

**COVER SHEET**

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SEC Registration Number

L E I S U R E & R E S O R T S W O R L D

C O R P O R A T I O N & S U B S I D I A R I E S

(Company's Full Name)

2 6 t h F l o o r , W e s t T o w e r , P S E C e n t e r

E x c h a n g e R o a d O r t i g a s C e n t e r

P a s i g C i t y

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

**MR. OSCAR C. KHO JR.**

(Contract Person)

**(02) 638-5557**

(Company Telephone Number)

1 2 3 1

Month Day  
(Fiscal Year)

1 7 - A

(Form Type)

Month Day

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles  
Number/section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

-----  
To be accomplished by SEC Personnel concerned

File Number

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LCU

Document ID

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Cashier

STAMPS

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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 December 31, 2018
2. Commission identification number 13174
3. BIR tax identification number 321-000-108-278

LEISURE & RESORTS WORLD CORPORATION

4. Exact name of issuer as specified in its charter

PASIG CITY, METRO MANILA, 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; 637-5292 to 93

8. Issuer's telephone number, including area code
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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common	1,199,852,512/NA
Preferred	1,650,000,000
Warrants	82,500,000

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

Yes  No

12. Indicate by check mark whether the registrant:

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

Yes  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: P2,884,662,950 (based on market price on 31 March 2019).

**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 on 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 P750 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 P2.5 billion. Out of the aforementioned increase which consists of a total 2.5 billion common shares at P1 par value, a total of 750 million common shares with aggregate par value of P750 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 P1 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 P418,563,336 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 one (31) wholly/majority owned subsidiaries including 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 of 100% of TGXI's outstanding capital stock in the amount of P218,000,000 divided into 2,180,000 shares with par value of P100.

### **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 P15,000,000 divided into 150,000 shares with par value of P100, of which P3,750,000 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 P1,000,000. 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 P750.0 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 P100 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 P32 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 P25 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 primarily to engage in information technology and communication and to own, develop, produce, design, integrate, install, sell buy, rent, establish, manage, audit, rehabilitate, operate, lease except financial leasing 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 whatsoever, such as but not limited to Internet Protocol (IP) Systems products and their improvements, provide services related thereto, such as value added services (VAS), voice over internet protocol (VOIP), internet merchant payment processing and payment solution, premium dial up access services, IP-wide area network services, software development and applications, data center services, co-location services, bandwidth, disaster recovery services and managed services and such allied undertakings, and as a consequence and as may be necessary useful and convenient in the premises, carry on and undertake such activities which may be reasonably and conveniently carried on in connection with or incidental to above purpose, or calculated, directly or indirectly, to enhance the value of or render profitable, any of the Corporation's property or rights.

The Company is 80% owned by LRWC.

The Company started its commercial operations on October 01, 2017.

#### **First Cagayan Converge Data Center, Inc. (FCCDCI)**

On November 14, 2007, 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. The 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, 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.

FCCDCI commenced its commercial operations on 01 January 2008, thus, since then, FCLRC's statement of income includes 60% equity in net earnings from FCCDCI.

On 01 January 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of P1 for a total consideration of P16.4 million to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.808% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective 01 January 2017.

### **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 P5,000,000, divided into 50,000 shares with par value of P100, of which P1,250,000 has been subscribed and P312,500 has been paid up. On 06 May 2013, the Company's BOD approved the increase in the authorized capital stock from P5,000,000 to P2,000,000,000 divided into 20,000,000 with par value of P100 per share. The SEC approved the increase on February 2014. As of 31 December 2013, LRWC has subscribed and paid P1,450,000,000.

During 2014, LRWC subscribed and paid additional P98,750,000 bringing its total investment to P1,550,000,000.

In 2017, ABLGI incorporated 7 subsidiaries (direct and indirect) including its land holding company for the Boracay project.

### **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. (TPI) was incorporated, a 50% owned associate of LRLDI, which is engaged in the acquisition, lease, donation, etc. of real estate of all kinds. TPI 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 on 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 P100. On 13 May 2004, the SEC approved BLRI's application for the increase in its authorized capital stock from P5,000,000 divided into 50,000 common shares with par value of P100, to P50,000,000 divided into 200,000 common shares and 300,000 preferred shares both with par value of P100.

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 P1.6 billion to P5 billion divided into 2.5 billion shares of common stock with par value of P1.00 per share and 2.5 billion shares of preferred stock with par value of P1.00 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 26th 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 18 August 2014.

### Cash Dividends

On 29 May 2017, the BOD approved the declaration of cash dividend equivalent to P0.0425 per share payable to all preferred stockholders of record as of 16 June 2017. On 29 June 2017, the BOD approved the declaration of cash dividend equivalent to P0.080 per share payable to all common stockholders of record as of 29 September 2017 and cash dividend of P0.070 per share payable to all common stockholders of record as of 02 March 2018. On 12 December 2017, the BOD approved the declaration of cash dividend equivalent to P0.0425 per share payable to all preferred stockholders of record as of 26 December 2017.

In addition, the Board also approved the distribution of cash bonus to all its directors in the amount of P1,000,000 each.

On June 4, 2018, the BOD approved the declaration of cash dividend equivalent to P0.0425 per share payable to all preferred stockholders of record as of June 20, 2018.

### Others

On 11 March 2011, the BOD authorized the issuance, through private placement, of P150 million shares from its unissued capital stock at a price of P7.50 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 P750.0 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 P1.65 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 P1.65 billion perpetual preferred shares have a par value of P1.00 per share and an issue price of P1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the P1.65 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 P15.00 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 5th anniversary of the perpetual preferred shares until the 8th anniversary.

On 27 November 2017, the BOD authorized ABLGI to avail a loan facility with BDO Unibank, Inc. and approved the terms and transactions contemplated by the Omnibus Loan and Security Agreement by and among ABLGI as borrower, share mortgagor, mortgagor and assignor, ABLGI subsidiaries as sureties, share mortgagors, mortgagors and assignors, LRWC as share mortgagor, mortgagor and surety, ABLE, TGXI, PIKI, BCGLC and FCLRC as sureties, BDO Unibank, Inc. as lender, and BDO Unibank, Inc. - Trust and Investments Group as security trustee.

On November 26, 2018, the Board of Directors proposed to issue up to 1,300,147,488 common shares to investors from the unissued capital stock of the Company. The Company will apply for confirmation of an exempt transaction from the Securities and Exchange Commission pursuant to Section 10.1 (c) of the Securities Regulation Code as an isolated transaction where the shares shall be issued from the unissued capital stock. The proposed shares to be issued shall be common shares which shall have the same features as the existing common shares outstanding including voting rights and dividend rights. The Board also approved to hold a Special Stockholders' Meeting on January 11, 2019 to seek the shareholders' approval for the proposed private placement.

On December 3, 2018, the Board approved a private placement from its unissued capital stock (Newly Issued Shares) at a price based on a premium over the closing price of the shares of the Company on November 29, 2018. The proceeds of the proposed private placement will be used to refinance some of the company's existing obligations and for general corporate purposes.

On January 11, 2019, the Stockholders approved the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the closing price of the shares of the Company on November 29, 2018 and approved the grant of authority to the Board to implement the private placement including but not limited to the determination of the issue price and the subscriber or subscribers to the shares to be issued.

In March and April 2019, 1,217,647,488 common shares were subscribed at P3.60 per share by virtue of the subscription agreements entered into by the Company with its investors. The proceeds from the issuance of will be used to refinance the Company's existing obligations, for expansion programs and working capital requirements.

#### 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 2018, around 10,536 machines were installed in 153 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 2018, a total of 155 Rapid Bingo terminals were installed in 148 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.

As of December 31, 2018, ABLE and its subsidiaries/affiliates operates 153 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	IL Centro, Sta.Lucia East Grandmall Marcos Highway,cor Felix Ave., Cainta Rizal
<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,
		4	V-Central Mall, Molino Bacoor, Cavite
All Point Leisure Corporation, 100%	7/16/1997	5	3rd Floor, SM Centerpoint, Araneta Avenue cor Magsaysay
		6	GF Harrison Plaza Complex cor. Adriatico & A. Mabini St., Malate, Manila
Alpha One Amusement and Recreation Corp., 100%	5/23/2013	7	GF & 2F Romero Bldg., 1337 Balintawak Market, EDSA, Balingasa, 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	3rd Level EJ Arcade, #252 Friendship Highway, Brgy. Anunas, Angeles City
		26	Lucky Chinatown Mall, #293 Lachambre St., Binondo, Manila
		27	Syquio Business Center Maharlika Highway, Brgy. Daan Sarile Cabanatuan City.
		28	2nd flr. Blue Horizon Bldg. Quezon Avenue Poblacion Alaminos City Pangasinan 2404
		29	Ground flr. Meerea High St. bldg. Ouano Ave. North Reclamation Area Subangdaku, Mandaue, Cebu City
		30	Dizon Building # 244 Entiero Street, Brgy. Sto. Cristo, Angeles City Pampanga
		31	Emiliano Pineda Building, Mac Arthur Highway corner Gil Puyat Ave., Brgy San Francisco, Mabalacat Pampanga
		32	2nd flr., Sir Thomas Square. No.18 Matalino St. corner Matatag st. Diliman Quezon City.
		33	#14 Tanjuatco Building, Sampaloc Road, Plaza Aldea, Tanay Rizal
		34	G/F Alabang Zapote Rd. Talon Uno, Las Piñas City
		35	Bldg Sitio Kanluran, Kumintang Ibaba, Batangas City
Bingo Dinero Corporation, 100%	8/19/1998	36	SM City, North Reclamation Area, Cebu City
Bingo Extravaganza Inc., 100%	1/11/1999	37	SM Sucat, Sucat Road, Paranaque City
		38	SM City Bicutan, Don Bosco, Paranaque City
		39	Tonie's Mart, Puerto Princesa, Palawan
		40	A. Salvador St., Sta. Veronica, Guimba, Nueva Ecija
		41	8343 Elorde Sports Complex, San Antonio, Paranaque City

		42	#424 Division Road, Brgy. Sta. Rosa, Bagumbong Nueva Vizcaya
Bingo Gallery, Inc., 100%	10/16/1998	43	Liana's Mutya ng Pasig Mall, Caruncho, Pasig City
		44	SM City Mastersons Ave., Canitoan, Cagayan de Oro City
		45	Robinsons Metro East, Santolan, Pasig City
		46	Ground Flr., Molino Blvd., 678 Dampa Wet & Dry Commercial Complex, Brgy Bayaran, Bacoor Cavite
Bingo Palace Corporation, 100%	8/19/1998	47	Robinson's Place, Ermita, Manila
		48	SM Mall of Asia, Pasay City
		49	LGF Congresssional Town Center, #23 Congressional Avenue, Quezon City
		50	G/F Robinson's Luisita Brgy San Miguel, Hacienda Luisita Tarlac
		51	G/F Gaisano Capitol National Road, Labangan, San Jose Mindoro
		52	Ground Floor Sicangco Building, Mc. Arthur Highway, Brgy. San Rafael Tarlac
		53	Benry Square, McArthur Highway Brgy. San Nicolas, Tarlac City
		54	242- C Manly Building Mac Arthur Hi-Way, Dalandanan Valenzuela City
		55	2nd Floor FRC mall Evangelista st., Talaba V., Bacoor City Cavite
		56	2nd flr. Jose Abad Santos Ave., Brgy. Dolores, Northwalk 1, San Fernando Pampanga
		57	UG/F Puregold Novaliches 1018 Quirino Highway Novaliches Quezon City
		58	ATI Bldg, Don Domingo II, Tuguegarao City Cagayan
		59	LG/F, Imall-Camarin. Kiko Rd., Camarin, Caloocan City
		60	GD Plaza, Mc Arthur Highway, brgy. Ilang Ilang, Guiguinto, Bulacan
61	2/F, HBC Bldg. Norberto St. Brgy. San Jose, San Miguel Bulacan		
Cebu Entertainment Gallery, Inc., 100%	9/7/1998	62	Elizabeth Mall, Leon Kilat St., Cebu City
First Leisure and Game Co., Inc., 100%	12/9/1997	63	Robinson's Place, Lacson Street, Mandalagan, Bacolod City
		64	G/F Art District Bldg., Lacson St., Lopue's Mandalagan, Bacolod City
		65	G/F Gustilo Town Center & Northland Resort, Provincial Road cor National Highway, Manapla, Negros Occidental
		66	G/F Gaisano Mall, Araneta St., Brgy. Singcang, Bacolod City, Negros Occidental
		67	G/F Gaisano Mall, Cagba Brgy Tugbu, Masbate City
		68	G/F Centro Mall Lopez Ave., Batong Malake, Los Banos, Laguna
		69	Rosalie Bldg. Gaisano Door Brgy. Tabunok Talisay City Cebu

		70	2/F Felcris Centrale, Quimpo Boulevard, Brgy. 40-D Davao City
		71	Grand Gaisano Mall Quezon Ave. Digos City Davao
		72	G/F DOORS 107/108, JLF Parkway Building A. Pitchon Corner Quirino STS. Davao
		73	Amkor Building National Road Tunasan City of Muntinlupa
		74	3rd Flr. Robinsons Place Tagum, Purok Cacao, Visayan Village, Tagum City
		75	Ground Floor Gaisano Mall, Purok 12 National Highway, Brgy. Calinan Davao
		76	Km.18 National Highway Gaisano Mall, Grand Mall Brgy. Tibungco Bunawan Davao City
		77	Jose P. Laurel Ave., Brgy. San Antonio, Davao City 2nd Flr.
		78	Chimes Mall, Brgy.27 C, Gov.Sales st. cor Sta. Ana Ave., Davao City
		79	City Mall Mandalagan, Lacson St. cor. G.M. Cordova Ave., Mandalagan, Bacolod City
Galleria Bingo Corporation, 100%	10/27/1998	-	Robinson's Galleria, EDSA, Quezon City (temporarily closed since June 1, 2018)
Gamexperience Entertainment Corp, 100%	5/21/2013	80	G/F Greenhills Town Center , Valencia Quezon City
		81	Pueblo Verde, Mactan Economic Zone-11-Sez Brgy. Basak Lapu-Lapu City Cebu
		82	Ground flr. Gaisano Grandmall Mactan Basak, Marigondon Road corner Ibabao, Gisi-Agus Road, Lapu-Lapu City, Cebu
		83	2nd flr. Blocked D, Mactan Marina Mall, MEPZ 1 brgy. IB, Lapu-Lapu City Cebu
G-One Gaming and Technology, Inc., 100%	4/6/1998	84	Road corner Ibabao, Gisi-Agus Road, Lapu-Lapu City, Cebu SM City Bacoor, Tirona Highway, Cavite
Grand Polaris Gaming Co., Inc. 100%	5/24/2013	85	2/F SM City Cauayan, San Fermin, National Highway, Cauayan City, Isabela
		86	LGU Commercial Bldg., Osmena Avenue, Roxas, Isabela
Highland Gaming Corporation, 100%	6/6/2000	87	Baguio Centermall, Baguio City
		88	SM City Baguio, Luneta Hill, Baguio City
Iloilo Bingo Corporation, 100%	12/1/1999	89	SM City Iloilo, Manduriao, Iloilo City
Isarog Gaming Corporation, 90%	4/24/1998	90	SM City Naga, CBD2, Brgy Trianggulo, Naga City
		91	B3, Unit 1,2,3,544, 55 & 56 ALDP Mall, Roxas Ave Trianggulo, Naga City
Manila Bingo Corporation, 95%	9/24/1997	92	SM City Fairview, Regalado, Fairview, Q.C.
Metro Gaming Entertainment Gallery, Inc., 100%	6/24/1998	93	SM Supercenter, Molino Rd., Bacoor, Cavite
		94	5/F 168 Divisoria Mall, Soler St. Binondo, Manila
		95	Unit GF, ANS-08 Pasay City Mall Ave cor Arnaiz, Pasay City

		96	RSAM Center Bldg, J.P. Laurel Cor. Munting Bayan St, Bgry Poblacion IX, Nasugbu, Batangas
		97	Starmall, Bgry Kaypian San Jose Del Monte, Bulacan
		98	G/F MC Arthur H-way Brgy. Del Rosario San Fernando City Pampanga
Negrense Entertainment Gallery, Inc. 55%	4/24/2012	99	Ground Floor, Robinsons Place Dumaguete Brgy. Calindagan Business District, Dumaguete City
		100	Ground Floor, Lee Plaza Hypermart, Bagacan, Dumaguete City
One Bingo Place, Inc., 80%	5/3/2000	101	SM City Manila, Arroceros St., Manila
One Bingo Pavillion, Inc. 100%	1/28/2013	102	Puregold Price Club, Magsaysay Road, Brgy San Antonio, San Pedro, Laguna
		103	G/F Tawala Panglao Bohol
		104	Sky One Bldg, Brgy Baleleng, Bantay locos Sur
		105	Bldg 537, Rizal Highway Subic Bay Freeport Zone Zambales
		106	TLJ Building G/F & 2F Brgy. Mabiga Mabalacat Pampanga
		107	S and R Centre, De Venecia Ave., Nalsian, Calasiao, Pangasinan
Rizal Gaming Corporation, 100%	11/12/1998	108	Robinson's Place, Cainta, Rizal
		109	Robinsons Boutique, Cainta, Rizal
		110	ITSP Bldg, Ortigas Ave., Bgry San Isidro, Taytay, Rizal
		111	2nd Flr., Graceland Plaza Bldg., J.P. Rizal St., Brgy. Malanday, Marikina City
		112	Hollywood Suites and Resort, Mac Arthur Highway, Brgy Ibayo, Marilao Bulacan
		113	RMR Graceland, 858 Tandang Sora Avenue, Brgy. Tamo, Quezon City
		114	M.H Del Pilar Street Barangay San Rafael, Rodriguez Rizal
		115	2/F, Ardi Commercial Complex, A.Bonifacio Ave. Parola, Cainta, Rizal
SG Amusement and Recreation Corp., 100%	8/24/2005	116	Greenhills Shopping Center, San Juan City
		117	Wilson Square, P.Guevarra, San Juan City
		118	San Juan Commercial Bldg. F. Manalo corner F. Blumentrit San Juan City
		119	LGF Tagaytay-Nasugbu Highway, Bryg. Dayap Itaas, Laurel Batangas
South Bingo Corporation, 100%	12/10/1997	120	SM City Davao, Quimpo Blvd., Davao City
		121	G/F Victory Town Center, Lemery Batangas
South Entertainment Gallery, Inc., 100%	12/13/2000	122	SM City, San Fernando City, Pampanga
		123	SM Supercenter, Muntinlupa City
		124	SM City Tarlac, San Roque, Tarlac City
		125	Robinsons Calasiao, Calasiao, Pangasinan

Summit Bingo, Inc., 60%	1/19/1999	126	2nd Flr., New St Bldg., Macarthur Highway, Balibago, Angeles City, Pampanga
Topnotch Bingo Trend, Inc. 100%	6/1/2009	127	2nd Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City
		128	5/F Metropoint Mall, Edsa Taft, Pasay City & G/F Metropoint Mall, Edsa Taft, Pasay City
		129	2/F SM City Batangas, Pallocan West, Batangas City
		130	2/F SM City Rosario, Brgy. Tejero Convention, Rosario, Cavite City
		131	2/F SM City Rosales, Mc Arthur Highway, Carmen East, Rosales, Pangasinan
		132	2/F Sm City Marikina, Brgy. Calumpang, Marikina City
		133	2/F SM City Clark, M.A. Roxas Highway, Brgy. Malabánias, Clark, Pampanga
		134	2/F SM City Lipa, Ayala Highway, Brgy Maraouy, Lipa City, Batangas
		135	LGF SM City San Lazaro. F. Huertas St., Sta. Cruz, Manila
		136	SM City Taytay, B1 Bldg. A, Brgy. Dolores, Taytay, Rizal
		137	94 Timog Ave., Ybardolaza street Cor., Sacred Heart, Quezon City
TOPMOST GAMING CORP. 100%	01/13/1998	138	2nd Flr., SM City Novaliches, Quirino Highway, Novaliches, Quezon City
		139	2nd Flr., SM Hypermarket Cubao, EDSA cor Main Ave., Brgy Socorro 3, Cubao Quezon City
		140	2nd Flr., SM Hypermarket Cainta, Felix Avenue, Cainta, Rizal
		141	2nd Floor, Fortune Plaza Bldg. MacArthur Highway, Brgy. Wawa Balagtas, Bulacan
		142	Sapphire Bldg., Govic Avenue, Paulien Dirita, Iba Zambales
Worldwide Links Leisure and Gaming Corp., 100%	12/8/2011	143	Silver City, Frontera Drive, Dona Julia Vargas Avenue, Pasig City
		144	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 platform provider.

As of 31 December 2018, TGXI has 36 branches with a total 1,338 terminals.

<b>Branch</b>	<b>Location</b>	
BANAWE	1	238 Banawe Center, 240 Banawe cor. Panalturan st., Brgy. Manresa Village, Quezon City
BF PARANAQUE 2	2	R.F. Lopez Bldg., Lopez Avenue, Brgy. San Isidro, Parañaque City
BIÑAN-1	3	El Rancho Hotel, National Highway, Brgy Canlalay, Biñan, Laguna
BIÑAN-2	4	GF, Kid Tower Mall, Brgy. San Antonio, Biñan City, Laguna
BINANGONAN	5	GF, Grace Building, National Road cor A. Bonifacio St., San Carlos, Binangonan, Rizal
CAINTA 4	6	2ndFloor Saunterfield Bldg. Km 20 Brgy. Sto. Nino Ortigas Ave. Extension Cainta, Rizal
CARMONA	7	Unit 5, Paseo de Carmona, Brgy. Maduya, Carmona, Cavite
CUEVAS VILLE/ MOLINO 2	8	Units 10&11, Cuevasville Commercial Building 3, Daanghari Road, Molino 4, Bacoor, Cavite
DEL MONTE	9	716 Del Monte Avenue, Talayan, QC
DON ANTONIO	10	2F, Don Antonio Sports Complex, Brgy Holy Spirit, Quezon City
FESTIVAL MALL	11	GF, Parkway Lane, Festival Mall, Brgy Alabang, Muntinlupa City
GUIGUINTO	12	2 <sup>nd</sup> Flr., GD Plaza, Mc Arthur Highway, Brgy. Ilang ilang, Guiguinto, Bulacan
HILLSTOP	13	Hillstop Garden Restaurant, Palos Verdes Heights Commercial Area, Sumulong Highway, Brgy. Sta. Cruz, Antipolo City
KARANGALAN	14	GF, D'Jet Commercial Bldg., Imelda Ave., Phase 11-A Lot C, No. 25 and 26, Karangalan Village, Pasig 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
MANGGAHAN 1	20	2F, MSI Building, Governor's Drive, Brgy Manggahan, Gen. Trias, Cavite
MAYBUNGA	21	2F, SGC Building, 172 C. Raymundo Ave., Brgy. Maybunga, Pasig City
MEYCAUAYAN	22	665-A, McArthur Highway, Nrgy Bancal, Meycauayan, Bulacan
PACO	23	Unit 3, Topmark Building, Paz Mendoza Guazon St., Paco, Manila
PASO DE BLAS 1	24	2F, LB Bldg., Paso de Blas Road, Valenzuela City
PLARIDEL	25	Amorante Bldg 1, Cagayan Valley Road, Brgy. Tabang, Plaridel, Bulacan
SAN JOSE DEL MONTE	26	Umerez Compound, Tungkong Mangga, San Jose Del Monte City, Bulacan
SAN MIGUEL	27	Total Gas Station, National Highway, Cagayan Valley Road, Brgy. Kamias, San Miguel, Bulacan

SAN RAFAEL	28	141 Cagayan Valley Road, Brgy. Sampaloc, San Rafael, Bulacan
SILANG	29	Brgy. Buho, Silang, Cavite
SILVER CITY	30	GF, Silver City Bldg., Frontera Verde, Bo. Ugong, Paisg City
STA MARIA	31	112 C Gov. Halili Avenue, Brgy. Bagbaguin, Sta. Maria, Bulacan
STA ROSA	32	2F, Akisada Commercial Ctr, Old National Highway, Macabling, Sta. Rosa City, Laguna
STARMALL EDSA	33	2F, Starmall Building, EDSA cor Shaw Blvd., Mandaluyong City
TUNASAN	34	GF, El Rancho Inn, National Highway cor. E. Rodriguez St., Tunasan, Muntinlupa City
VALENZUELA 2	35	GF, Puregold Valenzuela, 419 McArthur Highway, Brgy Dalandanan, Valenzuela City
VISAYAS AVE	36	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 games in CSEZFP; (2) Assist CEZA in its functions as regulator for interactive gaming activities on behalf of CEZA in accordance with CSEZFP Interactive Gaming Rules and Regulations; (3) The authorization as Master Licensor shall be exclusive for twenty-five (25) years starting from 2006 until 2031; (4) Authorized to collect a sub-license fee to two (2) percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, the Company is authorized to collect from sub-licenses, an annual fixed amount equivalent to \$48,000 for the first year of operations and \$60,000 thereafter, from sportsbook operators; and (5) the Company must pay CEZA, on a monthly basis to commence upon the start of actual operations, an amount equivalent to one (1) percent of the monthly gross winnings payable not later than the seventh (7th) day of the subsequent month. Starting on the sixth (6th) 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.

Previous years' developments significantly affected FCLRC's business and operations due to the issuance on 01 September 2016 by PAGCOR of the "Rules and Regulations for Philippine Offshore Gaming Corporations". The said PAGCOR Regulation was adopted to regulate the issuance of licenses which provide and participate in offshore gaming services or online games of chance via the Internet.

On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following: (1) CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming; (2) CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements; (3) To protect FCLRC's interest and investment as the pioneer Licensor, CEZA effectively restricted itself from directly issuing Gaming Licenses to FCLRC's current and previous licensees; (4) All applicants for gaming licenses from CEZA shall post the amount of USD100 million as an investment commitment. In consideration of the significant actual and future investments attributable to FCLRC, CEZA shall credit such investments towards the investment commitment compliance of applications for gaming licenses coursed through FCLRC.

As at 31 December 2018, there were 27 licensed locators, 16 of which are 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 P3.75 million of FCLRC's cash dividend against the subscription payable to FCCDCI.

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

LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunication 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 LRDCSI. LRDCSI's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and video platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in the industry sectors including land based and online gaming operators. LRWC owns 80% of the outstanding capital of LRDCSI while one of the incorporators owns the remaining 20%.

LRDCSI commenced its commercial operations on October 1, 2017.

#### **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, Belle and PLAI ("Belle Group") signed a Termination agreement with LRWC and ABLGI ("LRWC Group"), which would enable the latter to realize its interests under its existing agreements with the Belle Group. Under the agreement, Belle Group will pay the LRWC Group a total of P5,090.0 million, with P1,018.0 million paid upon signing and the balance at the end of March 2017. Until the finalization of the transaction, ABLGI will continue to share in the net lease income and gaming revenue of Belle Group.

The Termination agreement was finalized on 31 March 2017. ABLGI received P4,072.0 million, which comprised of: (1) payment for an outstanding loan of Belle Group to ABGLI amounting to P3,762.0 million, and (2) P310.0 million, of which P110.5 million was a collection of the advances made to Belle while the remaining P199.5 million was lodged under "Other Income" in the Consolidated Statements of Profit or Loss and Other Comprehensive Income, representing assignment of rights in relation to the Advisory services rendered to the Philippine Consortium in favor of Belle. Effective 31 March 2017, ABLGI shall be deemed to have divested its economic interest in the City of Dreams-Manila Integrated Resort and Casino.

In 2017, ABLGI incorporated 7 direct and indirect subsidiaries as follows:

<b>Company</b>	<b>Incorporation Date</b>	<b>Nature of Business</b>
AB Leisure Asia Holdings Inc.	August 30, 2017	Holding Company
AB Leisure Holdings Philippines Corp.	September 6, 2017	Holding Company
G-L Real Estate JV Corporation	September 15, 2017	Real Estate/Leasing
G Boracay Land Holdings Inc.	October 10, 2017	Holding Company
G Boracay Alpha Holding Corp.	October 18, 2017	Holding Company
G Boracay Beta Holding Corp.	October 18, 2017	Holding Company
G Boracay Gamma Holding Corp.	October 18, 2017	Holding Company

In October 2017, LRWC signed an Omnibus Loan and Security Agreement with (OLSA) for P2,500 million with BDO Unibank, Inc. - Trust and Investment Group as Security Trustee and LRWC as Surety. As disclosed, the OLSA was executed to partially fund the acquisition of parcels of land for the planned resort development in Boracay.

#### **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 P700 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 portion of the advances into shares of stocks upon consolidation and issuance of land titles.

LRLDI has significant land properties in Cagayan which are carried at fair value.

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 P309 million or 4.5% from P6,802.5 million in 2017 to P7,111.5 million in 2018.

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 37% to 43% 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 pioneer master licensor of Internet gaming in Southeast Asia, FCLRC is in the forefront in leading the Cagayan Free Port as the premiere Gaming licensing jurisdiction. Prior to September 2016, 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 2017, BGLC has 920 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 P10,197,124.00 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 2016, 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 2017 to 6.

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 10 August 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.

#### **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.

All contracts with PAGCOR have been renewed and are valid as of reporting date.

### **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 P9.36 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

PAGCOR's P9.36 million expense (monthly rentals under this Contract of Lease) is deducted from the 35% share of HEPI and in addition, HEPI 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.

On 24 November 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following: (1) CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming; (2) CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements; (3) To protect FCLRC's interest and investment as the pioneer Licensor, CEZA effectively restricted itself from directly issuing Gaming Licenses to FCLRC's current and previous licensees; (4) All applicants for gaming licenses from CEZA shall post the amount of USD100 million as an investment commitment. In consideration of the significant actual and future investments attributable to FCLRC, CEZA shall credit such investments towards the investment commitment compliance of applications for gaming licenses coursed through FCLRC.

### 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 2017, provision for income tax amounted to P97.14 million.

In 2017, ABLE's business and operations were significantly affected by the signing of Executive Order (EO) No. 26 (Smoking Ban) which prohibits smoking within enclosed public places and public conveyances, except in "Designated Smoking Areas" fully compliant with the standards set in the EO.

On April 6, 2018, PAGCOR issued a Memorandum, through its Assistant Vice President, GLDD, stating that on April 4, 2018, PAGCOR's BOD approved the reversion to 5% Franchise tax on income from bingo game operations and bingo sites. The implementation of the 5% Franchise tax on bingo game offerings took effect in the first quarter of 2018. By the virtue of the memorandum issued, ABLE no longer recognized provision for income tax in the first quarter of 2018.

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

As 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 from 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.

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

Pursuant to Presidential Decree No. 1869, the Company shall pay PAGCOR equivalent to five (5%) of its gross revenues in relation to its sublease contract with PAGCOR. Such consideration shall represent the Bureau of Internal Revenue (BIR) Franchise Tax. The Franchise Tax shall be deducted by PAGCOR from its lease payments and shall be remitted to the BIR on behalf of the Company on a monthly basis.

### **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.

LRWC likewise charged management fees to subsidiaries in 2017.

### **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 Converge Data Center Inc. (FCCDCI)**

Telecommunication facilities and services of FCCDCI are continuously updated to the latest advances in hardware and software technology to ensure that FCCDCI's clients 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 291 and 290 employees in 2018 and 2017 respectively. ABLE and its subsidiaries have a total headcount (including personnel provided by manpower agencies) of 1,609 and 1,821 in 2018 and 2017 respectively while TGXI has 346 in 2018 and 365 in 2017. On the other hand, FCLRC has 22 employees in 2018 and 27 employees in 2017 whereas BCGLC increased its employees to 58 in 2018 from 55 employees in 2017. In 2018, PIKI has 3 employees, while FCCDCI and LRDCSI are handled by 50 employees. For the year 2018, 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: land, building, furniture & fixtures, leasehold improvements, slot machines, bingo equipment and paraphernalia. FCLRC and LRLDI own parcels of land within and outside the vicinity of Cagayan Special Economic Zone Free Port.

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.

In 2017, ABLGI through its subsidiary acquired 23 hectares of land in Malay, Aklan for its future project.

### 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 trial of the case is still ongoing before the court.

- 2) **People of the Philippines vs. Nino Hernandez, et al.**  
RTC Branch 114, Pasay City  
Nature of the Case: Estafa under Art. 315(2)(e)  
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#### Case Summary:

Hernandez, et al. did not pay their hotel bills amounting to P232,694.07.

#### Status:

The trial of the case is still ongoing.

- 3) **People of the Philippines vs. Rodel E. Micabalo et al.**  
RTC Branch 47, Pasay  
Nature of the Case: Malicious Mischief  
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#### Case Summary:

Micabalo, et al. deliberately caused damage to Midas Hotel properties amounting to P73,735.23.

#### Status:

The trial of the case is ongoing.

- 4) **Edgardo U. Ilarde vs. Department of Health, et al.**  
RTC Branch 56, Makati  
Nature of the Case: (Civil Case) Special Civil Action for Declaratory Relief  
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**Case Summary:**

Midas Hotel is one of the defendants in this Declaratory Relief action pertaining to the implementation of the Senior Citizens Law.

**Status:**

The case is pending before the Regional Trial Court of Makati.

- 5) **TOTAL GAMEZONE XTREME, INC. vs. 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 (P597,100).

**Status:**

The case is now pending before the court.

- 6) **BLUE CHIP GAMING AND LEISURE CORPORATION vs. 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 (P1,327,000).

**Status:**

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

- 7) **Mario S. Bautista, Jr. versus Blue Chip Gaming and Leisure Corp. and PAGCOR**  
RTC Branch 44, San Fernando Pampanga  
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**Case Summary:**

Mario S. Bautista, a regular player in PAGCOR VIP Club Bacolor, filed a civil case for damages against PAGCOR and Blue Chip (as joint tortfeasors) for the alleged tortious act of a PAGCOR employee who forcefully stopped him from playing a certain slot machine. He alleged that at that time he was on a winning streak on said machine; that was why PAGCOR wanted him to stop playing to check possible machine errors. Due to his unruly behavior during said incident, PAGCOR issued a ban order against him.

**Status:**

The court dismissed the case against Blue Chip only, but the case against PAGCOR subsists. However, Bautista elevated to the Court of Appeals the dismissal of the case against Blue Chip. The CA has rendered its decision dismissing the case but Bautista filed a Motion for Reconsideration (MR). We are awaiting the resolution of the CA of the MR.

**8) People vs. Cheryl Go**  
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**Case Summary:**

Hotel Enterprises of the Philippines Inc. (Midas Hotel) filed a BP22 case against Cheryl Go, an event coordinator, for issuing a bum check in payment of her hotel bills for hotel accommodation, food and beverages in an event held at the hotel.

**Status:**

The case is now pending before the Municipal Trial Court of Pasay City.

**9) Eric Joseph Y. Mananquil vs. Leisure and Resorts World Corporation**  
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**Case Summary:**

Eric Joseph Y. Mananquil, a former employee of the company from 2015 to 2018, filed a labor case for constructive dismissal and also alleged that he is qualified to avail the retirement benefit of LRWC. LRWC contends that he was not dismissed but actually resigned as evidenced by his resignation letter. LRWC also argues that Eric is not qualified for the retirement plan.

**Status:**

The parties will file their respective Position Papers in April 2019.

**Labor Cases (DOLE assessments on agency/contractual employees pursuant to DOLE DO-174):**

- 10) **DOLE Case No. ROIOO-2017-JA-DDO-296**  
For South Entertainment Gallery (Robinson's Place, Calasiao)
- 11) **DOLE Case No. Case No. ROO3-06-JA-2017-07-0015-6**  
For South Entertainment Gallery (SM Tarlac)

**Status of these cases:**

We attended the hearings and submitted the required position papers. These cases are already for resolution of the regional director as to the legality of our job contracting per DO-174.

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

- a) An annual meeting of stockholders of the registrant was held on 27 July 2018.
- 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. Yenko
  - 4. Willy N. Ocier
  - 5. Bienvenido M. Santiago
  - 6. Eusebio H. Tanco
  - 7. Carlos G. Baniqued
  - 8. Eng Hun Chuah
  - 9. Paolo Martin O. Bautista

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 27 July 2018, 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 28 July 2017;
  - 2. Management Report;
  - 3. Approval of Annual Report and Audited Financial Statement for the fiscal year 2017 and Ratification of actions taken by the Board of Directors and Officers since the last annual meeting held on 28 July 2017; and
  - 4. Appointment of external auditors for year 2018.
- 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 2017	4.44	4.44	3.45	3.45	88,666,000	88,728,340
2Q 2017	4.85	4.85	3.66	3.66	88,451,000	88,488,684
3Q 2017	5.47	5.47	4.00	4.00	124,709,900	124,774,225
4Q 2017	4.84	4.84	3.57	3.57	115,527,000	125,561,909
1Q 2018	7.49	7.49	3.74	3.74	367,954,200	367,988,995
2Q 2018	7.20	7.20	3.89	3.89	299,248,400	299,442,391
3Q 2018	4.64	4.64	3.55	3.55	65,225,000	65,298,639
4Q 2018	3.94	3.94	2.48	2.48	191,465,000	191,543,699

\*There were no adjustments during 2018 and 2017.

Closing Market Price as of 31 December 2018 is P3.26 per share. On the other hand, the Closing Market Price as of 31 March 2019 is P3.73 per share.

The Company complied with the required minimum public ownership. As of 31 December 2018, total number of common shares owned by the public is 773,368,083 shares or equivalent to 64.46% of the total issued and outstanding common shares. The preferred shares and warrants owned by the public as of 31 December 2018 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 per share are: P0.3715 per share in 2018 and P0.2444 in 2017.

b) Holders

The stock transfer agent reported 1,833 holders of common shares of the registrant, and 3 holders of preferred shares and 2 holders of warrants as of 31 December 2018. 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)	702,638,919	58.56
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)	53,424,096	4.45
6	Dominique L. Benitez	31,680,000	2.64
7	AB Leisure Exponent, Inc.	21,567,000	1.80
8	Willy Ng Ocier	2,125,200	0.18
9	Paul Luis Paul P. Alejandrino	1,426,224	0.12
10	Liberty Farms, Inc.	809,129	0.07
11	Provident Insurance Corporation	591,023	0.05
12	Brisot Economic Development Corporation	512,004	0.04
13	Visayan Surety & Insurance Corporation	486,294	0.04

14	Oliver V. Amarin	311,220	0.03
15	Tan Keg Tiam	279,618	0.02
16	Fe Palting Lagdameo &/or Roberto J. Lagdameo	263,350	0.02
17	Allen Cham	260,242	0.02
18	John Go Kongwei Jr.	252,870	0.02
19	David Go Securities Corp.	251,870	0.02
20	Benjamin L. Pay	251,674	0.02

Below is the summary list of foreign ownership as of 31 December 2018, 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
Chinese	72	2,152,907	0.18
Others	6	55,361,136	4.61

Preferred shares are composed of 99.89% Filipino and 0.11% Foreign while warrants are composed of 99.23% Filipino and 0.77% 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 at P0.0425 to preferred stockholders with record date of 04 June 2018. In the past years, cash dividends declared to common shareholders were equivalent to P0.060 per share in 2007, P0.060 per share in 2008, P0.060 per share in 2009, P0.080 per share in 2010, P0.075 per share in 2011 and 2012, P0.080 in 2013 and 2014, P0.120 in 2015, P0.080 in 2016 and P0.070 in 2017.

d) Recent Sale of Unregistered Securities

The issuance of P1.65 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	Shares	Php
PCD Nominee Corporation (Filipino)	1,596,860,000	1,596,860,000
GSIS Provident Fund	50,000,000	50,000,000
PCD Nominee Corporation (Non-Filipino)	1,440,000	1,440,000
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 P1.65 billion perpetual preferred shares were 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 P1.65 billion perpetual preferred shares have a par value of P1.00 per share and an issue price of P1.00 per share. The preferred shares are cumulative, non-voting and non-participating. On the fifth anniversary of the issue date of the P1.65 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 P15.00 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 5th anniversary of the perpetual preferred shares until the 8th 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 Financial Condition and Results of Operations**

### Comparable Discussion on Material Changes in Results of Operations and Financial Condition

#### 2018 vs. 2017

##### **LRWC Operations**

LRWC is functioning as a holding company with minimal operations. LRWC is focusing its endeavor in supporting the productivity programs of its subsidiaries as grouped in the following segments: **CASINO** (1) Prime Investment Korea, Inc. (PIKI - 100% owned), (2) Blue Chip Gaming and Leisure Corporation (BCGLC - 100% owned), (3) Gold Coast Leisure World Corp. (GCLWC - 100% owned) (4) Hotel Enterprises of the Philippines, Inc. (HEPI 51% owned, joint venture); **ONLINE** (5) First Cagayan Leisure and Resort Corporation (FCLRC - 69.68% owned), (6) LR Data Center and Solutions, Inc. (LRDCSI - 80% owned), (7) First Cagayan Converge Data Center Inc. (FCCDCI - 57.8%); **RETAIL** (8) AB Leisure Exponent, Inc. (ABLE - 100% owned), (9) Total Gamezone Xtreme, Inc. (TGXI - 100% owned); and **PROPERTY** (10) AB Leisure Global, Inc. (ABLGI - 100% owned), (11) LR Land Developers, Inc. (LRLDI - 100% owned).

Based on PFRS 3, Business Combination, LRWC has not amortized the goodwill on its investments in its subsidiaries. Instead, PFRS 3 requires for an annual test for goodwill impairment. On the basis of the test for impairment of goodwill, there is no need to provide for allowance for impairment in 2018.

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.

LRWC's aim is to enable shared services functions that will provide consistent managerial and administrative services to all of its subsidiaries including marketing programs and continuous organizational changes.

The total operating expenses of LRWC amounted to P385.6 million in 2018, a decline of P138.7 million from last year's P524.4 million. This was mainly due to the significant decrease in salaries and employee benefits caused by the retirement of several key management personnel and catch up adjustment on past service retirement cost of existing employees in 2017.

LRWC recorded its 51% share in the net results of Hotel Enterprises of the Philippines, Inc. (HEPI) beginning the third quarter of 2013. In 2018, LRWC's share in HEPI's net income amounted to P114.9 million or an increase of P53.8 million or 88.15% as compared to last year's share in net income of P61.0 million.

### *Consolidated Result of Operations*

LRWC posted a consolidated total comprehensive income (after minority interest) of P500.9 million in 2018 as compared to P442.6 million in 2017. The incremental net income was mainly attributable to the unrealized gain on revaluation of investment properties amounting to P1,329.4 million and higher revenues from Casino and Retail business units. The growth in revenues, however, was pulled down by significant interest expense on project financing.

### **PIKI Operations**

Together with the 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.

In 2018, PIKI's net income amounted to P12.9 million, and increase of P3.3 million or 34.53% from 2017's net income of P9.5 million. The increase was due to better turnover and win rate numbers leading to a significant growth in revenue of P40.1 million or 4.69% from P855.6 million in 2017 to P895.7 million in 2018.

### **BCGLC Operations**

BCGLC operates Slot Arcades at the King's Royale Hotel and Leisure Park, Olongapo-Gapan Road, Macabacle, Bacolor, Pampanga under a license issued by PAGCOR.

On 24 July 2015, BCGLC incorporated a subsidiary, GCLWC with authorized capital stock of Fifteen Million Pesos (P15,000,000.00) divided into One Hundred Fifty Thousand shares (150,000) with par value of P100.0, of which Three Million Seven Hundred Fifty Thousand Pesos (P3,750,000.00) has been subscribed. GCLWC was incorporated to comply with Section 18, Chapter III of the Implementing Rules and Regulations of Republic Act (R.A.) No. 7227. GCLWC obtained its Certificate of Registration from the Subic Bay Metropolitan Authority on 2 August 2016.

On 17 December 2015, BCGLC received a letter from PAGCOR, informing that PAGCOR's Board of Directors approved and confirmed the assignment in favor of BCGLC of the Contracts of Lease over four (4) 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.

On March 16, 2018, BCGLC entered into a Lease and Technical Assistance Agreement with Entertainment Gaming Philippines, Inc. (EGP) for the lease of slot machines. By virtue of the Agreement, BCGLC shall be paid an amount equivalent to 16% of the Monthly Net Wins derived from the operations of the leased machines.

On January 19, 2019, BCGLC entered into an Asset Purchase Agreement with EGP for the sale of two (2) PAGCOR VIP Clubs at San Pedro Town Center, Laguna and Universal Park Mall, Sta. Cruz, Manila.

BCGLC and GCLWC's combined revenues for the year ended 31 December 2018 amounted to P535.3 million, a growth of P88.6 million or 19.84% from P446.7 in 2017. Turnover increased from P20.5 billion in 2017 to P24.3 billion in 2018. This was due to the Company's extensive marketing efforts as reflected in this year's increase in operating

expenses by P45.9 million or 14.62%. Due to these developments, net income for the year amounted to P110.7 million, an increase of P11.5 million or 11.64% from last year's net income of P99.2 million.

### **FCLRC Operations**

The Cagayan Economic Zone Authority (CEZA), mandated by law to manage Cagayan Special Economic Zone and Free Port (CSEZFP), has authorized FCLRC to license, regulate and supervise the operations of registered online gaming enterprise in CSEZFP. FCLRC, on behalf of CEZA, can issue two types of licenses: (1) interactive gaming licenses which cover all types of online gaming including casinos, lotteries, bingo, sportsbook; and (2) restrictive licenses which limit the offerings to sports betting only. As the master licensor, FCLRC is entitled to half of the gaming levy imposed by CEZA on the gaming operators within the CSEZFP.

Recent developments significantly affected FCLRC's business and operations due to the issuance on 01 September 2016 by PAGCOR of the "Rules and Regulations for Philippine Offshore Gaming Corporations". The said PAGCOR Regulation was adopted to regulate the issuance of licenses which provide and participate in offshore gaming services or online games of chance via the Internet.

FCLRC's revenues amounted to P395.5 million in 2018, representing a decrease of P27.8 million or 6.56% from last year's revenues of P423.3 million. The decline was mainly due to the decrease in the number of operating licensees from 29 in 2017 to 16 in 2018. Hosting fees amounting to P332.7 million decreased by P59.3 million or 15.13% while license application fees amounting to P60.7 million increased by P29.5 million or 94.45% from last year.

FCLRC's cost and OPEX likewise decreased by P67.5 million or 29.25% due to the decrease in the number of locators.

### **FCCDCI/LRDCSI Operations**

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. The 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, 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.

FCCDCI commenced its commercial operations on 01 January 2008, thus, since then until 31 December 2016, FCLRC's statement of income includes 60% equity in net earnings from FCCDCI.

On 01 January 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of P1 for a total consideration of P16.4 million to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.808% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective 01 January 2017.

LRDCSI was registered and incorporated with SEC on 20 May 2016. LRDCSI is a technology company engaged in aggregating data and telecommunication services.

LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunication 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 LRDCSI. LRDCSI's portfolio includes solutions related to data center co-location, Internet, private leased lines, mobile and video platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in the industry sectors including land based and online gaming operators. LRWC owns 80% of the outstanding capital of LRDCSI while one of the incorporators owns the remaining 20%.

LRDCSI owns 20% of the outstanding capital stock of FCCDCI effective 01 January 2017.

LRDCSI started its commercial operations in the last quarter of 2017.

In order to compete with the local telcos, the LRDCSI Group initiated several price adjustments and bundling of additional services and products into the package (DDOS, upgrades/additional circuits) in 2018. The Group likewise secured redundant lines in anticipation for various capacities that did not consummate in 2018. This resulted to a slightly lower revenues, but higher direct costs in 2018 despite increase in volume.

Total revenue slightly decreased by P5.9 million from P664.8 million in 2017 to P658.9 million in 2018, while total direct costs and operating expenses increased by P92.4 million from P532.6 million in 2017 to P625.0 million in 2018. The LRDCSI Group has initiated measures to manage these costs moving forward by terminating redundant lines.

Total consolidated net income of FCCDCI and LRDCSI amounted to P12.9 million, net of minority and equity share in 2018, a decline of P56.0 million or 81.22% from P68.5 million in 2017.

### **ABLE Operations**

ABLE (popularly known as Bingo Bonanza Corporation), is the pioneer in professional bingo gaming in the Philippines. PAGCOR granted ABLE and its subsidiaries the authority to operate bingo games pursuant to P.D. 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.

#### *Site Count*

In 2017, ABLE through its subsidiaries, acquired six (6) sites to expand its bingo operations. Difference between the total consideration of P58 million and fair value of identifiable assets of P9.28 million resulted to a goodwill of P48.72 million.

In 2018, ABLE opened eight (8) new sites around the country as part of its plan to expand the business.

ABLE permanently closed four (4) sites in 2017 and two (2) sites in 2018. Also, one (1) site was temporarily closed in 2018.

#### *Revenues*

ABLE and its subsidiaries generated total revenues of P7,111.5 million in 2018, a significant growth of P309.0 million from the P6,802.5 million revenues for the same period last year. The revenue growth was mainly attributable to the exceptional performance of E-bingo sites during the year.

E-Bingo has become ABLE's principal product line as its contribution has been increasing faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. In 2018, E-Bingo sales represented 66.86% or

P4,754.9 million out of ABLE's total revenues. As of 31 December 2018, there were a total of 10,536 E-Bingo machines in 150 bingo parlors as compared to 10,392 E-Bingo machines in 147 bingo parlors as of 31 December 2017.

Revenues from Traditional Bingo declined by P97.5 million or 4.43% to P2,106.1 million in 2018 from P2,203.6 million in 2017.

In 2018, sales from Rapid bingo contributed P230.4 million or 3.24% of total revenues, almost at par with last year's P231.3 million or 3.40% of total revenues. By end of 2018, a total of 155 Rapid Bingo terminals were installed in 148 bingo parlors, while there were 127 Rapid bingo terminals in 127 bingo parlors as of December 31, 2017.

Revenues from Pull-tabs amounted P20.1 million, an increase of P4.5 million from P15.6 million 2017.

#### *Cost and Expenses*

ABLE's consolidated costs and operating expenses amounting to P7,022.0 million in 2018 increased by P346.1 million from P6,675.9 million in 2017. The PAGCOR mandated change in tax regime from the 30% corporate income tax to the 5% franchise tax and passing of prize tax to the operator significantly increased ABLE's direct cost by P355.3 million. Cost and expenses also includes the impairment of non-recoverable input vat amounting to P88.4 million due to the same reason above.

ABLE has already applied for a tax ruling for its VAT exempt status with the BIR. Once obtained, it will contribute at least P88.4 million to the bottom line as well as cash flow annually.

#### *Net Income*

Despite the incremental costs due to statutory change, ABLE still posted consolidated net income (net of minority share and dividend income) amounting to P66.2 million, a turnaround of P68.2 million from last year's loss of P2.1 million if not for the non-cash impairment of input VAT, ABLE would have posted a net income of P154.6 million in 2018.

#### **TGXI Operations**

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

To date, LRWC is the registered owner to One Hundred Percent (100%) of TGXI's outstanding capital stock.

#### *Site Count*

In 2017, TGXI reopened two (2) sites previously closed and permanently closed another two (2) sites. While in 2018, TGXI opened two (2) additional sites and closed five (5) sites. TGXI has a total of thirty six (36) and thirty nine (39) operating sites in 2018 and 2017, respectively.

#### *Revenues*

TGXI generated revenues amounting to P291.6 million in 2018 representing its share in revenues from the management and operation of the PAGCOR E-games Stations (PeGS). This was higher by P60.0 million or 25.93% than the recorded revenues in 2017 amounting to P231.6 million. The increase in revenues resulted from a higher recorded turnover of P23.5 billion in 2018 as compared to P17.2 billion in 2017.

TGXI also received a P13.9 million annual incentive from its business partner as a result of improved performance in the prior year.

#### *Cost and Operating expenses*

Total cost and operating expenses increased by P41.5 million or 16.4% from P253.3 million in 2017 to P294.8 million in 2018. The increase in 2018 was mainly due to: (1) recognition of franchise tax amounting to P15.3 million by virtue of the change in tax regime same as ABLE; (2) higher people expenses including contracted services by P22.2 million due to DOLE imposed salary-rate adjustments; and (3) impairment of non-recoverable input tax amounting to P13.1 million.

TGXI will apply for a tax ruling for its vat-exempt status with the BIR. Once obtained, it will save TGXI at least P13 million of expense and cash outflow annually.

#### *Net Income*

TGXI managed to reverse its prior year net loss of P39.0 million and registered a net income of P7.7 million in 2018 due to better revenue performance resulting from extensive marketing efforts and spending. TGXI would have registered at least P20.7 million net income if not for the non-cash impairment of input vat.

#### **ABLGI Operations**

On 04 November 2016, Belle and PLAI (“Belle Group”) signed a Termination agreement with Leisure and Resorts World Corporation 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 Group will pay the LRWC Group a total of P5,090.0million, with P1,018.0million paid upon signing and the balance at the end of March 2017. Until the finalization of the transaction, ABLGI will continue to share in the net lease income and gaming revenue of Belle Group.

The Termination agreement was finalized on 31 March 2017. ABLGI received P4,072.0 million, which comprised of: (1) payment for an outstanding loan of Belle Group to ABGLI amounting to P3,762.0 million, and (2) P310.0 million, of which P110.5 million was a collection of the advances made to Belle while the remaining P199.5 million was lodged under “Other Income” in the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income, representing assignment of rights in relation to the Advisory services rendered to the Philippine Consortium in favor of Belle. Effective 31 March 2017, ABLGI shall be deemed to have divested its economic interest in the City of Dreams-Manila Integrated Resort and Casino.

In 2017, ABLGI through its subsidiary acquired 23 hectares of and property in Boracay for its future project.

In 2017, Management decided to change its accounting policy to recognize its investment properties at their appraised (FV) amounts to properly reflect its true value. Gain (net of tax) from the revaluation of its building (Binondo Suites) amounted to P4.7 million in 2017. In 2018, ABLGI recognized a gain (net of tax) from the revaluation of its building and Boracay land amounting to P1,304.5 million.

In 2018, ABGLI entered into a consultancy agreement with a third party company to perform, among others, services related to project, and offshore development, gaming and other licenses. Revenue from consultancy amounted to P169.7 million.

Due to the discussions above, ABLGI registered net income amounting to P580.7 million in 2018, an increase of P427.5 million or 279.11% from last year’s P153.2 million.

## **LRLDI Operations**

In 2010, LRLDI has completed its construction of the CyberPark building intended for lease. Accordingly, in the same year, LRLDI entered into various lease agreements as lessor with lease terms ranging from monthly to five (5) years.

LRLDI is also committed in supporting the development of Cagayan Special Economic Zone and Free Port (CSEZFP). In executing an agreement with Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC), LRLDI has established its support by investing funds into the Lal-Lo Airport Project, Cagayan Economic Zone and Freeport (CEZFP) International Airport Project, and other facilities within the CSEZFP. These projects aim to improve and further advance CSEZFP into a self-sustaining industrial zone.

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

Retrospective 2014, Management reclassified portion of the advances to CLPDC to investment properties (land) which the Company has legal title and ownership amounting to P6.4 million. In 2017, Management decided to change its accounting policy to recognize its investment properties at their appraised (FV) amounts to properly reflect its true value. Gain (net of tax) from the revaluation of its land properties and Cyberpark building amounted to P140.6 million and P174.7 million in 2018 and 2017, respectively.

In 2017, LRLDI generated a net income of P630.9 million mainly due to the gain on revaluation of investment properties and additional rent income from its property in Cyberpark. However, 2018 net income decreased by P422.2 million or 66.93% due to the lower revaluation gain and equity share in net income of TPI.

Equity share in net income of TPI decreased by P374.9 million from P445.4 million in 2017 to P70.5 million in 2018. The share in equity earnings likewise includes revaluation gain (net of tax) from the investment property of TPI amounting to P46.4 million and P858.6 million in 2018 and 2017, respectively. There was a significant surge in property prices in Makati towards the end of 2017 from 2016 as compared to 2018 from 2017. The revaluation was performed by an SEC accredited third party appraiser.

### *Consolidated Financial Condition*

The total consolidated assets of LRWC and subsidiaries as of 31 December 2018 of P18,048.1 million increased by P1,285.6 million or 7.67% from P16,762.5 million as of 31 December 2017 mainly due to increase in accounts receivables, revaluation of investment properties, increase in rental deposits and cash performance bonds.

The following are the significant changes in the liabilities of LRWC and subsidiaries: (1) increase in Trade and other payables of P385.5 million attributable to higher outstanding payable to suppliers; (2) increase in Loans payable of P415.3 million due to the loan availments for working capital purposes, and (3) increase in deferred tax liabilities of P380.9 million arising from the unrealized gain on revaluation of investment properties.

The Company and its subsidiaries:

- a) Have no known trends or any demands, commitments, events or uncertainties that will result in or that are likely to result in the liquidity increasing or decreasing in any material way;
- b) Have no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

- c) Have no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
- d) Have not breached any loans, leases or other indebtedness or financing agreement; and
- e) Have no material commitment for capital expenditure, aside from those already discussed.

*Key Performance Indicators*

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

<b>Key Performance Indicator</b>	<b>Formula</b>	<b>2018</b>	<b>2017</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	38.4%	39.5%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	98.3%	87.8%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	198.3%	187.8%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.47 times	1.42 times
Return on Average Equity	$\frac{\text{Net Income}^*}{\text{Average Stockholders' Equity}}$	4.6%	7.9%
Return on Average Assets	$\frac{\text{Net Income}^*}{\text{Average Total Assets}}$	2.4%	4.6%
Solvency Ratio	$\frac{\text{Net Income}^* + \text{Depreciation}^*}{\text{Total Liabilities}}$	9.9%	13.0%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}^*}{\text{Interest Expense}}$	3.3	5.4
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	7.6	7.4
Basic Earnings Per Share	$\frac{\text{Income Attributable to Ordinary Stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.3441	0.2443

## *Plans for 2019*

### **CASINO**

#### *Product Improvement*

Product improvement is the process of making meaningful product changes that result in new customers or increased benefits realized by existing customers. BCGLC will replace the existing old model of EGM and ETG to the latest models available.

At the same time, BCGLC will also replace the non-performing EGM such with those games that have proven its performance in major casinos in the Philippines in order to maximize the gaming revenue.

#### *Marketing and Promotion*

BCGLC marketing plan in 2019 will be based on the following: (1) Product - increase the game mix; (2) Price - various denomination games installed in each club to attract all level of players; and (3) Promotion - intense marketing activities will be held on a weekly, monthly and quarterly basis.

#### *Club Enhancement*

Transform the traditional PAGCOR VIP Club to a boutique style casino which allow customers to enjoy their playing time in a quiet and cozy gaming room.

### **RETAIL**

The retail business units embarked on a “back-to-basics” philosophy in 2018. Essentially, gaming outlets providing traditional bingo games, electronic bingo machines and electronic casino terminals were given rudimentary makeover aimed specifically to deliver improved comfort to players. In addition, the gaming floor layouts were revised for better player circulation and wider spaces. Frontline personnel were re-trained for proper customer care and free food and drinks are available to players. These measures form part of the retail business units’ player retention strategies.

In the second half of 2018, player acquisition programs were implemented led by the acceleration of the establishment of a loyalty program for electronic bingo players. This follows the successful loyalty program for electronic casino players launched in 2017. The other major steps undertaken in 2018 to attract new players to the venues include year-long promotions through tournaments and raffles, information campaigns via social media, diversification of product offerings through more electronic bingo machine brands and electronic casino virtual game content.

For 2019, additional gaming capacity will be in place through the construction of new venues and expansion of existing outlets with high playing volumes. Improving daily revenue per machine was observed throughout 2018 and growth is expected to continue in 2019 under the current operating and marketing strategies. By the second half of 2019, the retail group intends to shift more attention to establishing relatively large outlets that would offer multiple gaming products (i.e. electronic bingo, traditional bingo games offered digitally, electronic casino, sports betting) all under one roof.

## **ONLINE/PROPERTY**

Following the clarification of the government's position regarding the licensing and regulation of entities involved in online gaming operations and ancillary support services through the issuance of Executive Order 13 in February 2017, FCLRC initiated efforts to put in place the critical elements that are necessary for the CSEZFP to regain its historical status of being the premier online gaming jurisdiction in Asia. Specifically, FCLRC has identified and taken steps to address the following:

### *Accessibility*

FCLRC has determined that the main gateway to the CSEZFP will be through the Cagayan North International Airport (CNIA) located in the municipality of Lal-lo, approximately 80 kilometers southwest of FCLRC's business operations in Santa Ana. LRWC, through its wholly-owned subsidiary LR Land, funded over 50% of the development cost of CNIA through advances to airport owner and operator Cagayan Premium and may convert such advances into majority equity in the airport owner in the future. CEZA provided the other 50% funding for CNIA.

In 2018, a chartered airline servicing one of the locators in Santa Ana successfully launched its maiden flight between Macau and Lal-lo. The chartered airline now flies two round trips a week from Lal-lo to Macau. Also, in 2018, consultants were engaged to assist Cagayan Premium to obtain the authorization from the CAAP for CNIA to operate as a commercial airport. It is expected that with the appointment of trained airport personnel, planned upgrade of the passenger terminal, procurement of ground handling equipment and installation of navigational systems by the 4th quarter of 2019, CNIA will finally be able to operate as a fully-functional commercial airport.

### *Master-planned Business Park*

Initially focusing on its leased 10-hectare property in Santa Ana (Cyberpark) for development, FCLRC is expanding its plans to cover a significantly larger area beyond Cyberpark. In doing so, FCLRC can properly envision and execute a master-planned development that incorporates office, residential and retail commercial buildings as well as recreational areas into a self-contained community catering to online gaming and financial technology companies. FCLRC expects actual master-planning work to commence late in the second quarter or early in the third quarter of 2019. Horizontal land development preparatory work should begin shortly after.

### *Licenses*

To provide the appropriate regulatory environment to its infrastructural development plans, FCLRC successfully renewed its master licensor from CEZA in 2017. In addition, FCLRC was also awarded by CEZA the first land-based casino license in CSEZFP in late 2018. For 2019, FCLRC is angling to obtain a principal financial technology license and explore opportunities involving blockchain technology and cryptocurrency.

LRDCSI, has built a robust data network infrastructure in Cagayan that is connected to its Metro Manila facilities. Together, both the Cagayan and Metro Manila nodes offer world-class internet connectivity that is essential to online gaming operators. These nodes are, in turn, connected to LR Data nodes located in other countries in the Asia Pacific region. For 2018, additional capital expenditures are programmed to further improve the quality of this data network infrastructure and a new Tier One data center will be on the drawing board. For 2019, additional capital expenditures are programmed to improve facilities in both Cagayan and Manila as follows:

In Cagayan:

1. Initiate the plan including timelines and BOM for a redundancy path for the underground fiber facilities to further improve the stability and uptime of network facilities in the zone. Project implementation will be dependent on management direction and approval.
2. Expand the fiber network in preparation for new CEZA enterprise locators as well as the planned developments of LRLDI and FCLRC.
3. Maximize use of existing fiber optic network to cater to retail markets within the zone.
4. As planned in 2018, LRDCSI will move forward on the new data center facility in the zone and come up with the terms-of-reference for a purpose-built Tier-3 modular data center.

In Manila:

1. Complete the procurement of network equipment to enable end-to-end MPLS services further improving network service performance.
2. Maximize existing Cloud infrastructure to cater to more enterprise and non-gaming customers in Manila.
3. Extend the LRDATA cloud services to Taiwan thru the existing LRDATA Taiwan node to cater to growing gaming BPO operations in the country.
4. Explore other VAS opportunities that may be offered not just to gaming customers but also to other enterprise customers.

### **2017 vs. 2016**

#### **LRWC Operations**

LRWC's total operating expenses amounted to P524.4 million and P391.8 million in 2017 and 2016, respectively. The increase in total operating expenses is aligned with LRWC's aim to enable shared services functions that will provide consistent managerial and administrative services to all of its subsidiaries including marketing programs and continuous organizational changes.

LRWC recorded its 51% share in the net results of Hotel Enterprises of the Philippines, Inc. (HEPI) beginning the third quarter of 2013. In 2017, LRWC's share in HEPI's net income amounted to P61 million or an increase of P11.8 million as compared to last year's share in net income of P45.1 million.

#### *Consolidated Result of Operations*

LRWC posted a consolidated total comprehensive income (after minority interest) of P442.6 million in 2017 as compared to P1,139.3 million in 2016. Consolidated results for the year included impact of P576.6 million (after tax) on non-recurring and noncash provisions which significantly affected respectable performance contributed by casino and retail segments despite (1) numerous regulatory challenges, (2) losing significant online gaming business due to PAGCOR's POGO and (3) divestment from the City of Dreams business interest.

The Group carried its investment properties at fair value as a result of the change in accounting policy in 2017, retrospective earliest period presented. The gain (net of tax) on revaluation of its investment properties amounted to P269 million and P11.7 million in 2017 and 2016, respectively. The revaluation gain is recognized in profit or loss and other comprehensive income in the consolidated financial statements.

Nonrecurring expenses and noncash provisions in 2017 comprise the following:

- Derecognition of deferred tax assets significantly on NOLCO amounting to P53.7 million, P16.3 million, P76 million for ABLE, TGXI and LRWC, respectively. The derecognition is in line with the Group's planned move to the Franchise Tax regime.

- Change in retirement package of Group employees from the minimum provided by the law up to 200% effective 2017. The change required a one-time adjustment to past service cost of P71 million and P64.9 million in ABLE and LRWC, respectively.
- Provisions for impairment for closed sites, long-outstanding receivables and advances amounting to P36.9 million, P10.4 and P26.1 million for ABLE, TGXI and LRWC, respectively.
- Deficiency taxes including interests amounting to P57.4 million, P2.7 million, P8.9 million for ABLE, BCGLC and ABLGI, respectively.
- Losses of non-performing sites of ABLE and TGXI amounting to P15.3 million and P4.0 million, respectively. These sites will be permanently closed or relocated to better location in 2018.
- Pre-operating expenses such as interest, taxes and travel and transportation of the Boracay Project amounting to P129.6 million.

### **PIKI Operations**

Together with the 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.

In 2017, PIKI posted a net income of P9.5 million, as compared to the P18.5 million net income in 2016. This is mainly due to lower net revenues during the year of P855.6 million as compared to P894.4 million last year and increase in cost and operating expenses by P35.4 million from P811.7 million to P847.1 million.

### **BCGLC Operations**

For the year ended 31 December 2017, consolidated BCGLC gross revenues grew to P446.7 million from P381.4 million last year. Operating expenses likewise increased to P314.2 million from P222.9 million for the same period last year. This resulted to a net income of P98.0 million for the year, a slight decline of P8.0 million from last year's net income of P106 million.

### **FCLRC Operations**

FCLRC generated P423.3 million gross revenues in 2017, representing a P1,443.4 million or 77.32% decrease from last year's gross revenues of P1,866.7 million. The decline in revenues is mainly due to the decline in the number of operating locators. Hosting fees amounting to P392.1 million decreased by P1,302.1 million or 76.86% while license application fees amounting to P31.2 million decreased by P141.4 million or 81.92% from last year. For the year ended 31 December 2017, there were 30 licensed locators - 29 of which are operational and 1 is non-operational, while for the year ended 31 December 2016, there were 117 licensed locators, all operational.

FCLRC posted a net income of P26.4 million in 2017 versus last year's P895.3 million. Total cost and operating expenses of P427.7 million decreased by P669.9 million from last year's P1,097.6 million. The net income in 2017 includes the effects of one-time downward adjustment due to retirement amounting to P12.2 million.

In 2017, numerous land rights were reclassified from fixed assets to investment property due to the change in use. The land properties were likewise recognized at its appraised value as a matter of accounting policy in the same year. Other comprehensive income (net of tax) from the revaluation of land properties in Cagayan amounted to P89.2 million. This brings the total comprehensive income of FCLRC to P113.0 million and P900.8 million in 2017 and 2016, respectively.

## **LRDCSI Operations**

LRDCSI started its commercial operations in the last quarter of 2017. LRDCSI posted a net income of 0.5 million in 2017. Total cost and operating expenses of P0.1 million which mainly consists of professional fees.

## **FCDCI Operations**

FCDCI posted a net income of P117.5 million in 2017, consolidated in the Audited Consolidated Statements of Profit or Loss and Other Comprehensive Income, and P145.0 million in 2016, of which P98.5 million is presented under "Equity in net earnings in joint ventures and associates" account in FCLRC's Statement of Profit or Loss.

## **ABLE Operations**

### *Revenues*

ABLE and its subsidiaries generated total revenues of P6,802.5 million in 2017, a decline of P332.4 million or 4.66% from the P7,134.9 million revenues for the same period last year. The decrease is attributable to the revenue decline of: (1) Electronic Bingo (E-Bingo) by P171.2 million or 3.79%, (2) Traditional Bingo by P127.6 million or 5.47% and (3) Rapid Bingo by P31.4 million or 11.97%, and Pull tabs by P2.1 million or 11.86%.

E-Bingo has become ABLE's principal product line as its contribution has been increasing faster with new gaming products that are played with higher frequency and are not time bound as the traditional bingo game. In 2017, E-Bingo sales represented 63.98% of ABLE's total revenues or P4,351.9 million, posting a decline of 171.2 million or 3.79% from the E-Bingo sales in 2016 of P4,523.1 million. As of 31 December 2017, there were a total of 10,392 E-Bingo machines in 147 bingo parlors as compared to 9,790 E-Bingo machines in 138 bingo parlors as of 31 December 2016.

Revenues from Traditional Bingo declined by P127.6 million or 5.47% to P2,203.6 million in 2017 from P2,331.2 million in 2016.

In 2017, sales from Rapid bingo contributed P231.3 million or 3.40% of total revenues as compared to P262.8 million or 3.3% contribution to total revenues for the same period last year.

By the end of 2017, there were a total of 127 Rapid bingo terminals in 127 bingo parlors as compared to 14 Rapid bingo terminals in 14 bingo parlors in 2016.

The decline in revenues were mainly affected by several government regulations and policies such as: (a) dress code, (b) members only policy, (c) 15 hours maximum operating hours, (d) 6 hours maximum playing time, and (e) smoking ban.

### *Expenses*

ABLE's consolidated costs and operating expenses in 2017 amounting to P6,675.9 million increased by P80.0 million or 1.21% from P6,595.9 million in 2016. There was a decrease in direct costs for the year such as Franchise Fees and Payouts amounting to P189.0million relative to the decrease in revenues generated for the year. Operating expenses increased due to the following: (1) People expenses including contracted services by P131.2 million; (2) Rentals and utilities by P33.8 million; (3) Taxes and licenses by P25.8 million; and (4) Depreciation and amortization by P56.2.

As mentioned, 2017 included non-recurring expenses and write-offs such as retirement expense on past service cost, write-off of deferred tax assets, write-off of fixed assets and impairment of long outstanding receivables and advances. Total non-recurring expenses and write-offs in 2017 amounted to P162.3 million.

The resulting expense from “Other Income/Charges” account for the year amounting to P45.4 million is mainly attributable to interest expense payments for bank borrowings.  
*Net Income*

ABLE posted consolidated net income (net of minority share) amounting to P11.1 million in 2017, a decline of 96.90% from 2016 net income of P358.1 million. The significant decline in net income was mainly due to the decrease in revenues caused by regulatory restrictions and non-recurring expenses mentioned above.

### **TGXI Operations**

#### *Net Income*

TGXI generated revenues amounting to P231.6 million in 2017 representing its share in revenues from the management and operation of the PAGCOR E-games Stations (PeGS). This is lower than 2016 figures due to the effects of several regulatory restrictions (e.g. smoking ban, dress code, etc.) implemented in 2017.

Total operating expenses decreased by P54.7 million or 18% from P308.0 million to P253.3 million which mainly consists of: (1) People expenses including contracted services of P94.8 million; (2) Rentals and utilities of P78.1 million; (3) Depreciation of P40.4 million; and (4) Other expenses of P40.0 million.

TGXI also made several noncash write-offs of fixed assets and deferred tax assets in 2017 and 2016 amounting to P26.7 million and P23.9 million respectively. Write-off of fixed assets pertains to closed sites while derecognition of deferred tax assets is in line with the management’s decision to revert back to the franchise tax regime in 2018.

In 2017, TGXI registered a P39 million net loss, a decrease of P3.7 million or 10.48% from 2016 net loss of P35.3 million.

### **ABLGI Operations**

Net income in 2017 amounting to P153.2 million significantly decreased by P128.5 or 45.62% due to the termination of its agreement with the Belle Group in the first quarter. From revenues/other income of P624 million in 2016, it dropped to P197.2 million in 2017. While operations were significantly reduced due to the termination, pre-operating expenses for the Boracay project further pulled down the net income for the year.

### **LRLDI Operations**

In 2017, LRLDI generated a net income of P630.9 million mainly due to the gain on revaluation of investment properties and additional rent income from its property in Cyberpark. Equity share in net income of TPI decreased by P323.2 million from P768.5 million in 2016 to P445.4 million this year. The share in equity earnings likewise includes revaluation gain (net of tax) from the investment property of TPI amounting to P835.1 million and P1,296.4 in 2017 and 2016, respectively.

#### *Consolidated Financial Condition*

The total consolidated assets of LRWC and subsidiaries as of 31 December 2017 of P16,762.5 million increased by P2,134.1 million or 14.59% from P14,628.4 million as of 31 December 2016 largely due to the acquisition of land in Boracay amounting to P4,580 million. 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 P164.1 million, (2) write-off of Deferred tax assets resulting to a decrease of P98 million, and (3) revaluation increment of investment properties of P256.9 million and, (4) collection of Loans receivable from Belle resulting to decrease in Advances to a casino project of P3,762 million.

The following are the significant changes in the liabilities of LRWC and subsidiaries: (1) increase in Trade and other payables of P756.9 million attributable to higher outstanding Dividends payable to stockholders, huge settlement of outstanding to suppliers, higher accrued expenses (2) increase in Loans payable of P1,068.1 million due to the loan availments for the Boracay project (3) increase in retirement benefits liability of P75.1 million due to past service costs (4) increase in rent deposits of P105.6 million, and (5) increase in deferred tax liabilities of P106.6 million.

The Company and its subsidiaries:

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

### Key Performance Indicators

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

Key Performance Indicator	Formula	2017	2016
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	39.5%	109.0%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	87.8%	65.9%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	187.8%	165.9%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.42 times	1.45 times
Return on Average Equity	$\frac{\text{Net Income}^*}{\text{Average Stockholders' Equity}}$	7.9%	27.2%
Return on Average Assets	$\frac{\text{Net Income}^*}{\text{Average Total Assets}}$	4.6%	14.8%
Solvency Ratio	$\frac{\text{Net Income}^* + \text{Depreciation}^*}{\text{Total Liabilities}}$	13.0%	43.2%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}^*}{\text{Interest Expense}}$	5.4	3.3
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	7.4	7.35
Basic Earnings Per Share	$\frac{\text{Income Attributable to Ordinary Stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.2443	1.4070

## **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 Seven Million Pesos (P7,000,000) for the fiscal year 2018 and Seven Million Three Hundred Eighty Five Thousand Pesos (P7,385,000) for the fiscal year 2017. 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

KPMG R.G. Manabat & Co. served as the Company's external auditors for the 2017 and 2016 Financial Statements. Their re-appointment was approved during the Company's annual stockholders' meeting held on 28 July 2017. Mr. Dindo Marco M. Dioso is the partner-in-charge for the Corporation's audit for the 31 December 2017 Financial Statements. They ceased performance of service for the Company on 20 July 2018.

On the annual stockholders' meeting held on 28 July 2018, SGV & Co., was appointed as the external auditors, with Ms. Maria Pilar B. Hernandez as the partner-in-charge for the audit of the Company's financial statements as at and for the period ending 31 December 2018.

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**

<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>	68	AB Leisure Exponent, Inc. Hotel Enterprises of the Philippines, Inc. LR Foundation, Inc. Total Gamezone Xtreme Incorporated Cyberpoint Holdings, Inc. BAPA Realty Development Corp. BAPA Holdings & Management SunAsia Energy, Inc. Aton Land & Leisure, Inc. Bacolod Real Estate Development Corp. <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>	76	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>	52	Alalmeda Corporation 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 One Laguna Corporation Eclouds Inc. Cadastre One Inc. One Square Meter Inc. Fundacion Romana Alaci Capital Ltd. Miguelinda Educational Corporation ALA HSJ Inc. BigBoss Holdings Inc. BigBoss Cement Inc. BigBox21 Holdings 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>

<p>Willy N. Ocier</p> <p><i>(Director, July 31, 2009 to present)</i></p>	<p>61</p>	<p>Pacific Online Systems Corporation          Philippine Global Communications Inc.          Premium Leisure &amp; Amusement, Inc.          APC Group, Inc.          Tagaytay Midlands Golf Club, Inc.          Belle Corporation          Tagaytay Highlands International Golf Club, Inc.  <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>Pacific Online Systems Corporation          Philippine Global Communications Inc.  <i>(Chairman and President)</i>          Premium Leisure &amp; 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></p>
<p>Paolo Martin O. Bautista**</p> <p><i>(Director; July 27, 2018 to present)</i></p>	<p>49</p>	<p>STI Holdings          STI Education Services Group, Inc.  <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>STI Holdings  <i>(Chief Investment Officer)</i>          PhilPlans  <i>(Advisor to Investment Committee)</i>          Citigroup Global Markets  <i>(Director)</i>          Credit Suisse  <i>(VP-Investment Banking Division)</i></p>

<p>Eusebio H. Tanco</p> <p><i>(Director; July 29, 2011 to present)</i></p>	<p>68</p>	<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.)  Eximious Holdings, Inc. (formerly 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.  Tantivy Holdings, Inc. (formerly 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.  Philplans First, Inc.  Prudent Resources, Inc.  <b><i>(All-Director)</i></b></p>	<p><i>Filipino</i></p>	<p>Asian Terminals Inc.  <i>(Vice-Chairman and President)</i>  STI Education Systems Holdings, Inc. <i>(Chairman)</i>  Eximious Holdings, Inc. (formerly Capital Managers &amp; Advisors, Inc.) <i>(Chairman)</i>  iACADEMY <i>(Chairman)</i>  STI West Negros University <i>(Chairman)</i>  Mactan Electric Company <i>(Chairman)</i>  International Hardwood &amp; Veneer Corp. <i>(President)</i>  Cement Center Inc. <i>(President)</i>  First Optima Realty Corp. <i>(President)</i>  Marbay Homes Inc. <i>(President)</i>  Tantivy Holdings, Inc. (formerly Insurance Builders Inc.) <i>(President)</i>  Delos Santos – STI College <i>(Chairman)</i>  Grow Vite, Inc. <i>(Chairman)</i>  Venture Securities, Inc. <i>(Chairman)</i>  Biolim Holdings &amp; Management Corp (formerly Rescom Developers Inc.) <i>(President)</i>  Philippine First Insurance Co., Inc. <i>(Chairman)</i>  Global Resources for Outsourced Workers, Inc. <i>(President)</i>  Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.) <i>(President)</i>  Eujo Phils., Inc. <i>(President)</i>  Total Consolidated Asset Management, Inc. <i>(President)</i>  Prime Power Holdings Corporation <i>(Chairman and President)</i>  Classic Finance Inc. <i>(CEO)</i>  Prudent Resources, Inc. <i>(Chairman and President)</i></p>
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<p>Bienvenido M. Santiago</p> <p><i>(Director; November 28, 2003 to present)</i></p>	<p>72</p>	<p>The Print Gallery, Inc. St. James Holding Corporation One Boutique Amusement &amp; Recreation Corp. North Luzon Gaming &amp; Amusement Corp. 516 Games and Technology Corporation Zoraymee Holdings, Inc. Total Gamezone Xtreme Incorporated Hotel Enterprises of the Philippines, Inc. <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>AB Leisure Exponent, Inc. <i>(VP for Administration)</i> The Print Gallery, Inc. <i>(Treasurer)</i> Zoraymee Holdings, Inc. <i>(Vice-President)</i> Corporate Image Dimensions, Inc. Market Light Realty &amp; Construction, Inc. St. James Holding Corporation LR Land Developers, Inc. <i>(Corporate Secretary)</i></p>
<p>Clarita T. Zarraga **</p> <p><i>(Director, July 30, 2010 to present)</i></p>	<p>77</p>	<p>Digi Software Philippines, Inc. Lucky Circle Corporation Philippine Regional Investment Development Corporation Defending Family Values Foundation, Inc. Saturnina Estate &amp; Dev't Complex Corp. Business Outsourcing Solutions &amp; Services (BOSS), Inc. Montemaria Asia Pilgrims, Inc. Abacus Global Technovisions, Inc. <b>(All-Director)</b></p> <p>Abacore Capital Holdings, Inc. <b>(Independent Director)</b></p>	<p><i>Filipino</i></p>	<p>C.T. Zarraga and Associates <i>(Managing Partner)</i> Abacus Consolidated Resources &amp; Holdings Inc. <i>(Director/Chairman-Audit Committee)</i> 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. Yenke</p> <p><i>(Director, April 19, 2012 to present)</i></p>	<p>66</p>	<p>TKC Steel Corporation Sterling Bank of Asia Zoraymee Holdings, Inc. <b>(All-Director)</b></p>	<p><i>Filipino</i></p>	<p>TKC Steel Corporation <i>(Vice Chairman)</i> Sterling Bank of Asia <i>(Board Director)</i> Premiere Horizon Alliance Inc. <i>(Director)</i></p>

<p>Carlos G. Baniqued</p> <p><i>(Director, July 29, 2016 to present)</i></p>	<p>60</p>	<p>34C2 Holdings, Inc. Sequel Realty Corporation Funchal Inc. Jollibee Center Condominium Corporation <b>(All - Director)</b></p>	<p><i>Filipino</i></p>	<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> 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>
<p>Eng Hun Chuah *</p> <p><i>(Director, August 24, 2017 to present)</i></p>	<p>33</p>	<p>First Cagayan Leisure and Resort Corp. First Cagayan Converge Data Center, Inc. LR Land Developers, Inc. LR Data Center and Solutions, Inc. AB Leisure Global, Inc. Blue Chip Gaming and Leisure, Inc. Gold CoastLeisure and World Corporation <b>(All - Director)</b></p>	<p><i>Malaysian</i></p>	<p>RGB International Bhd <i>Executive Director</i></p>

\*Re-elected as Independent directors in 27 July 2018 Annual Stockholders' Meeting.

\*\*Newly elected director in 27 July 2018 Annual Stockholders' Meeting.

## 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.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>	<b>Other Annual Compensation</b>
Eng Hun Chuah, President		Estimated	Estimated	Estimated
Thadeo Francis P. Hernando Vice President				
Katrina L. Nepomuceno, Vice President				
Alejandro P. Alonte, Vice President				
Ma. Christina Bautista, Vice President				
All above-named Officers as a group	2019	P34,644,203		
All other officers as a group unnamed	2019	None	None	None

<b>Name and Principal Position</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>	<b>Other Annual Compensation</b>
Reynaldo P. Bantug, Chairman		Estimated	Estimated	Estimated
Eng Hun Chuah, President				
Katrina L. Nepomuceno, Vice President				
Alejandro P. Alonte, Vice President				
Ma. Christina Bautista, Vice President				
All above-named Officers as a group	2018	P31,666,188	P3,179,799	P248,252
All other officers as a group unnamed	2018	None	None	None

<b>Name and Principal Position</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>	<b>Other Annual Compensation</b>
		Estimated	Estimated	Estimated
Reynaldo P. Bantug, President and CEO				
Eng Hun Chuah, President				
Ma. Christina A. Bautista, Vice President				
Katrina L. Nepomuceno, Corporate Secretary				
Alejandro P. Alonte, Vice President				
All above-named Officers as a group	2017	P29,320,544	P2,944,258	P248,252
All other officers as a group unnamed	2017	None	None	None

*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 P50,000 per meeting, per diem of P30,000 per meeting for members of the executive committee, and per diem of P20,000 per meeting for audit, compensation, and nominating committees.

Cash bonus of P500,000 were given to each director in 2017.

Total payments to non-salaried directors amounted to P3,060,000 in 2018 and P15,535,000 in 2017.

*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 2019, 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 5th anniversary of the perpetual preferred shares until the 8th 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 2018.

<b>Title of Class</b>	<b>Name and address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent of Class</b>
Common	PCD Nominee Corp. (Filipino) 37/F Tower I, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	*	Filipino	702,638,919	58.56%
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%
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%

*\* Beneficial owners under PCD Nominee Corporation that holds more than 5% shares are Venture Securities, Inc. which holds 144,736,641 shares or 12.06% and Platinum Securities, Inc. which holds 124,580,240 shares or 10.38%. 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 2018.

<b>Title of Class</b>	<b>Name and address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
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	Willy N. Ocier 32 Wilson Street, Greenhills, San Juan	3,707,200 (direct)	Filipino	0.31%
Common	Paolo Martin O. Bautista 8/F STI Holdings Center, 6764 Ayala Avenue, Makati city	3,000 (direct)	Filipino	0.00%
Common	Ignatius F. Yenke 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: 36,982,022.*

- 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 2018 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 20 of Notes to the Consolidated Financial Statements for the year 2018.

## **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 meeting of the BOD held on 04 June 2018, the Board approved the declaration of a cash dividend at the rate of Four & 25/100 Centavos (Php0.0425) per share payable to all preferred stockholders of record as of 20 June 2018 to be paid on 12 July 2018.
  - b. On 27 July 2018, the stockholders elected the following directors:
    - i. Reynaldo P. Bantug
    - ii. Edgardo S. Lopez
    - iii. Willy N. Ocier
    - iv. Bienvenido M. Santiago
    - v. Eusebio H. Tanco
    - vi. Ignatius F. Yenko
    - vii. Carlos G. Baniqued
    - viii. Eng Hun Chuah
    - ix. Paolo Martin O. Bautista
    - x. Anthony L. Almeda – independent director
    - xi. Clarita T. Zarraga – independent director
  - d. On 27 July 2018, the stockholders approved the following:
    - i. Approval of the minutes of the annual meeting held on 28 July 2017
    - ii. Management report and ratification of the actions taken by the BOD and officers since 28 July 2017
    - iii. Annual report and audited financial statements for the fiscal year 2017
    - iv. Appointment of SGV & Co. as external auditors for 2018
  - e. On 23 August 2018, the BOD on its organizational meeting elected the Corporation's officers and members of the various committees.
  - f. On 26 November 2018, the board approved to hold special stockholders' meeting for the purpose of securing the approval of the shareholders for a proposed private placement. The meeting will be on 11 January 2019, 2:00 p.m., at the Midas Hotel and Casino, 2702 Roxas Boulevard, Pasay City. For the purpose of this meeting, only stockholders of record at the close of business on 11 December 2018 will be entitled to vote.
  - g. On 03 December 2018, the Board approved a private placement from its unissued capital stock (Newly Issued Shares) at a price based on a premium over the closing price of the shares of the company on 29 November 2018.
  - i. On 21 December 2018, Atty. Katrina L. Nepomuceno resigned as Corporate Secretary and Compliance Officer of the Company. The Chairman of the Board accepted her resignation subject to the ratification by the Board of Directors during the next Board Meeting. Atty. Ma. Ruiza R. Hernane was appointed as Acting Corporate Secretary and Compliance Officer and she will serve as such until a Corporate Secretary and Compliance Officer shall have been appointed.

## INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

	Report of independent Auditors on Supplementary Schedules
A.	Financial Assets
B.	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C.	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
D.	Intangible Assets - Goodwill and Other Assets
E.	Long term Debt
F.	Indebtedness to Affiliates and Related Parties (Long-term loans from Related Companies)
G.	Guarantees of Securities of Other Issuers
H.	Capital Stock
I.	Financial Soundness Indicators
J.	Schedule of Retained Earnings Reconciliation Available for Dividend Declaration
K.	Map of Conglomerate
L.	List of Effective Standards and Interpretation

**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 APR 29, 2019

By:

  
Reynaldo P. Bantug  
 Chairman

  
Eng Hun Chuah  
 President

  
Oscar C. Kho Jr.  
 Group CFO

  
Ma. Ruiza R. Hernane  
 Acting Corporate Secretary

**APR 29, 2019**

SUBSCRIBED AND SWORN before me this \_\_\_ day of \_\_\_\_\_ 2019 affiants exhibiting to me in their Community Tax Certificates as follows:

Names	Community Tax No./Passport No.	Date of Issue	Place of Issue	TIN No.
Reynaldo P. Bantug	19113205	10 Jan 2019	Victorias City, Bacolod	117-376-653
Eng Hun Chuah	A52259130	10 Dec 2018	UTC Johor, Malaysia	464-311-848
Oscar C. Kho Jr.	11784256	22 Jan 2019	Pasig City	243-391-224
Ma. Ruiza R. Hernane	EC3013602	17 Dec 2014	DFA NCR East	182-039-648

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 Book No.: 47  
 Series of 2019

**FERDINAND B. AYAHAO**  
 NOTARY PUBLIC  
 Until December 31, 2019  
 Appointment No. 106(2018-2019)  
 For Pasig City, Marikina and San Juan City  
 Attorney's Roll No. 46377  
 IGP LRN 02127; O.J.L. No. 535806; 06-21-2001  
 MCLP No. V0219076; 04-13-16  
 FTR No. 2176150; 01-00-19; Pasig City  
 17-Goldberg Tower II, Suite 802, Escriba Drive  
 Oregon Center, Pasig City

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE A Financial Assets

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARES OR PRINCIPAL AMOUNT OF BONDS AND NOTES	AMOUNT SHOWN IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION AT END OF REPORTING DATE	INCOME RECEIVED AND ACCRUED
Cash in banks	N/A	P353,978,398	P353,978,398	-
Receivables - net	N/A	917,322,513	917,322,513	-
Rental Deposits	N/A	436,816,153	436,816,153	-
Cash performance bonds	N/A	287,705,000	287,705,000	-
Performance cash deposits and betting credit funds	N/A	27,650,000	27,650,000	-
Due from related parties	N/A	155,000,000	155,000,000	-
AFS financial asset - DFNN, Inc.	20,777,046	168,180,654	168,180,654	-
		<b>P2,346,652,718</b>	<b>P2,346,652,718</b>	-

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
Stockholders	P18,076,367	P35,155,977			P53,232,344		P53,232,344
Employees	19,018,702	40,696,316	(19,018,702)	-	40,696,316	-	40,696,316
Officers	-	-	-	-	-	-	-
<b>Total</b>	<b>P37,095,069</b>	<b>P75,852,293</b>	<b>(P19,018,702)</b>	<b>P -</b>	<b>P93,928,660</b>	<b>P -</b>	<b>P93,928,660</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.	P112,717,031	P -	P -	P -	P112,717,031	P -	P112,717,031
AB Leisure Global, Inc.	-	-	-	-	-	-	-
Blue Chip Gaming and Leisure Corporation	235,339,248	36,682,671	(56,865,208)	-	215,156,711	-	215,156,711
LR Land Developers Inc.	1,178,364,840	2,879,460	(1,151,796)	-	1,727,664	1,178,364,840	1,180,092,504
First Cagayan Converge Data Center Inc.	-	11,997,986	-	-	11,997,986	-	11,997,986
Total Gamezone Xtreme Incorporated	141,546,168	25,068,404	(176,685)	-	166,437,887	-	166,437,887
<b>Total</b>	<b>P1,667,967,287</b>	<b>P76,628,521</b>	<b>(P58,193,689)</b>	<b>P -</b>	<b>P508,037,279</b>	<b>P1,178,364,840</b>	<b>P1,686,402,119</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>P1,502,067,704</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P1,502,067,704</b>
Other Assets						
Airstrip improvements - net	37,186,496	-	(3,092,992)	-	-	34,093,504
Operating licenses	4,253,690	-	(3,777,448)	-	-	476,242
Lease rights	24,000,000	-	(5,000,000)	-	-	19,000,000
<b>Total Other Assets</b>	<b>65,440,186</b>	<b>-</b>	<b>(11,870,440)</b>	<b>-</b>	<b>-</b>	<b>53,569,746</b>
<b>Total Intangible Assets</b>	<b>P1,567,507,890</b>	<b>P -</b>	<b>(P11,870,440)</b>	<b>P -</b>	<b>P -</b>	<b>P1,555,637,450</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 "Long term debt - net of noncurrent portion"
Banco de Oro		P -	2,456,398,656 5.66% payable in full in November 2022
Banco de Oro		39,128,991	35,086,315 6.00% payable from September 2015 to August 2020
Banco de Oro		1,033,819	551,744 8.60% payable from July 2017 to June 2020
Banco de Oro		2,023,611	636,899 8.60% payable from January 2016 to May 2020
Unionbank		1,168,568	840,873 8.11% payable from August 2017 to July 2020
Unionbank		2,266,962	480,418 8.11% payable from September 2018 to December 2019
Asia United Bank		72,503,637	179,663,030 6.18% payable from June 2015 to May 2020
Asia United Bank		46,341,374	303,658,627 6.22% payable from December 2017 to December 2020
Asia United Bank		2,092,380	3,715,949 8.75% payable from January 2018 to August 2021
Asia United Bank		1,543,137	1,825,964 8.5% payable from February 2018 to January 2021
Classic Finance Inc.		-	546,299,444 7%-12% payable in full on May 8, 2020
		<b>P168,102,479</b>	<b>P3,529,157,919</b>

**LEISURE AND RESORTS WORLD CORPORATION**

**SCHEDULE F Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF THE PERIOD	BALANCE AT END OF THE PERIOD
<b>NOT APPLICABLE</b>		

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE G Guarantees of Securities of Other Issuers

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR WHICH THIS STATEMENT IS FILED	TITLE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED AND OUTSTANDING	AMOUNT OWNED BY PERSON FOR WHICH THIS STATEMENT IS FILED	NATURE OF GURANTEE
<div style="border: 1px solid black; padding: 10px; display: inline-block;">NOT APPLICABLE</div>				

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE H Capital Stock

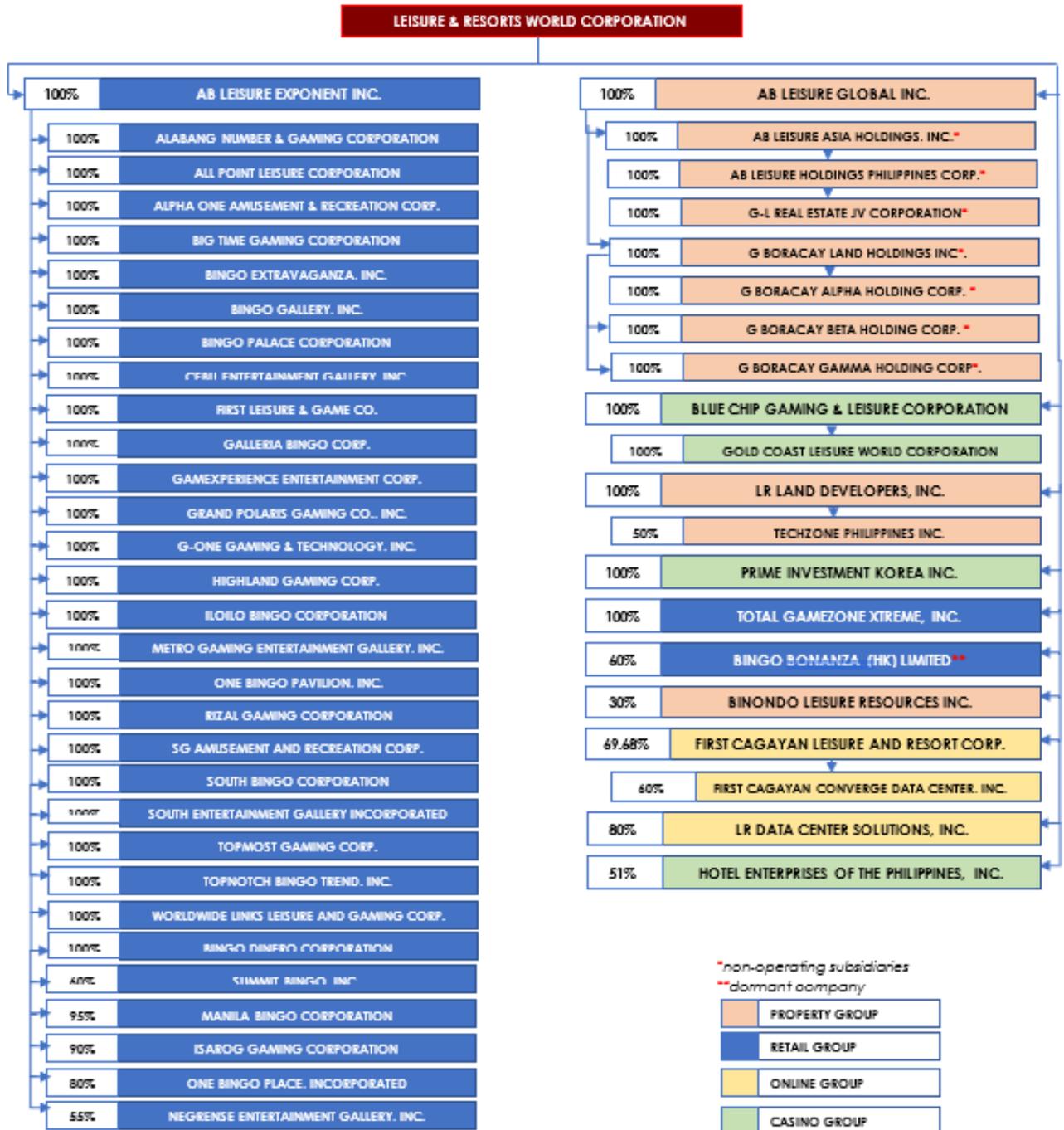
Title of Issue	Number of Shares Authorised	Number of shares issued and outstanding as shown under related Balance Sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,500,000,000	1,199,852,512		389,502,407	36,982,022	773,368,083
Preferred shares	2,500,000,000	1,650,000,000	82,500,000			

LEISURE AND RESORTS WORLD CORPORATION

SCHEDULE I FINANCIAL SOUNDNESS INDICATOR

Key Performance Indicator	Formula	2018	2017
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	38.4%	39.5%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	98.3%	87.8%
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Stockholders' Equity}}$	198.3%	187.8%
Payout Turnover	$\frac{\text{Traditional Bingo Revenues}}{\text{Payout}}$	1.47 times	1.42 times
Return on Average Equity	$\frac{\text{Net Income}^*}{\text{Average Stockholders' Equity}}$	4.6%	7.9%
Return on Average Assets	$\frac{\text{Net Income}^*}{\text{Average Total Assets}}$	2.4%	4.6%
Solvency Ratio	$\frac{\text{Net Income}^* + \text{Depreciation}^*}{\text{Total Liabilities}}$	9.9%	13.0%
Interest Coverage Ratio	$\frac{\text{Income Before Interest \& Tax}^*}{\text{Interest Expense}}$	3.3	5.4
Net Book Value Per Share	$\frac{\text{Stockholders' Equity}}{\text{Weighted Average Shares Outstanding}}$	7.6	7.4
Basic Earnings Per Share	$\frac{\text{Income Attributable to Ordinary Stockholders of the Parent Company}}{\text{Weighted Average Shares Outstanding}}$	0.3441	0.2443

LEISURE & RESORTS WORLD CORPORATION  
 MAP OF CONGLOMERATE  
 AS OF DECEMBER 31, 2018



**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>Retained earnings as at December 31, 2017, as restated</b>		<b>₱393,488,961</b>
Less -		
Deferred tax asset		238,185,532
<b>Unappropriated retained earnings, as adjusted, as at</b>		
<b>December 31, 2017</b>		<b>155,303,429</b>
Add (less):		
Net income	₱190,950,905	
Changes in deferred tax assets	(130,769,815)	60,181,090
Dividends declared during the year		(70,125,000)
<b>Retained earnings available for dividend distribution as at</b>		
<b>December 31, 2018</b>		<b>₱145,359,519</b>

**LEISURE AND RESORTS WORLD CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration		✓	
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓