

LRWC PRESS STATEMENT

Leisure and Resorts World Corporation

LRWC 1H Net Income P362MM

Earnings Without the Effects of First Cagayan Shows Core Businesses up 10%

Leisure & Resorts World Corporation (LRWC) announced its 1H 2017 Consolidated Net Income (NI) of **P362MM** which is 40% lower versus 2016's 1H Net Income of P600MM largely due to the reduction in FCLRC's income from hosting fees. The changes in the regulatory environment particularly in the last quarter of 2016 leading to 2017 1H affected significantly FCLRC's business and partly the Retail business units as well.

Excluding the effects of the drop on First Cagayan's revenues, a comparison of 1H 2017 vs 1H 2016 shows a ten percent (10%) growth in net income contributed by business units under Casino and Property divisions which more than covered for the shortfall in our Retail division.

LRWC's 2017 Q2 net income declined to P88MM or -72% as against P313MM in the same period last year. Decline during the quarter are attributable to the significant loss of First Cagayan revenues when Pagcor issued POGO licenses and the decline experienced by ABLE due to challenges in the regulatory environment. ABLGI's sale to Belle of its 30% economic stake in City of Dreams last March is a one-off and non-recurring as explained in Item 4B below.

1. CASINO DIVISION. P130MM net income contribution. This includes:
 - a. Prime Investment Korean Inc. (PIKI) – 100% owned. Has an authority to engage in junket operations including supplementary operations of junket tables equipped with high definition video camera and appropriate voice telephony facilities (eJunket) at Midas Hotel and Casino.
 - b. Blue Chip Gaming and Leisure Corporation (BCGLC) – 100% owned. Facilities provider for PAGCOR VIP Slot Arcades.
 - c. Hotel Enterprises Philippines Inc. (HEPI) – 51% owned. HEPI owns the property and hotel that runs the Midas Hotel and has a contract with the Philippine Amusement and Gaming Corporation (PAGCOR) for the Casino.

The CASINO division's 2016 1H contribution was P130MM vs 2016 of P71MM. PIKI's 2017 1H NI contribution was P27MM versus 2016's P15MM. PIKI's revenues in 2017 1H decreased by 6% or P12MM from 2016. HEPI brought in P20MM for the 2017 1H compared to P36MM in 2016. The contribution of the slot arcade business of Blue Chip was P82MM. This was up by P63MM (+325%) from 2016. Blue Chip operations continues to benefit from the strategies employed by the company to augment revenues.

2. ONLINE DIVISION. Down 74% to P84MM. This includes:
 - a. First Cagayan Leisure and Resorts Corp (First Cagayan) - 69.68% owned. Master licensor for online gaming in the Cagayan Freeport and Special Economic Zone.
 - b. LR Data Converge Services, Inc. (LRDCSI or LR Data) - 80% owned by LRWC. This is a Joint Venture with IP Converge to provide bandwidth, co-location, telecommunication and other IT managed services to online gaming operators.

For the ONLINE division, First Cagayan's 2017 1H revenues was down 94% from P288MM to P18MM. As previously stated and disclosed, LRWC's revenues from First Cagayan's was affected by PAGCOR's adoption of the Rules and Regulations for Philippine Offshore Gaming Operations (POGO) in 01 September 2016. A number of the First Cagayan locators had stopped reporting revenues starting

December 2016 causing a significant drop in hosting fees.

LR Data contributed P67MM to LRWC's total net income. LR Data's growth was also partly due to the 80% economic interest it has compared to 42% in the previous years. LR Data will continue to do well as the licensees' choice of an IT service company is independent of the jurisdiction in which they operate (CEZA or PAGCOR).

3. RETAIL DIVISION. 2017 1H NI down **44%** to P123MM. This includes the following subsidiaries:
 - a. AB Leisure Exponent (ABLE) – 100% owned. Manages bingo halls and electronic bingo boutiques.
 - b. Total Game Zone Xtreme (TGXI) – 100% owned. Manages eCasino outlets.

The 2017 1H net income of the RETAIL division fell by 44% from P219MM to P123MM over 2016. The biggest contributor was ABLE's bingo operations that came in at P118M from 2016 1H of P215MM. Lower revenues from traditional bingo resulted in the net income decline of ABLE. TGXI's eCasino outlets added P5MM to ABLE as well as TGXI performance was affected by the new distance regulations for gaming venues adopted by the Philippine Amusement and Gaming Corporation and other limitations imposed on the entry of players. ABLE's electronic bingo games (EBG) machines continued to drive the growth in its earnings. ABLE has over 9,700 EBG machines installed all over the country while TGXI has in excess of 1,900 eCasino terminals installed.

4. PROPERTY & INVESTMENTS DIVISION. P180MM net income contribution.
 - a. AB Leisure Global Inc. – 100% owned. ABLGI had a 30% economic benefit in the City of Dreams, Manila (COD). AB Global's 2017 1H net income amounted to P166MM. This amount includes LRWC'S 30% share of the net lease payments to Belle Corporation from COD as well as a share in the gaming revenues remittance from COD to Premium Leisure and Amusement, Inc. (PLAI). AB Global recognized a gain from the termination of the agreements between Belle and PLAI.
 - b. 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 P5.090 billion, agreed to terminate their respective obligations under the said agreements. Pursuant to the said Termination Agreement, ABLGI/LRWC will receive a total of P5.090 billion, with P1.018 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.
 - c. LR Land Developers, Inc. (LRLDI) - 100% owned. Leases land and a Cyberpark building to online gaming operators in Sta. Ana, Cagayan and has an interest in the Lallo Airport. LR Land lost P2M for 2017 1H vs a gain of P12M in 2016. LR Land, a 100% owned company of LRWC, has a 50% equity in TechZone Philippines, Inc., (TPI) the joint venture company with Total Consolidated Asset and Management, Inc. Equity share in net income amounted to P16MM for 2017 1H. TPI has built a world class-32-storey BPO building along Buendia (Gil Puyat Ave) in Makati. TPI tenants are in various stages of moving into these offices. TPI will have recurring rental income in the next few years. TPI has a GFA of approximately 43,000 sqm.

The various divisions contributed a total Php 517MM. After deducting LRWC's expenses, the consolidated net income totals Php 362MM for 1H 2017. LRWC's 2016 Total Revenues, including HEPI and TPI, for 1H totaled Php 5.591B vs Php 6.460B for the same period last year, representing a 13 % decline.

There are quite a number of challenges facing the Company. Comparing the performance of LRWC's core businesses without First Cagayan on a year-to-year basis, we see a ten percent (10%) increase of other core businesses. This was achieved inspite of the regulatory challenges faced by LRWC. Management believes in being able to continue growing existing businesses in the future.

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About LRWC:

Leisure and Resorts World Corporation 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 October 1999 to engage in realty development focusing on leisure business. The Company approved Agreements with the shareholders of AB Leisure Exponents (ABLE) to acquire the entire outstanding capital stock and ABLE became a wholly-owned subsidiary of the Company. LRWC functions as a holding company and the Group's primary purpose is to engage in the leisure business which includes general amusement and recreation, bingo parlors, hotel and gaming facilities.

Today the Company is involved in managing bingo parlors as well as an operator of eGames outlets, slot arcades, junket operations, hotel, real estate and other gaming facilities. Its First Cagayan subsidiary works with the Cagayan Economic Zone Authority to provide a jurisdiction for online gaming.



NET INCOME – 1H

	% ownership	CY	PY	Grw	%
CONSO		362	600	(239)	-40%
CONSO (wo FCLRC)		344	312	32	10%
CASINO		130	71	59	84%
ONLINE		84	331	(246)	-74%
RETAIL		123	219	(97)	-44%
PROPERTY		180	121	59	48%
PARENT		(155)	(141)	(14)	-10%

BCGLC	Arcade	100%	82	19	63	325%
PIKI	Junket	100%	27	15	12	81%
HEPI*	Hotel/Casino	51%	20	36	(16)	-44%
FCLRC	Hosting fees	70%	18	288	(270)	-94%
LRDCSI	Infra services	80%	67	43	24	57%
ABLE	Bingo	100%	118	215	(97)	-45%
TGXI	eCasino	100%	5	4	1	17%
ABLGI	City of Dreams	100%	166	115	51	45%
LRLDI	Comm Space	100%	(2)	12	(14)	-118%
TPI*	Office building	50%	16	(5)	21	405%

*equity share in associate/joint venture

CASINO

- **BCGLC** growth from last year was due to better revenue performance.
- **PIKI**'s revenue decline was more than covered by lower OPEX resulting to net income growth.
- **HEPI** decline was mainly on account of casino revenues.

ONLINE

- A few of **FCLRC** locators did not report revenues starting Dec 2016 causing significant drop in hosting fees.
- **LRDCSI** growth was due to the 80% economic interest as compared to 42% last year. Before minority interests, net income actually declined due to lower revenues.

RETAIL

- Lower revenues from traditional bingo resulted to the net income decline of **ABLE**.
- **TGXI** grew from last year with less number of sites (39 vs 54 sites).

PROPERTY

- **ABLGI** recognized a gain from the termination of agreements with Belle and PLAI.
- **LRLDI**'s main lessee ceased operations resulting to net loss.
- **TPI** growth was due to higher revenues.

NET INCOME – Q1

	% ownership	CY	PY	Grw	%
CONSO		273	287	(14)	-5%
CONSO (wo FCLRC)		266	129	138	107%
CASINO		78	34	44	127%
ONLINE		45	178	(133)	-75%
RETAIL		36	95	(59)	-62%
PROPERTY		191	50	141	285%
PARENT		(77)	(70)	(6)	-9%

273M

↓ **14M or 5% decline**

BCGLC	Arcade	100%	38	7	31	454%
PIKI	Junket	100%	25	9	16	186%
HEPI*	Hotel/Casino	51%	15	19	(3)	-18%
FCLRC	Hosting fees	70%	7	158	(151)	-96%
LRDCSI	Infra services	80%	38	20	18	90%
ABLE	Bingo	100%	38	94	(55)	-59%
TGXI	eCasino	100%	(2)	1	(3)	-236%
ABLGI	City of Dreams	100%	180	46	134	293%
LRLDI	Comm Space	100%	0	3	(3)	-98%
TPI*	Office building	50%	10	1	10	1259%

*equity share in associate/joint venture

NET INCOME – Q2

88M

↓ **225M or 72% decline**

			% ownership	CY	PY	Grw	%
CONSO				88	313	(225)	-72%
CONSO (wo FCLRC)				78	184	(106)	-58%
CASINO				52	36	16	43%
ONLINE				39	152	(113)	-74%
RETAIL				86	124	(38)	-31%
PROPERTY				(11)	72	(83)	-115%
PARENT				(78)	(71)	(7)	-10%
BCGLC	Arcade	100%	45	13	32	255%	
PIKI	Junket	100%	3	6	(4)	-60%	
HEPI*	Hotel/Casino	51%	5	17	(13)	-73%	
FCLRC	Hosting fees	70%	11	129	(119)	-92%	
LRDCSI	Infra services	80%	29	23	6	27%	
ABLE	Bingo	100%	80	122	(42)	-34%	
TGXI	eCasino	100%	6	3	4	146%	
ABLGI	City of Dreams	100%	(14)	69	(83)	-121%	
LRLDI	Comm Space	100%	(2)	9	(11)	-126%	
TPI*	Office building	50%	6	(6)	12	193%	

*equity share in associate/joint venture

5,591M

↓ 870M or 13% decline

REVENUES – 1H

	% ownership	CY	PY	Grw	%
CONSO		5,591	6,460	(870)	-13%
CASINO		1,044	1,087	(43)	-4%
ONLINE		602	1,251	(649)	-52%
RETAIL		3,624	3,738	(114)	-3%
PROPERTY		320	385	(65)	-17%
PARENT		-	-	-	0%
BCGLC	Arcade 100%	233	160	73	46%
PIKI	Junket 100%	459	488	(28)	-6%
HEPI*	Hotel/Casino 51%	352	439	(87)	-20%
FCLRC	Hosting fees 70%	254	934	(680)	-73%
LRDCSI	Infra services 80%	348	317	32	10%
ABLE	Bingo 100%	3,502	3,592	(90)	-3%
TGXI	eCasino 100%	122	146	(24)	-16%
ABLGI	City of Dreams 100%	178	284	(106)	-37%
LRLDI	Comm Space 100%	1	11	(11)	-95%
TPI*	Office building 50%	141	89	52	58%

*equity share in associate/joint venture



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