cash dividend equivalent to ₱0.060 per share payable to all common stockholders of record as of 29 September 2015 and cash dividend of ₱0.060 per share payable to all common stockholders of record as of 26 February 2016.

In addition, the Board also approved the distribution of cash bonus to all of its directors in the amount of ₱1,000,000.00 each.

On 31 May 2016, the BOD approved the declaration of cash dividend equivalent to ₱0.0425 per share payable to all preferred stockholders of record as of 14 June 2016. On 14 July 2016, the BOD approved the declaration of cash dividend equivalent to ₱0.080 per share payable to all common stockholders of record as of 30 September 2016 and cash dividend of ₱0.070 per share payable to all common stockholders of record as of 03 March 2017. On 09 December 2016, the BOD approved the declaration of cash dividend equivalent to ₱0.0425 per share payable to all preferred stockholders of record as of 23 December 2016.

In addition, the Board also approved the distribution of cash bonus to all its directors in the amount of ₱1,000,000 each.

#### Others

On 11 March 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 24 March 2011, while the remaining Seventy-Five percent (75%) was settled on 15 May 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 31 December 2011 increased to 999,877,094 shares.

On 11 November 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 51% of the outstanding capital stock of HEPI which owns and operates the Midas Hotel and Casino. LRWC's total advances amounted to ₱750.0 million 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.

#### 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.

The Electronic Bingo is now the principal product line of ABLE. Through profitable business partnerships, sound business strategy that combines technological innovation and continuous variations of bingo games, ABLE maintains its niche in the industry.

ABLE launched the E-bingo games (EBG) in 2002 with 20 machines. As of 31 December 2016, around 9,790 machines were installed in 138 affiliated bingo parlors.

The Traditional Bingo continues to thrive by implementing game variations, including 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.

In August 2005, ABLE introduced Rapid Bingo with 14 terminals in 14 bingo parlors. By end of 2016, a total of 146 Rapid Bingo terminals were installed in 138 bingo parlors.

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 operates 143 bingo parlors nationwide (inclusive of 2 minority owned bingo parlors). Most of these bingo parlors are 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:

<b>Company-Owned Bingo Parlors</b>			
		<b>Location</b>	
		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
		7	Royal Arranque Commercial Center, C.M Recto Sta. Cruz Manila
<b>Bingo Parlors Owned Through Subsidiaries/Equity</b>			
	<b>Date of Organization</b>	<b>Location</b>	
Alabang Numbers & Gaming Corp., 100%	11/18/1997	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	2nd Floor, V. Central Mall, New Molino Blvd. Molino, Cavite City
All Point Leisure Corporation, 100%	7/16/1997	5	3rd Floor, SM Centerpoint, Araneta Avenue cor Magsaysay Blvd., Sta. Mesa Manila
		6	Ground Floor, Harrison Plaza Commercial Complex, Mabini St., Malate, Manila
Alpha One Amusement and Recreation Corp	5/23/2013	7	Romero Bldg. 1337 Edsa Balintawak Quezon City
Big Time Gaming Corporation, 100%	3/27/2006	8	Sunshine Blvd. Plaza, Quezon Ave. Corner Sct Santiago & Panay Ave., Quezon City
		9	2/F Intrepid Plaza Bldg., E. Rodriguez Ave. Bgry Bagumbayan, Quezon City
		10	G/F QY Plaza, 233 Tomas Morato Ave., South Triangle 4, Quezon City
		11	Unit 102, 6th Flr., Web Jet Acropolis Bldg. 88 E. Rodriguez Jr Ave., Bagumbayan 3, Quezon City
		12	Robinsons' Supermarket, EMA Town Center, Brgy. Camalig, Meycauayan Bulacan
		13	G/F Madison Square Alabang Zapote Road, Las Pinas City
		14	G/F Merville Arcade, West Service Road, corner Merville Brgy. 201 Pasay City
		15	2/F Bocobo Commercial Center, #1244 Legaspi St., Bocobo cor Padre Faura St., Ermita Manila

		16	G/F A.S. Commercial Bldg., Unit A, B, C, Falcon St., Brgy. Poblacion 5, Sta. Cruz, Laguna
		17	G/F Sogo Bldg., Brgy San APA Mahalika Highway, Cabanatuan City
		18	Puregold San Mateo, Km 21 Gen. Luna St., Brgy Banaba, San Mateo Rizal
		19	G/F Icon Hotel, #967 EDSA corner West Avenue, Brgy Philam, Quezon City
		20	2F Parkmall E. Ouano Ave. Brgy. Tipolo City South Mandaue Reclamation Area, Special Economic Administrative Zone Mandaue City
		21	SkyOne Bldng., Brgy. Isidro Angono Rizal
		22	C. M Recto Avenue Brgy. 313 Zone 31, Sta. Cruz Manila
		23	G/F Jea Bldg. Lopez St., Corner Jalandoni St., Iloilo City
		24	31 J.P. Rizal St, Brgy. Tabok, Mandaue City
		25	Syquio Business Center Maharlika Highway, Brgy. Daan Sarile , Cabanatuan City.
		26	2nd flr. Blue Horizon Bldg. Quezon Avenue Poblacion Alaminos City Pangasinan 2404
		27	Ground flr. Meerea High St. bldg. Ouano Ave. North Reclamation Area Subangdaku, Mandaue, Cebu City.
		28	Dizon Building # 244 Entiero Street, Brgy. Sto. Cristo, Angeles City Pampanga
		29	Emiliano Pineda Building, Mac Arthur Highway corner Gil Puyat Ave., Brgy San Francisco, Mabalacat Pampanga
		30	Bldg Sitio Kanluran, Kumintang Ibaba, Batangas City
Bingo Dinero Corporation, 95%	8/19/1998	31	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza, Inc., 100%	1/11/1999	32	SM Sucat, Sucat Road, Paranaque City
		33	SM City Bicutan, Don Bosco, Paranaque City
		34	Tonie's Mart, Puerto Princesa, Palawan
		35	A. Salvador St., Sta. Veronica, Guimba, Nueva Ecija
		36	8343 Elorde Sports Complex, San Antonio, Paranaque City
		37	#424 Division Road, Brgy. Sta. Rosa, Bagumbong Nueva Vizcaya
Bingo Gallery, Inc., 100%	10/16/1998	38	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		39	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		40	Robinsons Metro East, Santolan, Pasig City
		41	Ground Flr., Molino Blvd., 678 Dampa Wet & Dry Commercial Complex, Brgy Bayaran, Bacoor Cavite
Bingo Palace Corporation, 100%	8/19/1998	42	Robinson's Place, Ermita, Manila
		43	SM Mall of Asia, Pasay City
		44	LGF Congresssional Town Center, #23 Congressional Avenue, Quezon City
		45	G/F Robinson's Luisita Brgy San Miguel, Hacienda Luisita Tarlac
		46	G/F Gaisano Capitol National Road, Labangan, San Jose Mindoro
		47	Ground Floor Sicangco Building, Mc. Arthur Highway, Brgy. San Rafael Tarlac
		48	Benry Square, McArthur Highway Brgy. San Nicolas, Tarlac City
49	242- C Manly Building Mac Arthur Hi-Way, Dalandanan Valenzuela City		

		50	2/F, HBC Bldg. Norberto St. Brgy. San Jose, San Miguel Bulacan
Cebu Entertainment Gallery, Inc., 100%	9/7/1998	51	Elizabeth Mall, Leon Kilat St., Cebu City
First Leisure and Game Co., Inc., 100%	12/9/1997	52	Robinson's Place, Lacson Street, Mandalagan, Bacolod City
		53	G/F Art District Bldg., Lacson St., Lopue's Mandalagan, Bacolod City
		54	G/F Gustilo Town Center & Northland Resort, Provincial Road cor National Highway, Manapla, Negros Occidental
		55	G/F Gaisano Mall, Araneta St., Brgy. Singcang, Bacolod City, Negros Occidental
		56	G/F Gaisano Mall, Cagba Brgy Tugbu, Masbate City
		57	G/F Centro Mall Lopez Ave., Batong Malake, Los Banos, Laguna
		58	Rosalie Bldg. Gaisano Door Brgy. Tabunok Talisay City Cebu
		59	2/F Felcris Centrale, Quimpo Boulevard, Brgy. 40-D Davao City
		60	Grand Gaisano Mall Quezon Ave. Digos City Davao
		61	G/F DOORS 107/108, JLF Parkway Building A. Pitchon Corner Quirino STS. Davao
		62	Amkor Building National Road Tunasan City of Muntinlupa
		63	3rd Flr. Robinsons Place Tagum, Purok Cacao, Visayan Village, Tagum City
		64	Ground Floor Gaisano Mall, Purok 12 National Highway, Brgy. Calinan Davao
		65	Km.18 National Highway Gaisano Mall, Grand Mall Brgy. Tibungco Bunawan Davao City
66	Jose P. Laurel Ave., Brgy. San Antonio, Davao City 2nd Flr.		
Galleria Bingo Corporation, 100%	10/27/1998	67	Robinson's Galleria, EDSA, Quezon City
Gamexperience Entertainment Corp	5/21/2013	68	G/F Greenhills Town Center , Valencia Quezon City
		69	Pueblo Verde, Mactan Economic Zone-11-Sez Brgy. Basak Lapu-Lapu City Cebu
		70	Ground flr. Gaisano Grandmall Mactan Basak, Marigondon Road corner Ibabao, Gisi-Agus Road, Lapu-Lapu City, Cebu
G-One Gaming and Technology, Inc., 100%	4/6/1998	71	SM City Bacoor, Tirona Highway, Cavite
Grand Polaris Gaming Co., Inc. 100%	5/24/2013	72	2/F SM City Cauayan, San Fermin, National Highway, Cauayan City, Isabela
		73	LGU Commercial Bldg., Osmena Avenue, Roxas, Isabela
Highland Gaming Corporation, 100%	6/6/2000	74	Baguio Centermall, Baguio City
		75	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	12/1/1999	76	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	4/24/1998	77	SM City Naga, CBD2, Brgy Trianggulo, Naga City
		78	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Trianggulo, Naga City
Manila Bingo Corporation, 95%	9/24/1997	79	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	6/24/1998	80	M-Star, CV Star Ave., Pamplona, Las Pinas City
		81	SM Supercenter, Molino Rd., Bacoor, Cavite
		82	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		83	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City
		84	RSAM Center Bldg, J.P. Laurel Cor. Munting Bayan St, Brgy Poblacion IX, Nasugbu, Batangas
		85	Starmall, Brgy Kaypian San Jose Del Monte, Bulacan

		86	G/F MC Arthur H-way Brgy. Del Rosario San Fernando City Pampanga
Negrense Entertainment Gallery, Inc. 55%	4/24/2012	87	Ground Floor, Robinsons Place Dumaguete Brgy. Calindagan Business District, Dumaguete City
		88	Ground Floor, Lee Plaza Hypermart, Bagacan, Dumaguete City
		89	1244 Legaspi Street Brgy. Poblacion, Tanjay City Negros Oriental
One Bingo Place, Inc., 80%	5/3/2000	90	SM City Manila, Arroceros St., Manila
One Bingo Pavillion, Inc. 100%	1/28/2013	91	Puregold Price Club, Magsaysay Road, Brgy San Antonio, San Pedro, Laguna
		92	G/F Tawala Panglao Bohol
		93	Mazaua Resort, Malvar Circle, JP Avenue, Brgy. Holy Redeemer, Butuan City
		94	Sky One Bldg, Brgy Baleleng, Bantay locos Sur
		95	Bldg 537, Rizal Highway Subic Bay Freeport Zone Zambales
		96	TLJ Building G/F & 2F Brgy. Mabiga Mabalacat Pampanga
Rizal Gaming Corporation, 100%	11/12/1998	97	Robinson's Place, Cainta, Rizal
		98	Robinson's Pioneer, Edsa, Mandaluyong City
		99	Robinsons Boutique, Cainta, Rizal
		100	ITSP Bldg, Ortigas Ave., Brgy San Isidro, Taytay, Rizal
		101	2nd Flr., Graceland Plaza Bldg., J.P. Rizal St., Brgy. Malanday, Marikina City
		102	Hollywood Suites and Resort, Mac Arthur Highway, Brgy Ibayo, Marilao Bulacan
		103	RMR Graceland, 858 Tandang Sora Avenue, Brgy. Tamo, Quezon City
		104	M.H Del Pilar Street Barangay San Rafael , Rodriguez Rizal
SG Amusement and Recreation Corp., 100%	8/24/2005	105	Greenhills Shopping Center, San Juan City
		106	Villa Bldg. Jupiter St., Makati City
		107	Wilson Square, P.Guevarra, San Juan City
		108	Unit # M5 Hobbies of Asia, #8 Pres. Diosdado Macapagal Blvd, Pasay City
		109	San Juan Commercial Bldg. F. Manalo corner F. Blumentrit San Juan City
		110	LGF Tagaytay-Nasugbu Highway, Bryg. Dayap Itaas, Laurel Batangas
South Bingo Corporation, 100%	12/10/1997	111	SM City Davao, Quimpo Blvd., Davao City
		112	G/F Victory Town Center, Lemery Batangas
South Entertainment Gallery, Inc., 100%	12/13/2000	113	SM City, San Fernando City, Pampanga
		114	SM Supercenter, Muntinlupa City
		115	SM City Tarlac, San Roque, Tarlac City
		116	Robinsons Calasiao, Calasiao, Pangasinan
Summit Bingo, Inc., 60%	1/19/1999	117	2nd Flr., New St Bldg., Macarthur Highway, Balibago, Angeles City, Pampanga
Topmost Gaming, Corp. 100%	1/13/1998	118	2nd Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City
		119	2nd Flr., SM Hypermarket Cubao, EDSA cor Main Ave., Brgy Socorro 3, Cubao Quezon City
		120	2nd Flr., SM Hypermarket Cainta, Felix Avenue, Cainta, Rizal
		121	Sapphire Bldg., Govic Avenue, Paulien Dirita, Iba Zambales
		118	2nd Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City

Topnotch Bingo Trend, Inc. 100%	6/1/2009	122	5/F Metropoint Mall, Edsa Taft, Pasay City & G/F Metropoint Mall, Edsa Taft, Pasay City
		123	2/F SM City Batangas, Pallocon West, Batangas City
		124	2/F SM City Rosario, Brgy. Tejero Convention, Rosario, Cavite City
		125	2/F SM City Rosales, Mc Arthur Highway, Carmen East, Rosales, Pangasinan
		126	2/F Sm City Marikina, Brgy. Calumpang, Marikina City
		127	2/F SM City Clark, M.A. Roxas Highway, Brgy. Malabnias, Clark, Pampanga
		128	2/F SM City Lipa, Ayala Highway, Brgy Maraouy, Lipa City, Batangas
		129	LGF SM City San Lazaro. F. Huertas St., Sta. Cruz, Manila
		130	SM City Taytay, B1 Bldg. A, Brgy. Dolores, Taytay, Rizal
		131	IPI Buendia Tower Bldg, Unit 102 & 103, Sen. Gil Puyat Ave., Pasay City
		Worldwide Links Leisure and Gaming Corp., 100%	12/8/2011
134	88 E. Rodriguez Avenue, Brgy. Ugong, Pasig City		
<b>Bingo Parlor Owned Through An Affiliate/Equity:</b>			
	<b>Date of Organization</b>	<b>Location</b>	
Insular Gaming Corporation, 40%	12/13/2000	1	G/F, Berds Bldg., Iligan City
Vinta Gaming Corporation, 50%	4/28/2003	2	Gaisano Mall, Koronadal, South Cotabato (temporary closed)

#### **Total Gamezone Xtreme, Inc. (TGXI)**

TGXI is the assignee and purchaser of the assets, rights and interests of Digiwave Solutions, Inc. (DSI), the operator and licensee of Philippine Amusement and Gaming Corporation (PAGCOR) eGames stations. The company continues to expand its operations through rebranding of existing PeGS, setting up new gaming venues in new locations, and acquiring existing branches from other operators.

PAGCOR e-Games Station (PeGS) outlets act as a medium where one can play in an online casino with players from other virtual stations. The total amount of bets placed in these online games is monitored by a centralized server run by the Philweb Corporation.

As of 31 December 2016, TGXI has 39 branches with a total of 1,416 terminals.

<b>Branch</b>	<b>Location</b>	
ALABANG (starmall)	1	4F, Starmall, Alabang, Muntinlupa
ARRANQUE	2	2F, Royal Arranque Building, C.M. Recto Ave., Sta. Cruz, Manila
BF PARANAQUE 2	3	R.F. Lopez Bldg., Lopez Avenue, Brgy. San Isidro, Parañaque City
BIÑAN-1	4	El Rancho Hotel, National Highway, Brgy Canlalay, Biñan, Laguna
BIÑAN-2	5	GF, Kid Tower Mall, Brgy. San Antonio, Biñan City, Laguna
BINANGONAN	6	GF, Grace Building, National Road cor A. Bonifacio St., San Carlos, Binangonan, Rizal
CAINTA 4	7	2 <sup>nd</sup> Floor Saunterfield Bldg. Km 20 Brgy. Sto. Nino Ortigas Ave. Extension Cainta, Rizal
CARMONA	8	Unit 5, Paseo de Carmona, Brgy. Maduya, Carmona, Cavite
CUEVAS VILLE / MOLINO 2	9	Units 10&11, Cuevasville Commercial Building 3, Daanghari Road, Molino 4, Bacoor, Cavite
DEL MONTE	10	716 Del Monte Avenue, Talayan, QC
DON ANTONIO	11	2F, Don Antonio Sports Complex, Brgy Holy Spirit, Quezon City
FESTIVAL MALL 1	12	GF, Parkway Lane, Festival Mall, Muntinlupa City
GRANADA	13	Unit 50, Villa Ortigas III Building, Granada Street, Valencia, Quezon City

HILLSTOP	14	Hillstop Garden Restaurant, Palos Verdes Heights Commercial Area, Sumulong Highway, Brgy. Sta. Cruz, Antipolo City
KATIPUNAN	15	175 Katipunan Ave., Loyola Heights, Quezon City
KAWIT	16	GF, Bautista Arcade, Brgy Binakayan, Kawit, Cavite
MABALACAT 2	17	Stall 19, Pineda Building, Mc. Arthur Highway, Mabalacat, Pampanga
MADISON	18	GF, Bldg. B, Madison Square #4, Pioneer Street, Mandaluyong City
MALABON	19	Unit 3 Francis Market , Gov. Halili cor M.H Del Pilar Sts., Tenajeros Malabon
MANGGA DUA	20	2F, Mangga Dua Sohotel, Ortigas Ave. Extn, Rosario, Pasig City
MANGGAHAN 1	21	2F, MSI Building, Governor's Drive, Brgy Manggahan, Gen. Trias, Cavite
MEYCAUAYAN	22	665-A, McArthur Highway, Nrgy Bancal, Meycauayan, Bulacan
NAIA 1	23	99 Pal Drive, Airlane Village, Brgy. Vitales, Parañaque City
ORANBO	24	GF, GCA Building, 700 shaw Blvd., Bo. Kapitolyo, Pasig City
PACO	25	Unit 3, Topmark Building, Paz Mendoza Guazon St., Paco, Manila
PASO DE BLAS 1	26	2F, LB Bldg., Paso de Blas Road, Valenzuela City
PLARIDEL	27	Amorante Bldg 1, Cagayan Valley Road, Brgy. Tabang, Plaridel, Bulacan
SAN JOSE DEL MONTE	28	Umerez Compound, Tungkong Mangga, San Jose Del Monte City, Bulacan
SAN MIGUEL	29	Total Gas Station, National Highway, Cagayan Valley Road, Brgy. Kamias, San Miguel, Bulacan
SAN RAFAEL	30	141 Cagayan Valley Road, Brgy. Sampaloc, San Rafael, Bulacan
SILANG	31	Brgy. Buho, Silang, Cavite
SILVER CITY	32	GF, Silver City Bldg., Frontera Verde, Bo. Ugong, Pasig City
STA MARIA	33	112 C Gov. Halili Avenue, Brgy. Bagbaguin, Sta. Maria, Bulacan
STA ROSA	34	2F, Akisada Commercial Ctr, Old National Highway, Macabling, Sta. Rosa City, Laguna
STARMALL EDSA	35	2F, Starmall Building, EDSA cor Shaw Blvd., Mandaluyong City
TAYTAY 2	36	A3 & A2 Lui- Gin Bldg. Rizal Ave. Brgy San Juan Taytay Rizal
TUNASAN	37	GF, El Rancho Inn, National Highway cor. E. Rodriguez St., Tunasan, Muntinlupa City
VALENZUELA 2	38	GF, Puregold Valenzuela, 419 McArthur Highway, Brgy Dalandanan, Valenzuela City
VISAYAS AVE	39	2F, MSK Building, Tandang Sora, Visayas Avenue, Quezon City

#### **Blue Chip Gaming and Leisure Corporation (BCGLC)**

BCGLC has a contract with the Philippine Amusement and Gaming Corporation (PAGCOR) in connection with the VIP Slot Arcade Operation (PAGCOR VIP Club) at Pan Pacific Hotel, Manila, Paseo Premier Hotel, Sta. Rosa, Apo View Hotel, Davao, and Kings Royal Hotel, Bacolor. Pursuant to the said contract, BCGLC provides the gaming space, high end slot machines, furnitures, fixtures, equipment and systems for the operations of the aforesaid VIP Slot Arcades. The wholly-owned subsidiary of BCGLC, Gold Coast Leisure World Corporation has a contract with PAGCOR for the PAGCOR VIP Club in Venezia Hotel, Subic Bay Economic Zone and Freeport.

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

On 03 February 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 with 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 gamines 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 per year.

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 31 December 2016, there were 134 licensed locators, 117 of which are operational. Last year, FCLRC had 129 licensed locators, of which 111 were operational.

#### *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 14 November 2007 with FCLRC owning 60% of the outstanding capital stock. 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 01 January 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 IPCDCC'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 01 January 2009. However, on 13 April 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 15 May 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.

#### **AB Leisure Global, Inc. (ABLGI)**

AB Leisure Global Inc. (ABLGI) and Leisure and Resorts World Corporation (LRWC) entered into various agreements with Belle Corporation (Belle), Premium Leisure and Amusement, Inc. (PLAI) and Belle Grande Resource Holdings, Inc. (Belle Grande) which secured for ABLGI a 30% share of Belle's and PLAI'S economic interests in the City of Dreams-Manila Integrated Resort and Casino located at Aseana Business Park, Paranaque City.

On 04 November 2016, ABLGI, LRWC, Belle, PLAI and Belle Grande signed a Termination Agreement whereby the parties, for a total consideration to be paid to ABLGI in the amount of ₱5.090 billion, agreed to terminate their respective obligations under the said agreements. Pursuant to the said Termination Agreement, ABLGI/LRWC will receive a total of ₱5.090 billion, with ₱1.018 billion paid on 03 November 2016 and the balance on 31 March 2017. ABLGI continued to share in the net lease income and gaming revenue of Belle Group from November 2016 to March 2017. Effective 31 March 2017, ABLGI shall be deemed to have divested its economic interest in the City of Dreams-Manila Integrated Resort and Casino.

#### **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 also 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 Leisure and Resort Corporation (FCLRC).

### Competition

#### **AB Leisure Exponent, Inc. (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 ₱1,154.9 million or 19.3% from ₱5,980.0 million in 2015 to ₱7,134.9 million in 2016.

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 35% to 40% in the last 3 years.

#### **Total Gamezone Xtreme, Inc. (TGXI)**

TGXI has successfully established its position as one of the major front runners among PeGS operators in the country through the acquisition of Digiwave Solutions, Inc (DSI) and by continuously increasing its number of PeGS gaming terminals. PEGS are open 24 hours a day, 7 days a week and are located all over Metro Manila and nearby areas.

#### **Blue Chip Gaming and Leisure Corporation (BCGLC)**

BCGLC and GCLWC are competitive with other game operators because of the expertise of its management team in the selection of top of the line & popular slot machines to cope with market demand. Also, the team is effectively managing the venues with appropriate marketing & promotions for the targeted audience.

#### **First Cagayan Leisure & Resort Corporation (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

#### **AB Leisure Exponent, Inc. (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 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 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 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.

Also in 2013, ABLE entered into a System Lease and Technical Assistance Agreement with Gaming Arts, LLC to provide license to their Optima Bingo Software and to lease certain elements of Equipment (collectively the "System") and to render technical support for the conduct and operation of the System.

#### **Blue Chip Gaming and Leisure Corporation (BCGLC)**

As of December 2016, BGLC has 825 slot machines which are supplied by Aristocrat (Australia), IGT (USA), Scientific Gaming (USA), Konami (Japan), Jumbo (Taiwan) and Alfastreet (Slovenia). The PAGCOR VIP CLUBs only caters to its registered members.

#### 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

#### **AB Leisure Exponent, Inc. (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 01 January 2008.

On 13 June 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 02 February 2007, ABLE received a letter from PAGCOR stating the conditions to continue the operations of ICBG2. On 12 December 2008, ABLE resumed commercial operations of ICBG2 scratch cards.

On 08 May 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 01 May 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 03 August 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 27 September 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 20 June 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 11 July 2008, another period of twenty-five (25) years, renewable for another twenty-five (25) years.

In September of this year, ABLE received notices from PAGCOR informing that the PAGCOR's Board of Directors issued an order to ABLE and its subsidiaries to immediately cease the operations of its E-Bingo games at its 36 sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Bingo Games version 2.0. In response to this, LRWC sent a letter of reconsideration to PAGCOR. Should reconsideration be not given, E-Bingo operations at said sites will be transferred to compliant locations. Consequently, ABLE received via email, notices from PAGCOR of the approval by the PAGCOR's BOD to recall the revocation to operate E-Bingo. 20 E-Bingo sites resumed its operations by virtue of the aforesaid approval. The approval was based on the recommendation of PAGCOR's Gaming Licensing and Development Department (GLDD) and the legal opinion of its Corporate and Legal Services Department (CLSD) to honor the licenses of operators whose gaming sites are located inside malls, arcades and hotels and consider them exempted from distance requirements.

The PAGCOR's BOD allowed the resumption of E-Bingo operations until the respective expiration of the licenses of the sites which are renewable every two years. PAGCOR's BOD, GLDD and CLSD are still in the process of studying whether they will permanently maintain the exemption of malls, arcades and hotels from the distance requirements. PAGCOR further allowed the re-opening of 10 sites bringing remaining closed E-bingo operations as of 31 December 2016 to 5.

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

#### **Total Gamezone Xtreme, Inc. (TGXI)**

Due to the expiration of IPLMA license of Philweb last August 10, 2016, TGXI closed 3 of its sites as well as 1,494 terminals in its 51 other sites.

The following month, TGXI received notices from PAGCOR informing that the PAGCOR's Board of Directors issued an order to immediately cease the operations of its Electronic Games at its 17 sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Electronic Games version 2.0. In response, LRWC sent a letter of reconsideration to PAGCOR. Should reconsideration be not given, the Electronic Games operations at said sites will be transferred to compliant locations.

Subsequently, PAGCOR allowed the re-opening of 5 sites. As of 31 December 2016, TGXI has 39 operating sites.

#### **Blue Chip Gaming and Leisure Corporation (BCGLC)**

To comply with the requirements of doing business in the Subic Special Economic Zone, the PAGCOR VIP Club at Venezia Hotel, Subic Bay Special Economic Zone with PAGCOR is with Goldcoast Leisure World Corporation (GCLWC), a wholly owned subsidiary of BCGLC.

#### **Prime Investment Korea, Inc. (PIKI)**

On 26 July 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 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 13 September 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.

#### **Hotel Enterprises of the Philippines, Inc. (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 ₱9.36 million per month, payable within the first fifteen (15) days of the succeeding month.

Also on same date, 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 ₱9.36 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.

#### **First Cagayan Leisure & Resort Corporation (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.

#### Government Regulations

#### **AB Leisure Exponent, Inc. (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 01 November 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 09 July 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 31 December 2016, provision for income tax amounted to P151.5 million.

#### **First Cagayan Leisure & Resort Corporation (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.

In the local scene, recent developments significantly affected FCLRC's business and operation in the last quarter of 2016 because of the issuance on 01 September 2016 by the Philippine Amusement and Gaming Corporation (PAGCOR) of the "Rules and Regulations for Philippine Offshore Gaming Corporations." The said PAGCOR Regulations was adopted to regulate the issuance of licenses to entities which provide and participate in offshore gaming services or online games of chance via the internet.

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

The Company's transaction with its subsidiaries and/or affiliates consist mainly of non-interest bearing advances to and from subsidiaries and/or affiliates, officers, and employees which are subject to liquidation within 12 months from date granted or collectible in cash upon demand.

#### Research and Development

#### **AB Leisure Exponent, Inc. (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.

### **First Cagayan Leisure & Resort Corporation (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. Same goes with TGXI's PeGs and BCGLC's arcades.

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

#### Employees

LRWC has 254 and 29 employees in 2016 and 2015 respectively. ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,225 and 1,368 in 2016 and 2015 respectively while TGXI has 285 in 2016 and 534 in 2015. On the other hand, FCLRC has 57 employees in 2016 and 60 employees in 2015 whereas BCGLC increased its employees to 51 in 2016 from 41 employees in 2015. For the year 2016, the Company and its subsidiaries did not 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

##### **AB Leisure Exponent, Inc. (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.

##### **First Cagayan Leisure & Resort Corporation (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, slot machines, bingo equipment and paraphernalia. 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.

### 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:

1) **People of the Philippines vs. Hernando B. Bruce**

Criminal Case No. R-PSY-15-10408-CR  
Regional Trial Court Branch 114, Pasay City

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**Case Summary:**

This is an estafa case under Art. 315 of the Revised Penal Code filed by Midas Hotel and Casino/Hotel Enterprises of the Philippines Inc. against its customer, Hernando Bruce, who introduced himself as a bishop of a religious organization. He used the Midas Tent for his groups' gathering on 20 March 2015 attended by 150 persons. After the event, he and the members of the organization left the hotel without paying for the hotel facilities and the food and beverages they consumed, to the damaged and prejudiced of the company.

**Status:**

The court issued a warrant of arrest against the accused but he was able to post bail. The accused jumped bail. He is still at large.

2) **People of the Philippines v. Richy Lim, Shirley V. Micabalo, and Jennelyn Javier**

Criminal Case No. 06-18508  
Regional Trial Court Branch 06, Iligan City

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**Case Summary:**

This is a criminal case for Qualified Theft filed by Iligan Bingo Corp. against its former employees Richy Lim (cashier), Shirley Micabalo (operations supervisor), and Jennelyn Javier (accountant) for the unlawful taking of the total amount of Php500,000 more or less from the sales of the branch.

**Status:**

The company agreed for a provisional dismissal of the case for two years after the accused made partial payments and promised to pay the whole amount within two years. The case will be revived upon failure of the accused to comply with the terms of the agreement to fully pay the amount within said period.

3) **TOTAL GAMEZONE XTREME, INC. v. RRENZ PATRIC ROLDAN et al.**

Pending before the City Prosecutor's Office of Bacoor, Cavite

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**Case Summary:**

We filed a case for estafa against the respondent, in connivance with the cashier on duty, able to play MSW without actually paying in cash his bets, to the damage and prejudice of the company in the total amount of Five Hundred Ninety Seven Thousand Pesos (Php597,100).

**Status:**

The case is now submitted for resolution of the handling fiscal.

4) **BLUE CHIP GAMING AND LEISURE CORPORATION v. JOSIE M. DUNCIL**

RTC San Fernando, Pampanga

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**Case Summary:**

This is a criminal case for qualified theft against Blue Chip's former HR and Admin Officer for the unlawful taking of the amount of One Million Three Hundred Twenty Seven Thousand Pesos (Php1,327,000).

**Status:**

The court issued warrants of arrest (no bail) against the accused but until now she is still at large.

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

- a) An annual meeting of stockholders of the registrant was held on 29 July 2016.
- b) During the said annual meeting the following persons were elected as directors of the registrant:
1. Reynaldo P. Bantug
  2. Edgardo S. Lopez
  3. Ignatius F. Yenke
  4. Willy N. Ocier
  5. Bienvenido M. Santiago
  6. Wilson L. Sy
  7. Eusebio H. Tanco
  8. Carlos G. Baniqued
  9. Raul G. Gerodias

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 29 July 2016, 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 31 July 2015;
  2. Management Report;
  3. Approval of Annual Report and Audited Financial Statement for the fiscal year 2015 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on 31 July 2015; and
  4. Appointment of KPMG R.G. Manabat & Co., CPAs, as external auditors for year 2016.
- 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 2015	11.96	11.96	8.43	8.43	55,939,900	55,941,977

2Q 2015	10.08	10.08	8.45	8.45	56,785,200	56,786,461
3Q 2015	10.82	10.82	7.10	7.10	57,178,800	57,180,848
4Q 2015	9.05	9.05	7.62	7.62	21,506,300	21,506,844
1Q 2016	8.22	8.22	6.56	6.56	62,813,800	67,815,637
2Q 2016	8.00	8.00	7.45	7.45	11,469,000	11,469,748
3Q 2016	7.45	7.45	3.41	3.41	223,089,600	223,175,996
4Q 2016	5.91	5.91	3.81	3.81	72,722,300	72,748,580

\*There were no adjustments during 2016 and 2015.

Closing Market Price as of 31 December 2016 is ₱3.96 per share. On the other hand, the Closing Market Price as of 31 March 2017 is ₱4.17 per share.

The Company complied with the required minimum public ownership. As of 31 December 2016, total number of common shares owned by the public is 774,525,179 shares or equivalent to 64.55% of the total issued and outstanding common shares. The preferred shares and warrants owned by the public as of 31 December 2016 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: ₱0.7656 per share in 2016 and ₱0.7445 in 2015.

b) Holders

The stock transfer agent reported 1,836 holders of common shares of the registrant, and 5 holders of preferred shares and 2 holders of warrants as of 31 December 2016. 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)	663,941,867	55.34
2	Alfredo Abelardo B. Benitez	134,841,249	11.24
3	Grandshares Inc.	120,000,000	10.00
4	Zoraymee Holdings, Inc.	111,267,658	9.27
5	PCD Nominee Corporation (Non-Filipino)	89,865,068	7.49
6	Dominique L. Benitez	31,680,000	2.64
7	AB Leisure Exponent, Inc.	21,567,000	1.80
8	Wilson L. Sy	2,286,600	0.19
9	Willy Ng Ocier	2,125,200	0.18
10	Paul Luis Paul P. Alejandrino	1,426,224	0.12
11	Liberty Farms, Inc.	809,129	0.07
12	Provident Insurance Corporation	591,023	0.05
13	Brisot Economic Development Corporation	512,004	0.04
14	Visayan Surety & Insurance Corporation	486,294	0.04
15	Oliver V. Amarin	311,220	0.03
16	Tan Keg Tiam	279,618	0.02
17	Fe Palting Lagdameo &/or Roberto J. Lagdameo	263,350	0.02
18	Allen Cham	260,242	0.02
19	John Go Kongwei Jr.	252,870	0.02
20	David Go Securities Corp.	251,870	0.02

Below is the summary list of foreign ownership as of 31 December 2016, 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	11	141,169	0.01
British	1	13,619	0.00

Chinese	72	2,157,003	0.18
German	1	1,064	0.00
Spanish	2	19,442	0.00
Others	2	89,881,868	7.49

Preferred shares are composed of 99.91% Filipino and 0.09% Foreign while warrants are composed of 99.51% Filipino and 0.49% Foreign.

c) 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 nine consecutive years, the Company distributed cash dividends to its shareholders. During the year, the Board of Directors (BOD) declared cash dividends to common shareholders twice: ₱0.080 per share with record date of 30 September 2016 and ₱0.070 with record date of 03 March 2017. The BOD also declared two cash dividends at ₱0.0425 to preferred stockholders with record dates of 14 June 2016 and 23 December 2016. In the past years, cash dividends declared to common shareholders were equivalent to ₱0.060 per share in 2007, ₱0.060 per share in 2008, ₱0.060 per share in 2009, ₱0.080 per share in 2010, ₱0.075 per share in 2011 and 2012, ₱0.080 in 2013 and 2014, and ₱0.120 in 2015.

d) 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 22 January 2013 and 22 March 2013, respectively. The listing application was filed with the exchange on 20 September 2013 and approved on 27 November 2013. The exchange approved the listing of the preferred shares and warrants on 20 December 2013. The shareholders of the private placement transaction are as follows:

Name	Preferred Shares	Amount Paid (Php)
PCD NOMINEE CORPORATION (FILIPINO)	1,596,818,000	1,596,818,000
GSIS PROVIDENT FUND	50,000,000	50,000,000
PCD NOMINEE CORPORATION (NON-FILIPINO)	1,482,000	1,482,000
MARY LOU SANTOS CERA-GARCIA	1,000,000	1,000,000
MARY LOU CERA GARCIA	700,000	700,000
<b>TOTAL</b>	<b>1,650,000,000</b>	<b>1,650,000,000</b>

The ₱1.65 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 ₱1.65 billion perpetual preferred shares has 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 25 September 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 of Plan of Operation

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 grouped in the following segments: **RETAIL** (1) AB Leisure Exponent, Inc. (ABLE – 100% owned), (2) Total Gamezone Xtreme, Inc (TGXI – 100% owned); **CASINO** (3) Blue Chip Gaming and Leisure Corporation (BCGLC – 100% owned), (4) Prime Investment Korea, Inc (PIKI – 100% owned), (5) Hotel Enterprises of the Philippines, Inc. (HEPI – 51% owned, joint venture); **ONLINE** (6) First Cagayan Leisure and Resort Corporation (FCLRC – 69.68% owned), (7) LR Data Center and Solutions Inc. (LRDCSI – 80% owned, new); and **PROPERTY** (8) AB Leisure Global, Inc. (ABLGI – 100% owned), (9) LR Land Developers, Inc. (LRLDI – 100% owned).

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 2016.

Starting 2009, LRWC did not recognize any losses from Binondo Leisure Resources, Inc. (BLRI - 30% owned affiliate), as its investment balance has already been consumed.

### 2016 vs. 2015

#### *Consolidated Result of Operations*

LRWC posted a consolidated net income (after minority interest) of ₱1,055.4 million in 2016 as compared to ₱1,030.4 million in 2015. Consolidated results for the year included impact of ₱83.6 million (after tax) non-recurring, non-cash provisions mainly for LRLDI (₱56.1 million for bad debts) and TGXI (₱21.4 million impairment of fixed assets in closed sites) which partly reduced the notable profit growths contributed by ABLE, BCGLC, FCLRC, and ABLGI.

LRWC's total operating expenses almost doubled to ₱432.8 million from last year's ₱221.4 million mainly on account of its personnel expenses which increased by ₱165.9 million as the Company continues to implement organizational changes to enable shared services functions that provides consistent managerial and administrative services to all of its subsidiaries including marketing programs.

#### **ABLE Operations**

ABLE posted total sales of ₱7,134.9 million in 2016, a ₱1,154.5 million or 19.3% growth from the ₱5,980.4 million total sales in 2015. Better performance this year of its major products contributed to the increase in sales.

Electronic Bingo is the Company's principal product line as it represents 63% of total ABLE revenues. Despite site closures during the second half of the year, sales from E-bingo still registered a growth of ₱1,068.9 million or 31.0% from the reported sales of ₱3,443.1 million in 2015 to ₱4,512.0 million in 2016. At the end 2016, there were a total of 9,790 E-bingo machines in 138 bingo parlors as compared to 8,585 E-bingo machines in 119 bingo parlors as of 31 December 2015. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The Traditional Bingo also registered an increase in revenues during the year. For the period ended 31 December 2016, T-Bingo revenues reached ₱2,331.2 million or an increase of ₱72.7 million from last year's ₱2,258.5, contributing 33% to total ABLE revenues. However, payout remained at same level as last year despite abovementioned revenue growth.

Revenues from Rapid bingo for 2016 of ₱262.8 million slightly decreased by ₱4.3 million or 1.6% from the ₱267.1 million sales in 2015. ABLE launched Rapid Bingo late August 2005 with 14 terminals in 14 bingo parlors. By end of 2016, there were a total of 146 Rapid Bingo terminals in 138 bingo parlors as compared to 131 terminals in 123 bingo parlors in 2015.

ABLE also introduced Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs amounted to ₱17.7 million or ₱8.3 million growth in 2016 from ₱9.4 million of 2015.

During the second half of 2015, Electronic Casino terminals were installed in ABLE sites. By end of 2016, there were 203 E-Casino terminals in 12 sites. Revenues from E-Casino for the year ended 31 December 2016 amounted to ₱11.2 million, a growth of ₱9.0 million from last year's ₱2.2 million.

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

ABLE's consolidated operating expenses in 2016 amounted to ₱1,683.8 million as compared to ₱1,402.6 million in 2015. The increase of ₱281.2 million or 20.0% was mainly due to opening of new bingo parlors and renovation of existing sites during the year with the following details: (1) Rent and Utilities by ₱76.9 or 12.3%, (2) Depreciation by ₱74.5 million or 55.6%, (3) People expenses by ₱24.3 million or 6.1%, (4) Taxes and licenses by ₱18.9 million or 41.9%, and (5) "Other Expenses", comprised of Transportation and travel, Marketing and promotion, Repairs and maintenance, and Provision for impairment of receivables, by ₱78.8 million. Finance expense also increased during the year by ₱10.7 million or 28.4% from ₱48.2 million to ₱37.5 million due to higher short-term loan availments during the year.

For the year ended 31 December 2016, ABLE posted a consolidated net income (after minority interest) of ₱353.8 million, an increase of ₱109.6 million or 44.9% from the ₱244.2 million consolidated net income in 2015. The growth is mainly due to the considerable increase in revenues partially offset by corresponding increase in operating expenses.

### **TGXI Operations**

TGXI generated revenues in 2016 amounting to ₱257.5 million representing its share in revenues from the management and operation of PAGCOR e-Games Stations (PeGS). The resulting decline of ₱37.6 million or 12.7% as compared to 2015 revenues of ₱295.1 million was due to site closures during the second half of 2016 by order of PAGCOR. Total operating expenses decreased as well consisting mainly of: (1) People expenses by ₱22.1 million or 18.1%, (2) Rent and Utilities by ₱2.6 million or 2.7%, and (3) Supplies by ₱2.4 million or 40.0%, partially offset by increase in Depreciation by ₱17.3 million or 72.9% due to expansion and renovations and Impairment loss of ₱26.6 million for fixed assets in closed sites.

As such, TGXI registered a net loss of ₱35.3 million, including the one-off ₱26.6 million impairment loss on fixed assets in closed sites, a reversal of prior year's ₱12.0 million net income.

### **BCGLC Operations**

BCGLC's consolidated net income of ₱106.0 million for the year was 4.3x prior year's net income of ₱24.2 million. This was mainly due to the full-year operation of the 4 new arcades acquired middle of 2015.

Total revenues for the year of all 5 arcades amounted to ₱381.4 million, a growth of ₱199.9 million or 110.1% from 2015 revenue of ₱181.5 million when the 4 new arcades operated for half-year only. For the same reason, operating expenses also doubled to ₱222.9 million from last year's ₱100.5 million.

### **PIKI Operations**

Revenues of PIKI during the year declined by ₱151.6 million or 14.5% to ₱894.4 million from last year's ₱1,045.9 million due to lower GGR from junket operations. Operating expenses likewise decreased by ₱35.1 million or 9.5% on account of lower Contracted services by ₱23.4 million or 15.8% and Professional fees by ₱25.1 million or 32.0% partially offset by higher Depreciation, Salaries and employee benefits, Supplies, and Taxes and licenses.

As a result, PIKI posted a net income for the year ended 31 December 2016 of ₱18.5 million, registering a decline of ₱14.5 million or 43.9% from last year's ₱33.0 million.

### **FCLRC Operations**

For the year 2016, FCLRC posted gross revenues of ₱1.9 billion, a growth of ₱264.7 million or 16.5% from last year's ₱1.6 billion. These were generated from hosting and service fees of ₱1.7 billion and from

license application and renewal fees of ₱172.4 million. CEZA fees in 2016 increased to ₱847.1 million versus ₱717.1 million in 2015, or an increase of ₱130.0 million or 18.1% from last year's fees. As a result, FCLRC's net revenues increased by ₱134.6 million or 15.2% as compared to last year. The principal growth driver of FCLRC was the increase in the number of operating locators – 117 in 2016 from 111 in 2015, that contributed to the increase in fees.

Operating expenses also increased during the year by ₱44.0 million or 21.3% from last year's ₱206.5 million. The increase was mainly due to increase in Depreciation of ₱13.2 million or 58.1% on account of additions to fixed assets during the year and increase in Other Expenses by ₱35.1 million or 40.1% pertaining to repairs and maintenance, advertising and marketing, and travel and transportation expenses.

The resulting "Other Income (Expense) - Net" of ₱186.0 million increased by ₱77.0 million or 70.7% on account of the following increases: (1) Equity in net earnings of FCCDCI by ₱23.4 million, (2) Foreign exchange gain by ₱23.0 million, and (3) Other income derived from rental of gaming facility by ₱54.8 million. These were partly offset by higher Interest expense for the year.

Hence, FCLRC posted a net income (after minority interest) of ₱895.3 million in 2016, an increase of ₱155.4 million or 21.0% from last year's ₱739.9 million.

Net income generated from foreign revenues amounted to ₱884.6 million or 98.0% in 2016, ₱723.7 million or 98.0% in 2015, and ₱594.1 million or 98.0% 2014.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱164.2 million in 2016 and ₱125.3 million in 2015, a ₱39.0 million or 31.1% increase.

### **ABLGI Operations**

ABLGI's net income for 2016 almost doubled to ₱270.3 million as compared to last year's ₱141.9 million. The increase was mainly due to rent escalation and higher share in gaming revenue due to better performance of COD.

Total revenues grew by ₱238.8 million or 62.4% to ₱621.5 million this year from last year's ₱382.7 million. Share in lease income contributed 65% to total revenues of ABLGI and grew by 28.3% during the year. Share in gaming revenue also significantly increased by 253.2% due to full casino operations of COD.

Likewise, total operating expenses increased during the year from ₱16.0 million to ₱33.5 million due to higher tax assessment on higher revenues.

Interest expense for the year increased to ₱205.5 million versus prior period's ₱157.6 million due to the additional loan availed in December of 2015 for Belle's capital call.

### **LRLDI Operations**

LRLDI registered a net income of ₱22.3 million for the year ended 31 December 2016, a decline ₱198.3 million or 89.9% as one of its lessees, which was the main source of revenue, ceased operations in May.

Rent income considerably dropped by ₱14.2 million or 63.4% from ₱22.4 million to ₱8.2 million. On the other hand, operating expenses increased by ₱55.4 million largely due to loss provision on its receivable from the lessee that ceased operation during the year.

LRLDI recorded its 50% share in the net income of Techzone in 2016 amounting to ₱70.2 million as compared to its share in 2015 of ₱133.7 million. The significant decrease was due to nonrecurring revenues recognized by Techzone last year from sale of office units.

### *Consolidated Financial Condition*

The total assets of LRWC and subsidiaries as of 31 December 2016 of ₱12,857.8 million decreased by ₱738.8 million or 5.4% from ₱13,596.7 million as of 31 December 2015 largely due to the ₱1.018 billion collection of Loans receivable from Belle. Other specific significant changes in total assets are mainly due to (1) expansion and acquisition of new sites resulting to increase in Property and equipment – Net of ₱328.8 million, (2) LRWC NOLCO resulting to increase in Deferred tax assets of ₱155.6 million, and (3) partial collection of Loans receivable from Belle resulting to: (a) increase in Cash of ₱374.2 million, (b)

increase in Receivables of ₱3,721.0 million, (c) decrease in Advances to a casino project of ₱4,780.0 million, and (d) decrease in Other noncurrent assets of ₱389.6 million.

The following are the significant changes in the liabilities of LRWC and subsidiaries: (1) decrease in Trade and other payables of ₱1,061.4 million attributable to lower outstanding Dividends payable to stockholders, huge settlement of outstanding CEZA payable, lower PAGCOR payable, and payments to suppliers, (2) decrease in Loans payable of ₱721.8 million due to scheduled amortization of long-term loans, and (3) increase Income tax payable of ₱31.2 million.

Cash as of 31 December 2016 of ₱713.0 million includes ₱296.9 million Cash in DSRA. In prior years, cash in DSRA form part of Other noncurrent assets as it was restricted then.

The Company and its subsidiaries:

- 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;
- 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;
- 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;
- Have not breached any loans, leases or other indebtedness or financing agreement; and
- 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:

	<b>Formula</b>	<b>2016</b>	<b>2015</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	109.0%	35.6%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	78.3%	118.5%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	178.3%	218.5%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.44 times	1.40 times
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$	19.8%	21.8%
Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	10.0%	10.4%
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	29.9%	20.0%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$	4.95	6.13
Net Book Value Per Share	$\text{Stockholders' Equity}$	6.01	5.19

	Weighted Average Shares Outstanding		
Earnings Per Share	$\frac{\text{Income attributable to ordinary stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.7656	0.7445

#### *Plans for 2017*

Retail Business Units continues to be the Group's strategic priority in terms of growing its venues network reach and depth, and most especially in the electronic bingo business which has been driving the revenue growth of the bingo market. ABLE plans to expand either by acquisition of existing operations or directly applying for permits to open new bingo boutiques in high traffic areas around new SM and Robinson's Malls/Supercenters as well as bingo outlets in Metro Manila and select provincial areas. TGXI and BCGLC will likewise expand its market reach by acquiring more strategically located venues and offering better games to attract more players and increase customer spent.

FCLRC's plan is to invite and qualify more licensed and operating locators within the year. Major capital expenditures shall mainly support 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 embarking on acquiring newer slot machines aimed at improving the games in all its arcade venues and correspondingly intensifying its marketing campaign to bring greater foot traffic on the casino floors.

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

#### **2015 vs. 2014**

##### *Consolidated Result of Operations*

LRWC posted a consolidated net income (after minority interest) of ₱1,030.4 million in 2015 as compared with ₱749.8 million in 2014. The increase in net income amounting to ₱280.6 million or 37.4% was mainly contributed by the significant growth of ABLE and FCLRC, acquisition of additional arcades by BCGLC, recognition of full year gaming share from PLAI by ABLGI, and sale of office units by Techzone, an associate of LRLDI.

##### **ABLE Operations**

ABLE posted total sales of ₱5,980.4 million for 2015, a ₱1,477.4 million or 32.8% growth from the ₱4,503.0 million total sales for 2014. Sales from Electronic and Traditional Bingo operations contributed to the increase in sales partly offset by decrease in the sales of Rapid Bingo.

The Electronic Bingo is now the Company's principal product line posting sales of ₱3,443.1 million in 2015, which increased by ₱809.9 million or 30.7% from the reported sales of ₱2,633.9 million in 2014. At the end of 2015, there were a total of 8,585 E-bingo machines in 119 bingo parlors as compared with 6,703 E-bingo machines in 99 bingo parlors as of 31 December 2014. These bingo parlors are either directly owned by ABLE or owned through subsidiaries.

The Traditional Bingo also registered a significant increase in revenues during the year due to the acquisition of new venues. For the period ended 31 December 2015, Traditional Bingo revenues reached ₱2,258.5 million or ₱677.2 million growth from same period last year of ₱1,581.3, contributing 38% to total ABLE revenues.

Revenues from Rapid bingo for 2015 of ₱267.1 million decreased by ₱16.5 million or 5.8% from the ₱283.7 million sales in 2014. ABLE launched Rapid Bingo, late August 2005 with fourteen (14) terminals in fourteen (14) bingo parlors. By end of 2015, there were a total of 131 Rapid Bingo terminals in 123 bingo parlors installed as compared to 77 terminals in 69 bingo parlors in 2014.

ABLE also introduced the Pull Tabs in December 2005 in 32 bingo parlors. The sales of Pull Tabs amounted to ₱9.4 million or ₱5.4 million growth in 2015 from ₱4.1 million of 2014.

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

There was an increase of ₱280.6 million or 25.0% in ABLE's consolidated operating expenses in 2015 amounting to ₱1,402.6 million as compared to ₱1,122.0 million in 2014. The increase was mainly due to: (1) Rent and Utilities by ₱77.0 million or 14.1%, (2) Contracted Services by ₱49.1 million or 38.3%, (3) Depreciation and amortization by ₱39.0 million or 41.1%, (4) Taxes and licenses by ₱12.4 million or 37.7%, and (5) "Other Expenses", comprised by Transportation and travel, Marketing and promotion, and Repairs and maintenance, by ₱61.9 million all mainly due to increase in venues and renovations of existing bingo parlors.

For the year ended 31 December 2015, ABLE posted a consolidated net income (after minority interest) of ₱244.2 million, significantly increasing by ₱51.5 million or 26.7% from the ₱192.8 million consolidated net income in 2014. The growth in net income is mainly due to the considerable increase in revenues.

### **TGXI Operations**

TGXI generated revenues in 2015 amounting to ₱295.1 million representing its full-year share in revenues from the management and operation of PAGCOR e-Games Stations (PeGS). This resulted to a growth of ₱175.0 million or 145.7% as compared to 2014 revenues of ₱120.1 million. Likewise, total operating expenses, consisting mainly of people expenses (including contracted services), rentals and utilities, and marketing and promotion, increased by ₱177.7 million due to full-year operation and additional venues from ₱103.5 million to ₱281.2 million.

The resulting net income amounted to ₱12.0 million during the period as compared to ₱11.5 million last year.

### **BCGLC Operations**

BCGLC resulted in a net income of ₱24.2 million vs. last year's net loss of ₱1.9 million.

During the year, BCGLC acquired four new arcades causing net revenues to grow by ₱90.8 million or 192.3% from ₱47.2 million to ₱138.0 million. Operating expenses likewise increased in 2015 to ₱100.5 million from ₱48.0 million of prior year mainly due to higher rentals, utilities, and marketing and promotion.

### **PIKI Operations**

Revenues of PIKI during the year amounted to ₱1,045.9 million, a growth of ₱651.2 million or 164.9% from 2014's ₱394.8 million due to full-year operation in 2015. For the same reason, operating expenses, consisting largely of marketing expenses, contracted services, and business development expenses that supported and afforded the high revenue levels, likewise increased but at a faster rate from ₱130.3 million to ₱369.7 million or a growth of ₱239.5 or 183.8%.

As a result, PIKI posted a lower net income during 2015 of ₱33.0 million as compared to last year's ₱43.7 million.

### **FCLRC Operations**

For the year 2015, FCLRC posted gross revenues of ₱1.6 billion. These were generated from hosting and service fees amounting to ₱1.4 billion and from license application and renewal fees, amounting to

₱168 million. Total revenues in 2015 were higher than the revenues in 2014 at ₱249.4 million or 18.4%. CEZA fees in 2015 increased to ₱717.1 million versus ₱605.0 million in 2014, or an increase of ₱112.1 million or 18.5% than last year's fees. As a result, FCLRC's net revenues increased by ₱137.3 million or 18.4% as compared to last year. The principal growth driver for FCLRC was the increase in the number of operating locators – 111 in 2015 from 84 in 2014, that contributed to the increase in fees.

FCLRC generated gross revenues from foreign sales amounting to ₱1.6 billion in 2015, ₱1.3 billion in 2014 and ₱859.6 million in 2013 respectively. Revenues from foreign sales comprise 100% of total gross revenues for the years 2015, 2014 and 2013.

Cost and operating expenses decreased by ₱25.3 million or 10.4% from last year's ₱242.0 million. The decrease is mainly due to the Company's efforts to reduce cost by implementing its cost saving measures. Thus the following expenses decreased: (1) Advertising and promotions by ₱20.1 million, (2) Employee benefits by ₱6.0 million, (3) Professional fees by ₱3.6 million, (4) Representation by ₱3.4 million, (5) Communication by ₱1.5 million, (6) Taxes and licenses by ₱1.4 million, and (7) Contracted services by ₱8.0 million. These afore-mentioned decreases in expenses were offset by the following increases primarily due to the Company's efforts to generate higher revenues, thus the following increased: (1) Rent by ₱4.1 million, (2) Depreciation by ₱3.1 million, (3) Repairs by ₱2.0 million, (4) Transportation by ₱1.9 million, (5) Salaries and wages by ₱1.1 million, and (6) Insurance by ₱1.0 million.

The resulting net income in the "Other Income (Expense) - Net" account of ₱118.0 million in 2015, or decrease of ₱24.3 million or 17.1% as compared to ₱142.3 million in 2014 was mainly due to: (1) increase in Other income derived from rental of gaming facility and (2) increase in Equity in net earnings of a joint venture. This increases were partly offset by: (1) decrease in finance income and (2) increase in finance expense.

Thus, FCLRC posted a net income of ₱739.9 million in 2015, an increase of ₱132.0 million or 21.7% than last year's ₱607.9 million. The growth in net income is mainly attributable to the increase in revenues, and the decrease in costs and operating expenses, which is partly offset by the decrease in the resulting income from the "Other Income (Expense) – Net".

Net income generated from foreign revenues amounted to ₱723.7 million or 98.0% of ₱739.9 million in 2015; ₱594.1 million or 98.0% of ₱607.9 million in 2014; and ₱357.3 million or 97% of ₱368.2 million in 2013.

FCCDCI, a 60% owned subsidiary of FCLRC, posted a net income of ₱125.3 million in 2015 and ₱123.2 million in 2014; a ₱1.6 million or 1.3% decrease.

### **ABLGI Operations**

ABLGI's net income for 2015 reached ₱382.7 million or a growth of 21.1% as compared to last year's ₱316.1 million net income. The increase was mainly due to rent escalation and recognition of full-year share in gaming revenue.

Total operating expenses decreased during the year from ₱47.4 million to ₱16.0 million due to documentary stamps paid for the increase in issuance of capital stock, representation, business development and depreciation of a building acquired in 2014.

Interest expense in 2015 registered ₱157.6 million versus prior period's ₱178.1 million.

### **LRLDI Operations**

LRLDI net income for 2015 increased by ₱164.9 million or 360.9% compared to prior year due to other income and higher share in an associate for one-time sale of office units during the year.

Rent income increased during the year by ₱3.7 million to ₱22.4 million due to rate escalation. On the other hand, operating expenses decreased by ₱3.1 million to ₱2.2 million thus, operating income registered an increase of ₱6.8 million or 124.6%. The decrease in operating expense is largely attributable to the one-time documentary tax incurred on the issuance of additional capital stock in 2014.

During 2015, LRLDI also recognized a total of ₱68.8 million other income representing its commission and project management fee on the sale of office units of Techzone building.

LRLDI recorded its 50% share in the net income of Techzone in 2015 amounting to ₱133.7 million as compared to its share in 2014 of ₱40.7 million.

As a result, LRLDI posted a net income of ₱210.6 million in 2015, as compared to ₱45.7 million last year.

#### *Consolidated Financial Condition*

The significant changes in total assets of LRWC and subsidiaries are accounted as follows: (1) increase in Receivables – Net of ₱300.9 million mainly attributable to the accounts of new businesses acquired and new sources of revenues during the year, (2) increase in Prepaid expenses and other current assets of ₱75.9 million for advance payments made for rentals and other services, (3) increase in Property and equipment – Net of ₱880.3 million mainly due to expansion and acquisitions of venues, (4) increase in Investments and advances – Net of ₱131.7 million mainly attributable to advances to HEPI for working capital and equity share in net income of associates and joint ventures, (5) increase in Available for sale financial assets of ₱115.9 representing the conversion to shares of advances to DFNN, (6) increase of Goodwill of ₱175.9 million mainly due to acquisition of new venues, and (7) increase in Other noncurrent assets of ₱362.3 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. The total assets of LRWC and subsidiaries as of 31 December 2015 of ₱13,596.7 million increased by ₱2,649.9 million or 24.2% from ₱10,946.8 million as of 31 December 2014.

The following are the significant changes in the liabilities of LRWC: (1) increase in Trade and other payables of ₱271.9 million attributable to higher dividends payable to LR Parent's stockholders, remaining balance of TGXI purchase price, ABLGI's accruals for loan interest, and ABLE's liability to various suppliers, (2) increase in Short-term loans payable of ₱117.9 million due LRWC's borrowing to partly bridge working capital gaps, and (3) increase in Long-term loans payable (inclusive of current portion) of ₱1,402.5 million to cover additional advances to casino project and the term out of the short-term loan that financed the acquisition of TGXI.

Cash as of 31 December 2015 of ₱338.8 million remained at same level as last year.

The Company and its subsidiaries:

- f) 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;
- g) 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;
- h) 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;
- i) Have not breached any loans, leases or other indebtedness or financing agreement; and
- j) 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:

	<b>Formula</b>	<b>2015</b>	<b>2014</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	35.6%	30.9%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	118.5%	101.5%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	218.5%	201.5%

Payout Turnover	$\frac{\text{Net Revenues}}{\text{Payout}}$	3.30 times	3.78 times
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$	21.8%	13.8%
Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	10.4%	7.4%
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	20.0%	16.1%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$	6.13	6.00
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	5.19	4.53
Earnings Per Share	$\frac{\text{Income attributable to ordinary stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.7445	0.5194

#### Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

#### 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 Six Million Seven Hundred Twenty Five Thousand Pesos (₱6,725,000) for the fiscal year 2016 and Six Million Six Hundred Seventy Five Thousand Pesos (₱6,675,000) for the fiscal year 2015. These fees comprise the audit and audit related services rendered in favor of registrant and its subsidiaries.

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., CPA's served as Company's external auditors for the 2016 and 2015 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on 29 July 2016. Mr. Dindo Marco M. Dioso is the partner-in-charge for the Corporation's audit for the 31 December 2016 Financial Statements.

There were no disagreements with independent accountants on accounting and financial disclosures.

**PART III – CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers of the Issuer**

a) *List of Directors*

<b>Name</b>	<b>Age</b>	<b>Directorships in Other Companies</b>	<b>Citizenship</b>	<b>Business Experience For the Past Five Years</b>
Reynaldo P. Bantug  <i>(Director, April 19, 2002 to present)</i>	67	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 SunAsia Energy, Inc. Aton Land & Leisure, Inc. Bacolod Real Estate Development Corp. Total Gamezone Xtreme Incorporated Hotel Enterprises of the Philippines, Inc. <b>(All-Director)</b>	<i>Filipino</i>	Bacolod Real Estate Development <i>(Vice Chairman)</i> BAPA Realty Development Corp. BAPA Holdings & Management <i>(President)</i> AB Leisure Exponent, Inc. First Cagayan Leisure & Resort Corp. <i>(President)</i>
Edgardo S. Lopez  <i>(Director, August 18, 2006 to present)</i>	75	LS Finance & Management Corp. Heerco Philippines, Inc. Kings Cross Development Corp. <b>(All-Director)</b>	<i>Filipino</i>	LS Finance & Management Corp. Heerco Philippines, Inc. <i>(President)</i> Kings Cross Development Corp. <i>(Vice-Chairman)</i>
Anthony L. Almeda **  <i>(Director, June 30, 2004 to present)</i>	51	Alalmeda Land, Inc. Alalmeda Holdings, Inc. Alalmeda & Company, Inc. Alalmeda Acquisition, Inc. Uyalmeda, Inc. Alalmeda Energy, Inc. Calaca High Power Corp. Pacifica21 Holdings, Inc. National Grid Corporation of the Philippines Kingdom 888 Holdings, Inc. Dragonstore888 Holdings, Inc. Enet Corp. Terra Firma Resources Inc. <b>(All - Director)</b>	<i>Filipino</i>	Landision Corp. <i>(Chairman, President)</i> Filipinas Gaming Corp. <i>(EVP)</i> Alalmeda Land, Inc. Alalmeda Holdings, Inc. Alalmeda & Company, Inc. Alalmeda Acquisition, Inc. <i>(Chairman &amp; CEO)</i> Blue Ocean Acquisitions Inc. <i>(CEO)</i> BB21 Remit Inc. Pacifica21 Holdings Inc. <i>(Managing Director)</i> National Grid Corp. of the Philippines Calaca High Power Corp. Enet Corp. Terra Firma Resources Inc. <i>(Director)</i>
Willy N. Ocier  <i>(Director, July 31, 2009 to present)</i>	60	Pacific Online Systems Corporation Philippine Global Communications Inc. Premium Leisure & Amusement, Inc. APC Group, Inc. Tagaytay Midlands Golf Club, Inc. Belle Corporation Tagaytay Highlands International Golf Club, Inc. <b>(All-Director)</b>	<i>Filipino</i>	Pacific Online Systems Corporation Philippine Global Communications Inc. <i>(Chairman and President)</i> Premium Leisure & Amusement, Inc. APC Group, Inc. Tagaytay Midlands Golf Club, Inc. <i>(Chairman)</i> Belle Corporation <i>(Co-Vice Chairman)</i> Tagaytay Highlands International Golf Club, Inc. <i>(Vice Chairman)</i>
Wilson L. Sy  <i>(Director; July 29, 2011 to present)</i>	63	<b>Director</b> Wealth Securities, Inc. Philequity Management, Inc. The Philippine Stock Exchange, Inc. East West Banking Corp. Vantage Equities, Inc. eBusiness Services, Inc.	<i>Filipino</i>	

		<p>Manila Stock Exchange Foundation, Inc.  Asian Alliance Holdings Corporation  Xcell Property Ventures, Inc.  Monte Oro Resources &amp; Energy, Inc.  Sinag Energy Philippines Inc.</p> <p><b>Independent Director</b>  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>Eusebio H. Tanco</p> <p><i>(Director; July 29, 2011 to present)</i></p>	68	<p>Asian Terminals Inc.  PhilhealthCare Inc.  Philippine Life Financial Assurance  STI Education Systems Holdings, Inc.  STI Education Services Group, Inc.  iACADEMY  Philippine Stock Exchange, Inc.  Maestro Holdings, Inc. (formerly STI Investments, Inc.)  Capital Managers &amp; Advisors, Inc.  STI West Negros University  Philippine First Insurance Co., Inc.  Global Resources for Outsourced Workers, Inc.  Mactan Electric Company  International Hardwood &amp; Veneer Corp.  Cement Center Inc.  United Coconut Chemicals, Inc.  Manila Bay Spinning Mills, Inc.  M. B. Paseo  Philippine Health Educators, Inc.  Grow Vite, Inc.  Philippine Racing Club  Biolim Holdings &amp; Management Corp (formerly Rescom Developers Inc.)  First Optima Realty Corp.  Marbay Homes Inc.  Insurance Builders Inc.  Classic Finance, Inc.  Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.)  Delos Santos – STI College  Total Consolidated Asset Management, Inc.  Eujo Phils., Inc.  Prime Power Holdings Corporation  Venture Securities, Inc.  United Coconut Chemicals, Inc.  <b>(All-Director)</b></p>	<i>Filipino</i>	<p>Asian Terminals Inc.  <i>(Vice-Chairman and President)</i>  STI Education Systems Holdings, Inc. (Chairman)  Capital Managers &amp; Advisors, Inc. (Chairman)  STI West Negros University (Chairman)  Mactan Electric Company (Chairman)  International Hardwood &amp; Veneer Corp. (President)  Cement Center Inc. (President)  First Optima Realty Corp. (President)  Marbay Homes Inc. (President)  Insurance Builders Inc. (President)  Delos Santos – STI College (Chairman)  Grow Vite, Inc. (Chairman)  Venture Securities, Inc. (Chairman)  Biolim Holdings &amp; Management Corp (formerly Rescom Developers Inc.) (President)  Philippine First Insurance Co., Inc. (Chairman)  Global Resources for Outsourced Workers, Inc. (President)  Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.) (President)  Eujo Phils., Inc. (President)  Total Consolidated Asset Management, Inc. (President)  Prime Power Holdings Corporation (Chairman and President)  Classic Finance Inc. (CEO)</p>
<p>Bienvenido M. Santiago</p> <p><i>(Director; November 28, 2003 to present)</i></p>	71	<p>AB Leisure Exponent, Inc.  AB Leisure Global, Inc.  The Print Gallery, 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</p>	<i>Filipino</i>	<p>AB Leisure Exponent, Inc. (VP for Administration)  The Print Gallery, Inc. (Treasurer)</p> <p>Zoraymee Holdings, Inc. (Vice-President)  Corporate Image Dimensions, Inc.  Market Light Realty &amp; Construction, Inc.  St. James Holding Corporation</p>

		<p>Big Time Gaming Corporation  SG Amusement and Recreation Corporation  Zoraymee Holdings, Inc.  Total Gamezone Xtreme Incorporated  Hotel Enterprises of the Philippines, Inc.  Prime Investment Korea, Inc.  First Cagayan Converge Data Center, Inc.  <b>(All-Director)</b>  First Cagayan Leisure and Resort Corporation  <b>(Director and Treasurer)</b></p>		<p>LR Land Developers, Inc.  <i>(Corporate Secretary)</i></p>
<p>Clarita T. Zarraga **   <i>(Director, July 30, 2010 to present)</i></p>	76	<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>	<i>Filipino</i>	<p>C.T. Zarraga and Associates  <i>(Managing Partner)</i>  Abacus Consolidated Resources &amp; Holdings Inc.  <i>(Director/Chairman-Audit Committee)</i>  Saturnina Estate &amp; Dev't Complex Corp.  <i>(Treasurer)</i>  Pride Star Development Bank  <i>(Director/Credit Committee Chair)</i>  Carlos J. Valdes &amp; Co. CPAs  <i>(Senior Audit Staff)</i>  Marianas, Inc.  <i>(Internal Auditor)</i>  Sylvanna Tobacco Corp.  <i>(Asst. to the President)</i>  PGH Foundation, Inc.  <i>(Treasurer)</i></p>
<p>Ignatius F. Yenko   <i>(Director, April 19, 2012 to present)</i></p>	64	<p>TKC Steel Corporation  Sterling Bank of Asia  Zoraymee Holdings, Inc.  <b>(All-Director)</b></p> <p>Premiere Horizon Alliance Inc.  <b>(Independent Director)</b></p>	<i>Filipino</i>	<p>TKC Steel Corporation  <i>(Vice Chairman)</i>  Sterling Bank of Asia  <i>(Board Director)</i>  Premiere Horizon Alliance Inc.  <i>(Director)</i></p>
<p>Raul G. Gerodias *   <i>(Director, February 20, 2015 to present)</i></p>	53	<p>GSE Management Services, Inc.  Terramino Holdings, Inc.  Alpha Point Property Holdings, Inc.  AB Fiber Corp.  ALK Holdings &amp; Management, Inc.  Pixiedust, Inc.  Continuitas Corporation  Central Bay Reclamation and Development Corp.  Cyberbay Corporation  Elegant Infoventures, Inc.  Skytrooper Charter Phils., Inc.  AirMaverick Inc.  Banh Mi Kitchen Services, Inc.  Swiss Sense Worldwide, Inc.  Swiss Sense, Inc.  AB Food and Beverages Phils. Inc.  Fujitsu Ten Corporation of the Philippines  Kiden Development Corporation  Diez Corporation  TKG Corporation  Unitel Productions, Inc.</p>	<i>Filipino</i>	<p>Gerodias Suchianco Estrella Law Firm  <b>(Founding Partner and Chairman, Executive Committee)</b></p> <p>GSE Management Services, Inc.  Terramino Holdings, Inc.  Alpha Point Property Holdings, Inc.  AB Fiber Corp.  ALK Holdings &amp; Management, Inc.  Pixiedust, Inc.  Continuitas Corporation  Central Bay Reclamation and Development Corporation  <b>(All - President and Chairman)</b></p> <p>Cyberbay Corporation  Elegant Infoventures, Inc.  Ateneo Law '88, Inc.  <b>(All - President)</b></p> <p>Skytrooper Charter Phils., Inc.  AirMaverick Inc.</p>

	<p>Quento Media, Inc.  TD Outsourcing Philippines, Inc.  Adventure Bay Resort and Theme Park, Inc.  Ashwell Holdings, Inc.  Musungu, Inc.  Assetvalues Holding Company, Inc.  Philippine Bio-Ethanol &amp; Energy Investment Corp.  Fritz &amp; Macziol Asia, Inc.  ParexGroup Inc.  Zoraymee Holdings, Inc.  Kyani Philippines, Inc.  Global Peak Holdings, Inc.  The European Hair Factory, Inc.  Kewalram Philippines, Inc.  Hi-Frequency Telecommunication, Inc.  Metro Promo Concepts Corp.  Terrabay Holdings, Inc.  MUSIC Group Limited  MUSIC Group Commercial BM Ltd.  MUSIC Group Services SG (Pte.) Ltd  MUSIC Group Services US Inc.  MUSIC Group Services EU GmbH  MUSIC Group Commercial HK Limited  MUSIC Group Services JP K.K.  MUSIC Group Macao Commercial Offshore Limited  Music Group Macao Commercial Offshore Limited (Philippines) ROHQ  MUSIC Group Commercial PH Inc.  MUSIC Group Services NV Inc.  MUSIC Group IP Ltd.  MUSIC Group Research UK Limited  Turbosound Ltd.  Behringer International Service Centre Limited  Zhongshan Eurotec Electronics Ltd.  Zhongshan Eurotec Electronics Ltd. (Shenzhen)  MUSIC Group Commercial BM Ltd. (Phils.) ROHQ  Music Group Services PH Corp. (PEZA)  <b>(All - Director)</b></p> <p>Community Waterhope Foundation, Inc.  Ateneo Law Alumni Association, Inc. (ALAAI)  Ateneo Law '88, Inc.  <b>(All - Trustee)</b></p>	<p><b>(All - Chairman)</b></p> <p>KRL Land, Inc.  Kewalram Realty, Inc,  Swiss Sense, Inc.  <b>(All - Treasurer)</b></p> <p>Swiss Sense Worldwide, Inc.  <b>(Treasurer and Corporate Secretary)</b></p> <p>Music Group Macao Commercial Offshore Limited (Philippines) ROHQ  MUSIC Group Commercial BM Ltd. (Philippines) ROHQ  Shinko Electric Industries Co., Ltd.  <b>(All - Resident Agent)</b></p> <p>AB Food and Beverages Phils. Inc.  Fujitsu Ten Corporation of the Philippines  Kiden Development Corporation  Diez Corporation  TKG Corporation  Unitel Productions, Inc.  Quento Media, Inc.  TD Outsourcing Philippines, Inc.  Adventure Bay Resort and Theme Park, Inc.  Ashwell Holdings, Inc.  Musungu, Inc.  Assetvalues Holding Company, Inc.  Philippine Bio-Ethanol &amp; Energy Investment Corp.  Fujitsu Die-Tech Corporation of the Philippines  Fujitsu Ten Solutions Philippines, Inc.  Harada Automotive Antenna (Philippines), Inc.  Harada Phils. Development and Management, Inc.  AB Leisure Exponent, Inc. (Bingo Bonanza Corp.)  AB Leisure Global, Inc.  Universal Leaf Philippines, Inc.  Unistar Land and Property Corporation  Union Leaf Holdings Corporation  UUU Realty Holdings, Inc.  Eco Fuel Land Development, Inc.  I &amp; Lu Tobacco Company, Inc.  Teleaccess, Inc.  Straight Shooters Media, Inc.  Healthwealth International Corp.  Middleby Philippines Corporation  Middleby Worldwide Phils., Inc.  FH Corporate Services, Inc.  FH Asset Management Corp.  Ferrier Hodgson Management Services, Inc.  FTI Consulting Philippines, Inc.  Macondray Finance Corporation  Paragon Trading &amp; Services Corporation  Masagana Realty Co., Inc.</p>
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				<p>Silver Finance, Inc.  Silver CDO Finance, Inc.  Five Star Finance Corporation  Silver WDC Finance Corporation  Silver Holdings Groups, Inc.  Ashwell Holdings, Inc.  Techno Holdings Corporation  Technolux Equipment &amp; Supply Corporation  HKR Equipment Corporation  The Turf Company, Inc.  The Finix Corporation  Steltz International, Inc.  Geysler Global Sourcing Corporation  Culinary Best Source, Inc.  Blue Haus International Sourcing Corporation  Createch Wellness Corp.  Auracle Wellness Corp.  A &amp; L Equities, Inc.  DACS Holdings, Inc.  La Deca Farm Corporation  LLF Farms, Inc.  <b>(All - Corporate Secretary)</b></p>
<p>Carlos G. Baniqued *  (Director, July 29, 2016 to present)</p>	60	<p>34C2 Holdings, Inc.  Sequel Realty Corporation  Funchal Inc.  Budran Realty Corporation  Burard Realty Corporation  Jollibee Center Condominium Corporation  <b>(All - Director)</b></p>	Filipino	<p>Baniqued Layug &amp; Bello  [Formerly Baniqued &amp; Baniqued]  <i>Founder and Managing Partner</i>  34C2 Holdings, Inc.  <i>Chairman and President</i>  Sequel Realty Corporation  <i>President and Director</i>  Funchal Inc.  <i>President and Director</i>  Budran Realty Corporation  <i>Director</i>  Burard Realty Corporation  <i>Director</i>  Yunkun Realty Corporation  <i>Director</i>  WackWack Golf &amp; Country Club, Inc.  <i>Director and Corporate Secretary</i>  Jollibee Center Condominium Corporation  <i>Director and Corporate Secretary</i>  Getty Images  <i>Resident Agent</i>  Hawaiian Airlines  <i>Resident Agent</i>  Wharton-Penn Alumni Association, Inc.  <i>President, 2015</i>  Wharton-Penn Club of the Philippines  MBA Endowment Fund  <i>Chair</i></p>

\* Newly elected director in 29 July 2016 annual stockholders' meeting.

\*\*Re-elected as Independent directors in 29 July 2016 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)

Katrina L. Nepomuceno – Corporate Secretary/Compliance Officer

Atty. Nepomuceno is the Vice President for Legal of Leisure and Resorts World Corporation. She serves as the Corporate Legal Counsel of AB Leisure Exponent, Inc. (ABLE) and the Corporate Secretary of all ABLE's Subsidiaries. She is currently the Corporate Secretary of First Cagayan Leisure and Resort Corporation (FCLRC), First Cagayan Converge Data Center Inc. (FCCDCI), and Hotel Enterprises of the Philippines Inc. (HEPI). Atty. Nepomuceno is a Director and the Vice President for Legal of AB Leisure Global, Inc. (ABLGI). She is also one of the Directors of LR Land Developers, Inc. (LRLDI) and currently, the Corporate Secretary of Total Gamezone Xtreme, Inc. (TGXI).

Mr. Ruben Q. Ong – Treasurer

Mr. Ong is currently a Director of AB Leisure Exponent, Inc. (ABLE), LR Land Developers, Inc. (LRLDI), Prime Investment Korea Inc. (PIKI), and Blue Chip Gaming and Leisure Corporation (BCGLC), wholly-owned subsidiaries of the registrant. Mr. Ong also served as ABLE's Vice-President for Finance and Chief Finance Officer. He served as a Director and as Vice-President for Finance/Controller of Hooven Philippines, Inc. and its affiliates from 1991 to 1998. He was also a member of the Executive Committee and Special Assistant to the Treasurer of Marina Properties, Inc. in 1998.

b) *Significant Employees*

Although LRWC has relied on, and will continue to rely on, the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees. LRWC believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

c) *Family Relationships*

There are no family relationships known to LRWC.

d) *Involvement in Certain Legal Proceedings*

There are no pending legal proceedings against the directors and officers known to LRWC.

As of March 31, 2017, to the best of the Company's knowledge, 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:

- a) 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;
- b) 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;
- c) 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
- d) 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.

## Item 10. Executive Compensation

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 Chief Executive Officer and four other most highly compensated executive officers.

Name and Principal Position	Year	Compensation	Bonuses	Other Annual Compensation
		Estimated	Estimated	Estimated
Reynaldo P. Bantug, President and CEO				
Rizalito S. Oades, SVP & Group CFO				
Ma. Christina A. Bautista, Vice President				
Ruben Q. Ong, Treasurer				
Katrina L. Nepomuceno, Corporate Secretary				
All above-named Officers as a group	2017	₱ 30,000,000	₱ 2,000,000	₱ 500,000
All other officers as a group unnamed	2017	None	None	None

Reynaldo P. Bantug, President and CEO				
Rizalito S. Oades, SVP & Group CFO				
Ma. Christina A. Bautista, Vice President				
Ruben Q. Ong, Treasurer				
Katrina L. Nepomuceno, Corporate Secretary				
All above-named Officers as a group	2016	₱ 29,215,425	₱ 2,115,218	₱ 425,000
All other officers as a group unnamed	2016	None	None	None

Reynaldo P. Bantug, President and CEO				
Jose Francisco B. Benitez, Vice-President				
Ma. Christina A. Bautista, Vice-President				
Carmelita D. Chan, Treasurer				
Rizalito S. Oades, SVP & Group CFO				
All above-named Officers as a group	2015	₱ 30,435,529	₱ 2,000,000	₱ 300,000
All other officers as a group unnamed	2015	None	None	None

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

### a) 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 ₱50,000 per meeting, per diem of ₱30,000 per meeting for members of the executive committee, and per diem of ₱20,000 per meeting for audit, compensation, and nominating committees. Cash bonus of ₱1,000,000 was given to each director in 2016 and 2015.

Total payments to non-salaried directors amounted to ₱18,140,000 in 2016 and ₱10,458,500 in 2015.

### b) 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.

There are no arrangements for compensation to be received by these named executive officers from LRWC in the event of a change in control of LRWC.

### c) Warrants and Options Outstanding

As of 31 March 2017, 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.

The Company has no outstanding options.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

- a) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of 31 December 2016.

Title of Class	Name and address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Filipino	® 663,941,867	55.34%
Common	Alfredo Abelardo Benitez 26/F West Tower, PSE Center, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 134,841,249	11.24%
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	Zoraymee Holdings, Inc. 21/F Wynsum Corporate Plaza, Emerald Avenue, Ortigas Center, Pasig City Stockholder	Record Holder same as Beneficial Owner	Filipino	® 111,267,658	9.27%
Common	PCD Nominee Corp. (Non-Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Foreign	® 89,865,068	7.49%

\* Beneficial owner under PCD Nominee Corporation that holds more than 5% shares is Venture Securities, Inc. which holds 218,857,380 shares or 18.24%. 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 Securities, Inc., the transfer agent of the registrant, and holds the shares in behalf of the beneficial owners.

- b) Security Ownership of Management (other than as Nominees) as of 31 December 2016.

Title of Class	Name and address of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Reynaldo P. Bantug 12 Harding Street, Greenhills West Subdivision San Juan City	2 (direct) 120,000 (indirect)	Filipino	0.01%
Common	Eusebio H. Tanco 543 Fordham Street, Wack-Wack Village, Mandaluyong City	10,432,480 (direct) 22,672,729 (indirect)	Filipino	2.76%
Common	Wilson L. Sy 2703 Philippine Stock Exchange Center, Exchange Road, Ortigas, Pasig City	2,286,600 (direct)	Filipino	0.19%
Common	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	2,125,200 (direct)	Filipino	0.18%
Common	Ignatius F. Yenko No. 7 Bahamas Street, Loyola Grand Villas, Quezon City	1,200 (direct)	Filipino	0.00%
Common	Clarita T. Zarraga 26 Santan Street, Tahanan Village, Parañaque City	1 (direct) 6,600 (indirect)	Filipino	0.00%

Aggregate ownership of all directors and officers as a group unnamed: 37,651,926.

- c) Voting Trust Holders of 5% or More

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

- d) Change in Control

There has been no change in control of the Corporation since the beginning of 2016 and the Corporation is not aware of any existing, pending, or potential transaction which may result in such a change in control.

#### **Item 12. 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 Note 22 of Notes to the Consolidated Financial Statements for the year 2016.

### **PART IV – CORPORATE GOVERNANCE**

#### **Item 13. Corporate Governance**

The Annual Corporate Governance Report will be filed separately in accordance with SEC Memorandum Circular No. 20, 2016 Annual Corporate Governance Report Submission.

### **PART V – EXHIBITS AND SCHEDULES**

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

- a) Exhibits – See accompanying Index to Exhibits
- b) Reports on SEC Form 17-C
  - a. At the special meeting of the Board of Directors (BOD) on 28 July 2016, the BOD has approved the incorporation of an 80% owned subsidiary, LR DATA CENTER AND SOLUTIONS INC. (LRDCSI), whose primary purpose is to engage in information technology and communication and to own, develop, produce, design, integrate, install, sell, by, rent, establish, manage, audit, rehabilitate, integrate, operate, lease or otherwise dispose of and generally deal in and with systems, facilities, equipment, devices and services involving the processing, movement, monitoring and retrieval of information including but not limited to data, voice, image, video, audio, tone or any form or kind of communication. The authorized capital stock of said Corporation is One Hundred Million Pesos (Php 100,000,000.00), divided into One Hundred Million shares with par value of One Peso (Php 1.00), of which Twenty Five Million Pesos (Php 25,000,000.00) has been actually subscribed.
  - b. On 26 May 2016 LRWC received the approval of the incorporation of its 80% owned subsidiary, LR DATA CENTER AND SOLUTIONS INC. (LRDCSI), which was issued by the Securities and Exchange Commission (SEC) on 20 May 2016.
  - c. At the meeting of the BOD held on 31 May 2016, the Board approved the declaration of a cash dividend at the rate of Four & 25/100 Centavos (₱0.0425) per share payable to all preferred stockholders of record as of 14 June 2016 to be paid on 08 July 2016.

- d. At the meeting of the BOD held on 14 July 2016, the Board approved the declaration of a cash dividend at the rate of Eight Centavos (₱0.08) per share payable to all common stockholders of record as of 30 September 2016 to be paid on 25 October 2016, and another cash dividend at the rate Seven Centavos (₱0.07) per share payable to all common stockholders of record as of 03 March 2017 to be paid on 28 March 2017.
- e. On 29 July 2016, the stockholders elected the following directors:
- i. Reynaldo P. Bantug
  - ii. Edgardo S. Lopez
  - iii. Willy N. Ocier
  - iv. Bienvenido M. Santiago
  - v. Wilson L. Sy
  - vi. Eusebio H. Tanco
  - vii. Ignatius F. Yenke
  - viii. Raul G. Gerodias
  - ix. Carlos G. Baniqued
  - x. Anthony L. Almeda – independent director
  - xi. Clarita T. Zarraga – independent director
- e. On 29 July 2016, the stockholders approved the following:
- i. Approval of the minutes of the annual meeting held on 31 July 2015
  - ii. Management report and ratification of the actions taken by the BOD and officers since 31 July 2015
  - iii. Annual report and audited financial statements for the fiscal year 2015
  - iv. Appointment of KPMG R.G. Manabat & Co., CPAs as external auditors for 2016
- f. On 22 August 2016, the BOD had its organizational meeting and elected the Corporation's officers and members of the various committees.
- g. On 08 September 2016 Total Gamezone Xtreme, Inc. ("TGXI"), a wholly owned subsidiary of Leisure & Resorts World Corporation ("LRWC") received notices from Philippine Amusement and Gaming Corporation ("PAGCOR") informing that the PAGCOR's Board of Directors issued an order to immediately cease the operations of its Electronic Games at its Seventeen (17) sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Electronic Games version 2.0..
- On the same date, AB Leisure Exponent, Inc. ("ABLE"), a wholly owned subsidiary of Leisure & Resorts World Corporation ("LRWC") also received notices from PAGCOR informing that the PAGCOR's Board of Directors issued an order to ABLE and its subsidiaries to immediately cease the operations of its Electronic Bingo games at its thirty six (36) sites due to non-compliance with the distance restriction guidelines under Section 2 of Regulation 3 of the Gaming Site Regulatory Manual (GSRM) for Bingo Games version 2.0.
- h. On 24 September 2016, ABLE a wholly owned subsidiary of LRWC received via email, notices from PAGCOR of the approval by the PAGCOR's BOD to recall the revocation to operate eBingo. Twenty (20) eBingo sites have resumed its operations by virtue of the aforesaid approval. The approval was based on the recommendation of PAGCOR's Gaming Licensing and Development Department (GLDD) and the legal opinion of its Corporate and Legal Services Department (CLSD) to honor the licenses of operators whose gaming sites are located inside malls, arcades and hotels and consider them exempted from distance requirements. The PAGCOR's BOD allowed the resumption of eBingo operations until the respective expiration of the licenses of the sites.
- i. On 03 November 2016, Belle Corporation and Premium Leisure and Amusement, Inc. ("Belle group") signed an agreement with LRWC and AB Leisure Global, Inc. ("LRWC Group"), which would enable the latter to realize its interests under its existing agreements with the Belle Group. Under the agreement, Belle will pay the LRWC group a total of P5.09 Billion, with P1.018 Billion paid upon signing and the balance at the end of March 2017. The proceeds from the transaction are intended to be utilized by the LRWC group on its core businesses. Previously, on 13 March 2013 the LRWC Group entered into agreements with the Belle Group which effectively granted the former an interest of up to thirty percent (30%) in the Belle Group's net revenues under its lease and licensee agreements concerning City of Dreams Manila. Under the terms of this newly

signed agreement, the LRWC Group will be able to finalize its transaction with the Belle Group by the end of March 2017. Thereafter, the March 13, 2013 agreements will be deemed terminated.

- j. At the meeting of the BOD held on 31 May 2016, the Board approved the declaration of a cash dividend at the rate of Four & 25/100 Centavos (₱0.0425) per share payable to all preferred stockholders of record as of 23 December 2016 to be paid on 18 January 2017.

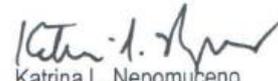
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on **12 APR 2017**

By:

  
Reynaldo P. Bantug  
 President

  
Rizalito S. Oades  
 SVP & Group CFO

  
Katrina L. Nepomuceno  
 Corporate Secretary

**APR 12, 2017**

SUBSCRIBED AND SWORN before me this \_\_\_\_ day of \_\_\_\_ 2017 affiants exhibiting to me their Community Tax Certificates as follows:

Names	Community Tax No/Passport No	Date of Issue	Place of Issue	TIN No
Reynaldo P. Bantug	16340036	10 Jan 2017	Victoria City, Negros Occidental	117-376-653
Rizalito S. Oades	00051073	13 Feb 2017	Pasig City	103-626-706
Katrina L. Nepomuceno	07429471	25 Jan 2017	Pasig, City	182-039-648

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 Book No.: 87  
 Series of 2017

  
**ATTY. JOSE B. DULNUAN**  
**NOTARY PUBLIC**  
 FOR THE CITY OF MANDALUYONG  
 Until December 31, 2017  
 COMMISSION NO. 458-16  
 IBP LIFETIME NO. 0995268 / IFUGAO  
 PTR NO. 69252527, 1-3-17, Calnta, Rizal  
 ROLL NO. 26304  
 MCLE COMP. NO. V-0022171, 6-15-16  
 VALID UNTIL 04-14-2019  
 D22-AB GUVENTVILLE II, D.M. GUEVARA ST.  
 MAUWAY, MANDALUYONG CITY  
 TEL 532-8858, 5334664  
 email: jbdulnuan@gmail.com

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
Employees	8,910,929	15,775,465	(11,797,778)	-	12,888,616	-	12,888,616
Officers	-	-	-	-	-	-	-
<b>Total</b>	<b>8,910,929</b>	<b>15,775,465</b>	<b>(11,797,778)</b>	<b>-</b>	<b>12,888,616</b>	<b>-</b>	<b>12,888,616</b>

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE C Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

NAME & DESIGNATION OF DEBTOR	BALANCE AT BEG OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD
AB Leisure Exponent, Inc.	-	282,630,365	-	-	282,630,365	-	282,630,365
AB Leisure Global, Inc.	474,446,650	-	(474,446,650)	-	-	-	-
Blue Chip Gaming and Leisure Corporation	464,657,723	75,088,259	-	-	539,745,982	-	539,745,982
LR Land Developers Inc.	1,031,324,816	19,601,992	-	-	19,601,992	1,031,324,816	1,050,926,808
Prime Investment Korea Inc.	-	131,964,675	-	-	131,964,675	-	131,964,675
Total Gamezone Xtreme Incorporated	177,774,438	-	(31,009,290)	-	146,765,148	-	146,765,148
<b>Total</b>	<b>2,148,203,627</b>	<b>509,285,292</b>	<b>(505,455,940)</b>	<b>-</b>	<b>1,120,708,163</b>	<b>1,031,324,816</b>	<b>2,152,032,979</b>

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE D Intangible Assets - Goodwill and Other Assets

DESCRIPTION	BALANCE AT BEG OF PERIOD	ADDITIONS AT COST	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHARGES ADDITIONS (DEDUCTIONS)	BALANCE AT END OF PERIOD
<b>Goodwill - net</b>	<b>1,453,344,478</b>	-	-	-	-	<b>1,453,344,478</b>
Other Assets						
Airstrip improvements - net	43,372,480	-	(3,092,992)	-	-	40,279,488
Operating licenses	5,253,690	-	-	-	-	5,253,690
<b>Total Other Assets</b>	<b>48,626,170</b>	-	<b>(3,092,992)</b>	-	-	<b>45,533,178</b>
<b>Total Intangible Assets</b>	<b>1,501,970,648</b>	-	<b>(3,092,992)</b>	-	-	<b>1,498,877,656</b>

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE E Long term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under "Current portion of long term debt"	Amount shown under caption "Long term debt"
Banco de Oro		2,768,636,744	-
Banco de Oro		25,120,923	82,472,907 6.00% payable from December 2015 to November 2020
Banco de Oro		9,599,859	28,594,529 6.00% payable from September 2015 to August
Unionbank		9,116,471	11,161,858 8.60% payable from January 2016 to September
Asia United Bank		130,000,000	314,166,667 6.18% payable from June 2015 to May 2020
		<b>2,942,473,997</b>	<b>436,395,961</b>

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE H Capital Stock

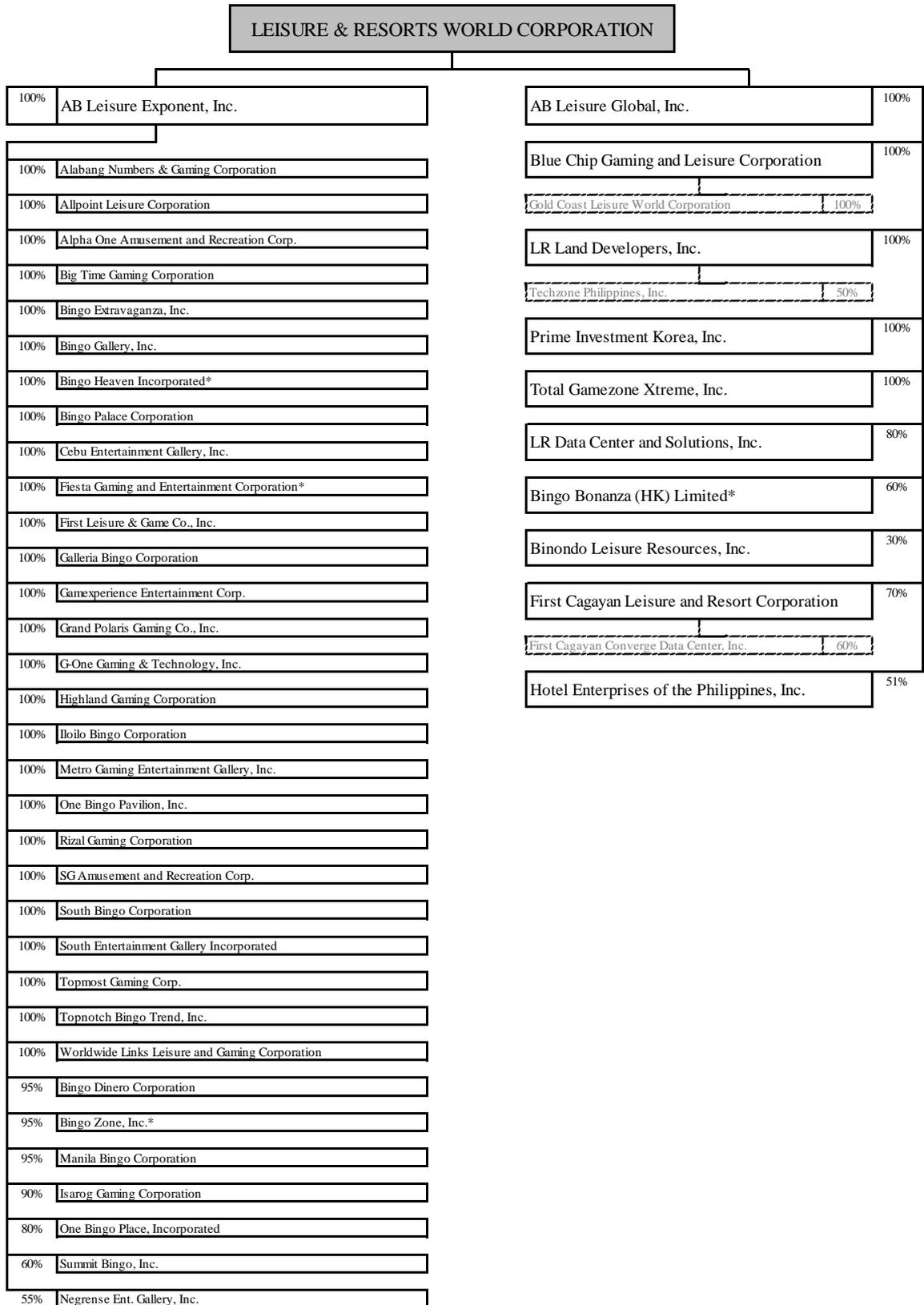
Title of Issue	Number of Shares Authorised	Number of shares issued and outstanding as shown under related Balance Sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,500,000,000	1,199,852,512		387,675,907	37,651,426	774,525,179
Preferred shares	2,500,000,000	1,650,000,000	82,500,000			

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE I Financial Soundness Indicators

	Formula	2016	2015
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	109.0%	35.6%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	78.3%	118.5%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	178.3%	218.5%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.44 times	1.40 times
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$	19.8%	21.8%
Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	10.0%	10.4%
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	29.9%	20.0%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}}{\text{Interest Expense}}$	4.95	6.13
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	6.01	5.19
Earnings Per Share	$\frac{\text{Income attributable to ordinary stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.7656	0.7445

**LEISURE & RESORTS WORLD CORPORATION**  
MAP OF CONGLOMERATE  
As of December 31, 2016



\*Non-operating subsidiaries.

**LEISURE & RESORTS WORLD CORPORATION & SUBSIDIARIES**  
**SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND**  
**INTERPRETATIONS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>			✓	
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures			✓
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
<b>PFRS 8</b>	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments			✓
<b>PFRS 9</b>	Financial Instruments			✓
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
<b>PFRS 9 (2014)</b>	Financial Instruments	✓		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities:			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Applying the Consolidation Exception			
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases		✓	
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 “Revenue from Contracts with Customers” on Sale of Residential Properties under Pre-Completion Contracts			✓

**Legend:**

**Adopted** – means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** – means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** – means the standard or interpretation is not relevant at all to the operations of the entity.

**LEISURE & RESORTS WORLD CORPORATION**  
**26th Floor, West Tower, PSE Center**  
**Exchange Road, Ortigas Center, Pasig City**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

Figures are based from Parent Company's Financial Statements

<b>Unappropriated Retained Earnings, 01 January 2016</b>	<b>267,734,047</b>
<b>Adjustments:</b>	
Adjustments in previous year's reconciliation	(141,867,538)
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>125,866,509</b>
<b>Net income for the current year based on the face of AFS</b>	<b>502,030,491</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	(45,141,556)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax benefit for the year	(132,092,171)
<b>Add: Non-actual losses</b>	
Deferred income tax expense for the year	-
Depreciation on revaluation increment (after tax)	-
Unrealized actuarial gain (except those attributable to Cash and Cash Equivalents)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Others	-
<b>Net income actually earned during the period</b>	<b>324,796,764</b>
<b>Add (Less):</b>	
Dividend declarations during the period	(320,227,877)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
<b>Unappropriated Retained Earnings, as adjusted, 31 December 2016</b>	<b>130,435,396</b>