

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

MJC INVESTMENTS CORPORATION

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

Philippines

4. SEC Identification Number

10020

5. BIR Tax Identification Code

000-596-509

6. Address of principal office

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

Postal Code

1014

7. Registrant's telephone number, including area code

(02) 632-7373

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

29 June 2017, 2:00 PM; Winford Hotel and Casino

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Jun 7, 2017

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common	3,174,405,821
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13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes          No

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

Philippine Stock Exchange, Common

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

## MJC Investments Corporation

### MJIC

**PSE Disclosure Form 17-5 - Information Statement for Annual or  
Special Stockholders' Meeting**  
*References: SRC Rule 20 and  
Section 17.10 of the Revised Disclosure Rules*

<b>Date of Stockholders' Meeting</b>	Jun 29, 2017
<b>Type (Annual or Special)</b>	Annual
<b>Time</b>	2:00 PM
<b>Venue</b>	Winford Hotel and Casino
<b>Record Date</b>	May 10, 2017

**Inclusive Dates of Closing of Stock Transfer Books**

<b>Start Date</b>	N/A
<b>End date</b>	N/A

**Other Relevant Information**

Attached is the Preliminary Information Statement of MJC Investments Corporation, received by the Security and Exchange Commission.

**Filed on behalf by:**

<b>Name</b>	Lemuel Santos
<b>Designation</b>	Corporate Information Officer

original

# COVER SHEET

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S.E.C. Registration Number

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W	I	N	F	O	R	D		H	O	T	E	L		A	N	D		C	A	S	I	N	O						

( Company's Full Name )

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

ATTY. LEMUEL M. SANTOS									
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Contact Person

632-7373									
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Company's Telephone Number

### PRELIMINARY INFORMATION STATEMENT 2017

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Month Day  
Fiscal Year

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FORM TYPE

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Month Day  
Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC Form 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter: **MJC INVESTMENTS CORPORATION  
DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND  
ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO**

3. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **10020**

5. BIR Tax Identification Number: **000-596-509**

6. Address of principal office: **Winford Hotel and Casino  
MJC Drive, Sta. Cruz, 1014, Manila**

7. Registrant's telephone number, including area code: **(02) 632-7373**

8. Date, time and place of the meeting of security holders: **29 June 2017, 2:00 PM  
Winford Hotel and Casino,  
MJC Drive, Sta. Cruz, Manila**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **7 June 2017**

10. Securities registered pursuant to Section 8 and 12 of the Securities Regulation Code:

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding
Common	3,174,405,821

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes  No

The registrant's securities are listed with the Philippine Stock Exchange as common shares.

# MJC INVESTMENTS CORPORATION

## INFORMATION STATEMENT

This Information Statement is dated 12 May 2017 and is being furnished to stockholders of MJC Investments Corporation (the "Corporation") at least fifteen (15) business days prior to the Annual Stockholders' Meeting on 29 June 2017 or approximately on or before 7 June 2017.

### WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

#### A. GENERAL INFORMATION

##### 1. Date, Time and Place of Meeting of Security Holders

Date	:	29 June 2017 ( <i>Thursday</i> )
Time	:	2:00 p.m.
Place	:	Winford Hotel and Casino, MJC Drive, Sta. Cruz, 1014, Manila

As enunciated in the Corporation's by-laws, all meetings of the stockholders shall be held: (i). at the principal office of the corporation<sup>1</sup>, (ii). on the second to the last business day of June of each year<sup>2</sup>, and (iii). at 2 o'clock in the afternoon<sup>3</sup>. Thus, the annual meeting of stockholders or security holders of the Corporation shall be held at Winford Hotel and Casino on 29 June 2017 at 2 o'clock in the afternoon.

Winford Hotel and Casino is situated at MJC Drive, Sta. Cruz, 1014, Manila, which also serves as the principal office and corporate mailing address of the Corporation.

##### 2. Dissenters' Right of Appraisal

Section 81 of the Corporate Code of the Philippines provides that any stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances: (i). in case of any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence; (ii). in case of sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property and assets as provided in the Code, and (iii). in case of merger or consolidation.

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<sup>1</sup> Section 1, Article XVII. Meetings of Stockholders

<sup>2</sup> Section 2, Article XVII. Meetings of Stockholders

<sup>3</sup> Ibid.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the fair market value of shares<sup>4</sup>.

With the foregoing, there are no matters to be taken up in the Annual Stockholders' Meeting that may give rise to the exercise of the Corporation's stockholders or security holders' right of appraisal.

3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- a. No director, officer, or nominee for election as director has substantial interest in any matter to be acted upon, other than election to office.
- b. No director has informed the Corporation in writing that he or she intends to oppose any action to be taken at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

4. Voting Securities and Principal Holders Thereof

- a. Number of shares outstanding as of 10 May 2017 [*Record Date*]

Common	3,174,405,821
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- b. Number of Foreign Ownership: 80,633 common shares
- c. Percentage of Foreign Ownership Level: 0.00%

Each security holder shall be entitled to as much number of votes as the number of shares held.

- d. Record Date: 10 May 2017
- e. Cumulative Voting Rights

Each security holder is entitled to cumulative voting rights pursuant to Section 24 of the Corporation Code of the Philippines. Pertinent provision of which reads:

*"Sec. 24. Election of directors or trustees. - xxx In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the*

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<sup>4</sup> Section 82, Title X. Appraisal Right, Corporation Code of the Philippines

number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: xxx”

f. Security Ownership of Certain Beneficial Owners and Management

I. Stockholders Owning at Least 5% of the Outstanding Capital Stock as of 10 May 2017 [Record Date]

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corporation G/F, Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City	N.A*	Filipino	1,406,044,196	44.29%

*\*There is no actual, natural or judicial person that directs the voting or disposition of the shares held by PCD Nominee Corporation. Further, there is no beneficial owner of the shares held by PCD Nominee Corporation that holds or can vote on 5% or more of the Corporation's voting securities.*

II. Security Ownership of Management (Directors and Officers) as of 10 May 2017 [Record Date]

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (D for Direct; I for Indirect)	Citizenship	Percent of Class
Common	ALFONSO R. REYNO, JR. 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, Pasig City	26,320,408 (D)	Filipino	0.83%
Common	CHAI SEO MENG 1 Amber Road #06-02 Singapore 439845	1 (D)	Singaporean	0.00%
Common	JOSE ALVARO D. RUBIO 46 Bridgestone Drive, Bridgestone Park, Pasig City	1 (D)	Filipino	0.00%
Common	ALFONSO V.G. REYNO III 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, Pasig City	1 (D)	Filipino	0.00%
Common	JOHN ANTHONY B. ESPIRITU 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center,	1 (D)	Filipino	0.00%



Pasig City				
Common	GABRIEL A. DEE 19/F Liberty Center, 104 H.V. De La Costa Street, Makati City	1 (D)	Filipino	0.00%
Common	WALTER L. MACTAL 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, Pasig City	1 (D)	Filipino	0.00%
Common	DENNIS RYAN C. UY 19825 Cherry Street, Executive Heights Subdivision, Parañaque City	1 (D)	Filipino	0.00%
Common	VICTOR P. LAZATIN 237 West Batangas Street, Ayala Alabang, Muntinlupa City	1 (D)	Filipino	0.00%
Common	LAURITO E. SERRANO 4205C Madras Street, Makati City	1 (D)	Filipino	0.00%
Common	CHERRYLYN G. PRADO-CAOILI 18/F Liberty Center, 104 H.V. De La Costa Street, Makati City	1 (D)	Filipino	0.00%
Common	FERDINAND A. DOMINGO 12/F Strata 100 Building, F. Ortiga Road, Ortigas Center, Pasig City	240,022 (D)	Filipino	0.01%
Common	<b>All Directors and Officers</b>	<b>26,560,440</b>	<b>Filipino</b>	<b>0.84%</b>

### III. Voting Trust Holders of 5% or More

The Corporation is not aware of any person who holds any of its securities under a voting trust or similar agreement.

### IV. Changes in Control

The Corporation is not aware of any arrangement which may result in the change in its control.

### V. Directors and Executive Officers as of 10 May 2017 *[Record Date]*

The Directors of the Corporation are elected at the regular annual meeting of stockholders to hold office until the next succeeding annual meeting or until their respective successors shall have been elected and qualified.

Since the date of the recently concluded Annual Stockholders' Meeting, no director has resigned or declined to stand for re-election because of a disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

There was no transaction or proposed transaction during the last two (2) years to which the Corporation was or is to be a party with: (i). any director/executive director; (ii). any nominee for election as director; (iii). any security holder of record, beneficial owner or Management; and (iv). any member of the immediate family of the foregoing person/s.

The information of the following Directors and Officers of the Corporation include their educational attainment, work experiences, and undertakings for the last five (5) years:

**ALFONSO R. REYNO, JR.**

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

**CHAI SEO MENG**

Mr. Chai Seo Meng received a Bachelor of Business Administration degree from the National University of Singapore in 1987. From June 1992 to October 2004, he worked at the United Overseas Bank Limited as a Senior Trader for Foreign Exchange by providing assistance to the head of foreign exchange advisory on the management of the Advisory desk. Mr. Chai also became the Head of Foreign Exchange at Nomura Singapore Limited from October 2004 until February 2009. Presently, he practices Private Consultation and provides various wealth management and financial advisories to various business sectors.

**JOSE ALVARO D. RUBIO**

Filipino, born on 19 February 1953. He was the Senior Vice President at Philippine National Bank ("PNB") and has over thirty five (35) years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the

Philippines, an association of local and foreign banks. He graduated from University of the East with a degree of Bachelor of Science in Business Administration major in Accounting (Cum Laude) and is a Certified Public Accountant.

**ALFONSO VICTORIO G. REYNO III**

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

**GABRIEL A. DEE**

Filipino, born on 5 July 1964. He graduated from the University of the Philippines in 1984 with a degree of Bachelor of Arts major in History and finished his Bachelor of Laws in the same school in 1988. He finished his MBA Units in Ateneo De Manila Graduate School of Business in 1992. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Senior Partner, Picazo Buyco Tan Fider & Santos Law Offices (2006 to present), Junior Partner, Picazo Buyco Tan Fider & Santos Law Offices (1994 to 2006), Senior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1992 to 1994), Junior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1988 to 1992) and Research Assistant, University of the Philippines, College of Law (1998).

**VICTOR P. LAZATIN**

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

### **LAURITO E. SERRANO**

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

### **WALTER L. MACTAL**

Mr. Walter L. Mactal received an A.B. Economics degree from the Ateneo De Manila University in 2004. He obtained his Juris Doctor from the Ateneo de Manila University - School of Law in 2008. He was admitted to the Philippine Bar in 2009 and he continued working in a private law firm in Makati City until March 2012. Presently, Mr. Mactal works as a Director for Legal and Corporate Affairs in a private company in the Philippines. He has a broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services.

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

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

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

Filipino, born on 12 July 1963. He graduated from University of Michigan, Ann Arbor, Michigan, United States with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university his master's degree in Business Administration in May 1990. He occupied and is currently holding the following positions in the last five (5) year: President/Director of EBE Land, Inc. (January 1997 to present); Chairman /Publisher of the Philippine News, San Francisco, California (November 2004 to present); Director of Asia-Pacific Medical Corp of Saipan, Northern Marianas Islands (June 1998 to present). He resides at Penthouse B, Ritz Towers, Ayala Avenue, Makati City.

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

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

### **FERDINAND A. DOMINGO**

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

### **LEMUEL M. SANTOS**

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

## VI. Independent Directors

At the Annual Stockholders' Meeting last 29 June 2015, Directors Victor P. Lazatin and Laurito E. Serrano were elected Independent Directors of the Corporation. They are independent of management and free from any business or other relationship where it could or could reasonably be perceived to mutually interfere with their exercise of independent judgment to carry out their responsibilities as directors.

Directors and Independent Directors are nominated through the Nomination Committee. After the submission of names as recommended by the stockholders, the Nomination Committee evaluates the recommendations as per the requirements and disqualifications stated in Section 38 of the Securities and Regulation Code (SRC)<sup>5</sup> as well as in the Code of Corporate Governance. After evaluation, said names will be submitted to the stockholders as nominees for directors.

The Nomination Committee is composed of Gabriel A. Dee as Chairman, Alfonso G. Reyno III, and Victor P. Lazatin as members.

Pursuant to Section 38 of the SRC<sup>6</sup> and as adopted in the by-laws of the Corporation dated 21 April 2004, the following rules shall apply in the Nomination and Election of Independent Directors:

- i. Nominations shall be conducted by the Nomination Committee.
- ii. The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates.
- iii. After the nominations, the Nomination Committee shall prepare a Final List of Candidates.
- iv. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the stockholders' meeting.
- v. The conduct of election of independent directors shall be made in accordance with the standard election procedure of the Corporation.
- vi. Specific slots for independent directors shall not be filled up by unqualified nominees.

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<sup>5</sup> *Sec. 38. Independent Directors.* – Any corporation with a class of equity securities listed for trading on an Exchange or with assets in excess of Fifty million pesos (P50,000,000.00) and having two hundred (200) or more holders, at least of two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities or which has sold a class of equity securities to the public pursuant to an effective registration statement in compliance with Section 12 hereof shall have at least two (2) independent directors or such independent directors shall constitute at least twenty percent (20%) of the members of such board, whichever is the lesser. For this purpose, an “independent director” shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

<sup>6</sup> *Ibid.*

- vii. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

5. Directors and Executive Officers of the Corporation as of 10 May 2017 [Record Date]

Position	Name	Citizenship	Age	Term of Office	Period Served
Chairman, CEO & President	Alfonso R. Reyno, Jr.	Filipino	72	8	2009-2017
Vice Chairman	Chai Seo Meng	Singaporean	53	1 month	2017
Director, Treasurer & Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	64	3	2014-2017
Director & Vice President	Alfonso Victorio G. Reyno III	Filipino	47	8	2009-2017
Director	Gabriel A. Dee	Filipino	52	4	2013-2017
Director ( <i>Independent</i> )	Victor P. Lazatin	Filipino	69	8	2009-2017
Director ( <i>Independent</i> )	Laurito E. Serrano	Filipino	56	3	2014-2017
Director	Walter L. Mactal	Filipino	34	1 month	2017
Director	Cherrylyn G. Prado-Caoile	Filipino	42	4	2013-2017
Director	John Anthony B. Espiritu	Filipino	53	5	2012-2017
Director	Dennis Ryan C. Uy	Filipino	38	3	2014-2017
Corporate Secretary & General Counsel	Ferdinand A. Domingo	Filipino	64	3	2014-2017
Corporate Information & Compliance Officer	Lemuel M. Santos	Filipino	66	3	2014-2017

a. Significant Employees

The Corporation has other employees aside from the corporate officers. Hence, there are other persons, executive or otherwise, who are expected to make a significant contribution to the business of the Corporation.

b. Family Relationships

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

There are no other family relationships between directors and executive officers other than the ones above.

c. Involvement in Certain Legal Proceedings as of 10 May 2017 [Record Date]

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

The Corporation is not aware of any events that occurred during the past five (5) years that are material to an evaluation of the ability and integrity of any directors, executive officers, promoter or control person of the Corporation.

d. Description of Any Material Pending Legal Proceedings

There is no pending material legal proceeding during the last five (5) years to which the Corporation or any of its subsidiaries is a party.

A legal proceeding is deemed material if such case would result in affecting at least ten percent (10%) of the total assets of the Corporation.

e. Certain Relationship and Related Transactions

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

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

Entity	Relationship	Nature	2017		2016		Terms	Condition
			Amount	Receivable/ (Payable)	Amount	Receivable/ (Payable)		
Sierra Prime Properties Corporation (SPPC)	Affiliate	Sale of assets and liabilities (see Note 16)	P-	108,389,153	P-	108,389,153	Non-interest bearing	Unsecured, unguaranteed
Manila Jockey Club, Inc. (MJCI)	Stockholder	Advances (see Note 10)	P-	(4,970,819)	P-	(4,970,819)	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Manila Cockers Club Inc. (MCCI)	Subsidiary of a stockholder	Comission from Off Track Betting	-	P75,934	P75,934	-	non-interest bearing; Due and Demandable	Unsecured, unguaranteed

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



## 6. Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last year and estimated to be paid in the ensuing year to the Corporation's Chief Executive Officer (CEO) and four (4) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers. The stated annual salary includes the mandatory thirteenth (13th) month pay.

Position	Name	Annual Compensation											
		2015			2016			2017 (estimate)					
		Salary	Bonus	Other annual compensati on	Salary	Bonus	Other annual compensati on	Salary	Bonus	Other annual compensati on			
Chairman & CEO	Alfonso R. Reyno, Jr.	P5,283,000	-	P-	P7,267,569	P-	P-	P7,267,569	P-	P-			
Vice President & Director	Alfonso Victorio G. Reyno III	4,105,000	-	-	6,402,462	-	-	6,402,462	-	-			
Chief Finance Officer	Rodolfo B. Reyno Jr. (Until Oct 2015)	2,793,000	-	-	-	-	-	-	-	-			
Chief Finance Officer	Jose Alvaro D. Rubio (Oct 2015 - Present)	-	-	-	2,793,000	-	-	2,793,000	-	-			
Corp. Sec. & Gen. Counsel	Ferdinand A. Domingo	1,608,000	-	-	2,541,442	-	-	2,541,442	-	-			
VP for Operations	Juan Antonio S. Gatuslao	2,891,000	-	-	4,472,313	-	-	4,472,313	-	-			

All directors are entitled to a per diem ranging from P10,000.00 - P15,000.00 plus a P3,000.00 allowance to cover their transportation, communication and other expenses for every board meeting attended. There are no contracts with the named executive officers for any compensation plan or arrangement that will result from the resignation, retirement or any other termination of employment of said executive officers. There are no outstanding warrants or options being held by the named executive officers or directors and neither are there any changes in control arrangements made with the named executive officers and the directors. Thus, there is compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 8, series of 20047.

### AS A GROUP

	Annual Compensation					
	2015		2016		2017 (estimate)	
	Salary	Bonus	Salary	Bonus	Salary	Bonus
Directors & Officers	P16,441,013	P-	P24,661,520	P-	P-	P-

<sup>7</sup> Certification Requirement for Compliance Officers

## 7. Key Management Personnel

Compensation of the executive personnel of the Corporation as of 31 March 2017 and of the same period in 2016 amounted to P2.7 million and P3.5 Million respectively. The Corporation has no standard arrangement with regard to the remuneration of its directors. The directors' fees in March 2016 are nil like in 2014 and 2015.

## FINANCIAL AND OTHER INFORMATION

### 8. Independent Public Accountants

- a. The principal accountant for the fiscal year ended 31 December 2016 is SGV & Co. with address at 6760 Ayala Avenue, Makati City. The Corporation has engaged Ms. Adeline D. Lumbres, partner of SGV and Co., for the audit of the Corporation's books and accounts in 2016.
- b. The Corporation re-engaged the current independent public accountant in 2016, by which time its engagement partners, as already confirmed/mentioned in the Audit Committee meeting held on 11 April 2016.
- c. The Audit Committee is composed of Laurito E. Serrano (Independent Director) as Chairman, Victor P. Lazatin (Independent Director), Jose Alvaro D. Rubio, Bernadette Quiroz<sup>8</sup> and John Anthony B. Espiritu as members.
- d. Further, the appointment of the partner-in-charge for the 2016 audit is in compliance with paragraph 3-B, item 9 of SRC Rule 68, as amended<sup>9</sup>, on the requirement on the rotation of external auditors. The reappointment of SGV & Co. as the Corporation's external auditors is part of the agenda for this year's Annual Stockholders' Meeting.
- e. Representatives of SGV & Co. are expected to be present at the meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.
- f. There are no disagreements with the accountants on accounting principles or practices, financial disclosures or other related matters.

### 9. Financial Statements

Upon recommendation of the Audit Committee of the audited financial statements, the Board of Directors approved the same during the special board meeting dated 19 April 2017. A copy of the Corporation's audited Financial Statements for the year ended 31 December 2016 is attached herewith with schedules A to K.

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<sup>8</sup> Resigned from the Board of Directors and the Audit Committee on 15 August 2016.

<sup>9</sup> (ix) *Rotation of External Auditors* - The independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.

## D. OTHER MATTERS

### 10. Action with Respect to Reports and Other Proposed Action

The Minutes of the Annual Stockholders' Meeting held on 29 June 2016 will be submitted for the approval of the security holders. The minutes reflect the approval of the following matters by the stockholders:

- I. Approval of the Minutes of the Annual Stockholders' Meeting dated 29 June 2016
- II. Report of the President
- III. Ratification of All Acts of the Board and Management including the listing of additional shares with the Philippine Stock Exchange (PSE).
- IV. Election of Directors
- V. Appointment of External Auditor

### 11. Matters to be Submitted for Approval

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 29 June 2016, or the last annual meeting. These are reflected in the minutes of meetings of the Board of Directors, the regular reports and disclosures to the SEC and Philippine Stock Exchange, the 2016 Annual Report, and the report of the Chairman and President.

The acts of the Board of Directors and Management pertain primarily to acts in the normal course of business and compliance with and submission of all regulatory requirements, reports and financial statements, audited and unaudited from period to period, such as, but not limited to:

- a. Election of Corporate Officers and Organization of Board Committees;
- b. Election of the Board of Directors and appointment of the External Auditor;
- c. Approval of the Audited Financial Statements for the Fiscal year ending December 31, 2016;
- d. Approval of the appointment of Mr. Chai Seo Meng as Vice-Chairman.
- e. Approval of the appointment of Atty. Wlatter L. Mactal as member of the board.

### 12. Other Proposed Action

N.A.

## E. NOMINATION AND VOTING PROCEDURES

### 13. Nomination Procedure

- a. The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Corporation's Information Statement or such other reports required to be submitted to the SEC.
- b. All nominations for regular and independent directors shall be signed by the nominating stockholders, who must be of good standing, together with the acceptance and conformity by the would-be nominees. The nominations should specify whether the nomination is for regular or independent director.
- c. All nominations must be submitted to the Nomination Committee at least five (5) days before the stockholders' meeting to enable the Nomination Committee to effectively pass upon the qualifications of all nominees for regular and independent directors.
- d. After screening the qualifications of all nominees, the Nomination Committee shall prepare a Final List of Candidates of both regular and independent directors five (5) days before the stockholders' meeting. Both Lists shall contain all the information about all the nominees for regular director and independent director, as required by under the SRC and its Implementing Rules and Regulations, which shall be made available to the SEC and to the stockholders through the filing and distribution of the Information Statement.
- e. Only nominees whose names appear on the Final List of Candidates for regular and independent directors shall be eligible for election as Regular and Independent Directors. No other nominations for both regular and independent director shall be entertained after the Final List of Candidates shall have been prepared by the Nomination Committee. No further nominations for regular and independent director shall be entertained or allowed on the floor during the actual annual/special stockholders' meeting.
- f. Except as those required under the SRC and subject to pertinent existing laws, rules and regulations of the SEC, the conduct of the election of regular and independent directors shall be made in accordance with these rules of procedure.
- g. The Corporation shall elect at least two (2) independent directors. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing at least two (2) independent directors. He shall ensure that at least two (2) independent directors are elected during the stockholders' meeting.

14. Vote Requirement

a. For Election of Directors

- i. The aforementioned action will require that the majority of the shares of the Corporation's common stock are present and represented and entitled to vote at the annual meeting.
- ii. Voting is executed through balloting or by other means approved by the stockholders.
- iii. Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes shall be declared elected.

b. Ratification of all Acts of Management and the Board of Directors for the period of 29 June 2016 to 29 June 2017

- i. The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.
- ii. Election is executed through balloting or by other means approved by the stockholders.

c. Appointment of the External Auditor

- i. The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.
- ii. Election is executed through balloting or by other means approved by the stockholders.

15. Procedure on Voting and Vote Requirement

- a. The Corporation's by-laws provide that at all corporate meetings, each stockholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock, such proxy shall be in writing or filed with Secretary of the Corporation<sup>10</sup>.
- b. The voting on the matter for approval by the stockholders will be done through ballots which shall be collected and counted by the Corporate Secretary.

16. Procedure for Election of Regular and Independent Directors

- a. There shall be two (2) rounds of voting. The first round shall be the election of the nine (9) regular directors, and the second round shall be the

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<sup>10</sup> Article XVIII, Voting

election of the two (2) independent directors. This is to ensure that the independent directors are duly elected by the stockholders as required by the SRC.


- b. Voting is by viva voce or by acclamation. However, the election must be by ballot if requested by any stockholder.
- c. Every stockholder has the right to cumulative voting.
- d. The votes shall be tallied by the Corporation's external auditor under the supervision of the Corporate Secretary.

**SIGNATURES**

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 11 MAY 2017.

Registrant : **MJC INVESTMENTS CORPORATION**  
 Date : 11 MAY 2017

By:

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

  
 ALFONSO VICTORIO G. REYNO III  
*Vice-President*

  
 JOSE ALVARO D. RUBIO  
*Chief Finance Officer*

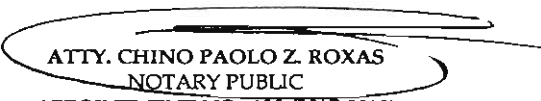
  
 JOEMAR L. ONNAGAN  
*Director for Finance and Admin*

  
 FERDINAND A. DOMINGO  
*Corporate Secretary*

SUBSCRIBED AND SWORN TO before me this day of 11 MAY 2017 at Pasig City, affiants exhibiting to me their ID Nos., as follows:

<u>Names</u>	<u>ID Nos.</u>	<u>Date/Place Issued</u>
Alfonso R. Reyno, Jr.	TIN No. 114-555-166	Manila, Philippines
Alfonso Victorio G. Reyno III	TIN No. 903-359-248	Manila, Philippines
Ferdinand A. Domingo	TIN No. 145-006-236	Manila, Philippines
Jose Alvaro D. Rubio	TIN No. 109-945-552	Manila, Philippines
Joemar L. Onnagan	TIN No. 927-386-200	Manila, Philippines

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 Page No. 12  
 Book No. 1  
 Series of 2017.

  
**ATTY. CHINO PAOLO Z. ROXAS**  
 NOTARY PUBLIC  
 APPOINTMENT NO. 138 (2017-2018)  
 Until December 31, 2018  
 PTR No. 2516057/01-05-17/PASIG CITY  
 IBP No. 1060502/01-7-17/MAKATI CITY  
 CITIES OF PASIG, SAN JUAN AND PATEROS  
 Roll of Attorney No. 57018

## REPORT REQUIRED UNDER SRC RULE 20

### MANAGEMENT REPORT

#### A. Audited Consolidated Financial Statements

The audited financial statements of the Corporation as of 31 December 2016 and interim unaudited financial statements as of 31 March 2017 are attached herewith.

#### B. Changes in and Disagreements with Accountants on Accounting and Financing Disclosures

No disagreements with the independent public accountant.

#### C. Management Discussion and Analysis or Plan of Operation

1) Financial condition and results of operations for the last three (3) fiscal years:

	2016	2015	2014	2013
Assets	6,691,410,788	6,066,655,430	2,492,588,611	2,390,239,507
Liabilities	4,133,060,987	3,100,681,982	209,906,893	83,338,756
Capital	2,558,349,801	2,965,973,448	2,282,681,718	2,306,900,751
Income	223,759,165	4,793,659	10,178,114	10,917,012
Cost and Expenses	670,122,531	58,733,468	34,397,147	42,834,180
Net Income (Loss)	(446,363,366)	(53,939,809)	(24,219,033)	(31,917,168)
Deficit at Beginning of Year	(169,692,654)	(112,383,887)	(88,164,854)	(47,938,131)
Deficit at End of Period	(616,056,020)	(169,692,654)	(112,383,887)	(88,164,854)
Earnings (Loss) per share	(0.14)	(0.02)	(0.01)	(0.02)
Cash Flows from Operating Activities	112,376,370	(180,251,212)	(44,367,524)	(118,733,740)
Cash Flows from Investing Activities	(2,144,839,783)	(2,078,924,206)	(879,118,024)	(220,323,554)
Cash Flows from Financing Activities	917,090,888	(3,208,548,705)	-	(1,544,634,949)
Net Increase (Decrease) in Cash	(1,115,372,525)	949,373,287	(923,485,548)	1,205,577,655
Cash at Beginning of Year	1,240,357,420	290,984,133	1,214,469,681	8,892,026
Cash at End of Year	124,984,895	1,240,357,420	290,984,133	1,214,469,681



In 2016, total assets amounted to **P6,691.41** Million compared to **P6,066.66** Million in 2015. There was an increase of **P624.76** Million or 10.3% increase in assets in 2016 such as property, plant and equipment, input VAT and other non-current assets. As compared in 2015, total assets in 2014 amounted to **P2,492.59** Million and **P2,390.24** Million in 2013. There was an increase of **P3,1574.07** Million or 143.4% and **P3,676.4** Million or 153.8% in 2014 and 2013 respectively.

Cash and cash equivalents balance as of 31 December 2016 decreased to **P124.98** Million as compared to the balance of **P1,240.36** Million last 31 December 2015. The decrease of **P1,115.37** Million or 89.9% in 2016 is primarily due various payment made to contractors. As compared in 2015, total Cash and cash equivalent in 2014 amounted to **P290.98** Million and **P1,214.47** Million in 2013.

There is no Held for Trading Investments for 31 December 2016, 2015 and 2014.

The advances to contractors as of 31 December 2016 decreased to **P124.12** Million from **P481.74** Million in 2015, with a decrease of **P357.62** Million or 74%. The decrease pertains mainly to recoupment of down payments to contractors for the project in Manila. In 2014 recorded advances to contractors amounted to **P145.69** Million and **P108.32** Million in 2013.

Other current assets as of 31 December 2016 decreased to **P42** Million from **P13.13** Million as of 31 December 2015, showing a decrease of **P12.72** Million or 96.8%. Other current assets in 2014 amounted **P194.39** Million and **P103.73** Million in 2013. The significant decrease is due to the debt issue cost of undrawn loan of **P1** billion which was subsequently utilized in April 2016 upon drawdown of the remaining loan facility.

Property and equipment as of 31 December 2016 increased to **P5,753.97** Million from **P3,816.23** Million in 2015, showing an increase of **P1,937.74** Million or 50.8% in 2016 and increase of **P4,020.86** Million or 232% in 2014. The increase is due to capitalization of project costs for the construction of the hotel-entertainment complex in Sta. Cruz, Manila. The **P841.90** Million in 2013 is mainly due to the property received in consideration for the subscription of MJCI to the Corporation's common shares.

In 2016, total liabilities amounted to **P3,472.79** Million compared to **P3,100.68** Million in 2015. There is an increase of **P372.11** Million or 12%. The increase is due to the loans secured at Union Bank of the Philippines mainly for the development project and retention monies. Decrease in accounts payable due to check payments made to contractors and suppliers. The total liabilities in 2014 and 2013 in the amount of **P209.91** Million and **P83.34** Million respectively are mainly due to the retention payable and accrual of expenses.

The Corporation started its operations this 2016 with total revenue of **P222.22** Million. Of the total revenue, **P171.93** Million or 77% is the revenue share from gaming operations. It has earned interest income from its time deposits and interest from advances to an affiliate. In 2014 and 2013, the revenue was primarily due to the Interest from Savings and Current Bank Accounts.

Cost and expenses during 2016 amounted to **P538.85** Million reflecting an increase of **P495.57** Million compared to the amount in 2015 of **P43.28** Million. The increase is due to operational expenses incurred as the company already started its operations. Costs and expenses in 2014 amounted to **P32.41** Million and **P42.83** in 2013 with a same higher percentage in the current year excepts salaries and wages.

The net loss after taxes for the current year amounted to **P446.36** Million with increase of **P392.42** Million compared to the net loss of **P53.94** Million incurred from the previous year. The net loss for 2014 and 2013 amounted to **P24.22** Million and **P31.92** Million respectively.

The following are the comparative key performance indicators of the Corporation and the manner of its computation as of the years ended 31 December 2016, 2015, 2014 and 2013:

Indicators	Manner of Computation	As of the Period Ended			
		2016	2015	2014	2013
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilites}}$	1.21:1	3.46:1	3.55:1	18.50:1
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equities}}$	1.62:1	1.05:1	0.09:1	0.04:1
Asset to Liability Ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	1.62:1	1.96:1	11.87:1	26.68:1
Return on Assets	$\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$	-7%	-89%	97%	-1.34%
Basic Earnings (Losses) Per Share	$\frac{\text{Net Income (Loss)}}{\text{Outstansing Common Shares}}$	-0.140	-0.020	-0.010	-0.020

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 31 December 2016, current ratio has decreased to 1.21 from 3.46 of 31 December 2015. As such, the Corporation has P1.21 current assets to support a P1.00 current liabilities. Current ratio for 2014 is 3.55 and 18.50 for 2013.

The debt to equity ratio measures the riskiness of the Corporation's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of 31 December 2016 the debt to equity ratio has changed to 1.62 from 1.05 of 31 December 2015. Debt Equity Ratio for 2014 is 0.09 and 0.04 for 2013.

The asset-liability ratio exhibits the relationship of the total assets of the Corporation with its total liabilities. As of 31 December 2016, the ratio decreased to 1.62 from 1.96 of 31 December 2015. This indicates that for every P1.00 of liability, the Corporation has P1.62 of its assets. Asset liability ratio for 2014 is 11.87 and 26.68 for 2013.

The return on assets indicates the percentage of how profitable a Corporation's assets are in generating revenue. This allows the Corporation to see how much the income is per peso of its asset. As of 31 December 2016, the ratio changed to (0.7%) from (89%) in 2015. Return on assets ratio for 2014 is 97% and (1.34%) for 2013.

As of 31 December 2016, the Corporation's loss per share is (P0.140) from (P0.020) as of the same period in 2015. In 2014, the loss per share is (P0.010) and (P0.020) for 2013.

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity nor reasonably expected to have a favorable or unfavorable impact from continuing operations

There are no events that will trigger contingent financial obligation.

There are substantial commitments on capital expenditures. The construction of the Hotel-Entertainment Complex is substantially completed in December 2016.

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

2) Financial condition and results of operations for the last fiscal year and for 2016 interim period.

Total current assets as of 31 March 2017, amounted to **P910.38** Million showing an increase of **P113.86** Million or **14.30%** as compared to the 31 December 2016 balance of **P796.51** Million. The increase is primarily due to the cash proceeds from the deposit for future subscription made by stockholders.

Total non-current assets as of 31 March 2017, decreased to **P5,813.56** Million from the balance of **P5,894.90** Million as of 31 December 2016, with a decrease of **P81.35** Million or **1.38%** attributable to decrease of deferred input taxes and other non-current assets.

Accounts Payable and other liabilities as of 31 March 2017, amounted to **P617.57** Million showing a decrease of **P23.67** Million or **(3.69%)**, compared to the 31 December 2016 balance of **P641.22** Million. The decrease is mainly due to the settlements made to various construction related payables.

For the three-month period ending 31 March 2017, the Corporation's revenues amounted to **P51.06** Million, higher by **P32.40** Million or **173.57%** compared to the same period in 2016 which was on soft-opening only. Revenues for the 1<sup>st</sup> quarter of 2017 are merely attributable to 40% PAGCOR revenue share, food and beverage sales, rentals and banquet events.

Costs and expenses exclusive of provision for final tax for the three-month period ended 31 March 2017 and for the same period in 2016 amounted to **P215.33** and **P55.68** Million respectively. Gaming and hotel expenses, salaries and utilities are the main expenses for the 1<sup>st</sup> quarter of 2017.

Net loss amounted to P191.37 Million for the three-month period ending 31 March 2017. There is an increase of P154.82 Million from the net loss of P36.57 Million for the same period in 2016.

The following are the comparative key performance indicators of the Corporation and the manner of its computation as of the period ended 31 March 2016 and 2015:

Indicators	Manner of Computation	As of the Period Ended	
		Mar 31, 2017	Dec 31, 2016
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.44:1	1.21:1
Debt Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equities}}$	1.33:1	1.62:1
Asset Liability Ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	1.94:1	1.62:1
Return on Assets	$\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$	(2.85%)	(6.67%)
Basic Earnings(Losses) Per Share	$\frac{\text{Net Income (Loss)}}{\text{Outstanding Common Shares}}$	(P0.06)	(P0.14)

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 31 March 2017, the current ratio increased to 1.44 compared to 1.21 as of December 31, 2016. The outstanding payable in 2017 mostly consists of balances on project-related expenditures. The Corporation has P1.44 current assets to support a P1.00 current liability.

The debt to equity ratio measures the riskiness of the Corporation's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of 31 March 2017, the debt to equity ratio has decreased to 1.33 from 1.62 from December 31, 2016. The effect of high debt to equity ratio indicates higher risk, as debt holders may have higher claims on the Corporation's assets.

The asset-liability ratio, exhibits the relationship of the total assets of the Corporation with its total liabilities. As of March 31, 2017, the ratio increased to 1.94 from 1.62 on December 31, 2016. The result indicates that for every P1.00 of liability, the Corporation has P1.94 of assets.

Return on Assets is computed by dividing net income over total assets. This allows the Corporation to see how much the income is, per peso asset. As of March 31, 2017 the ratio changed to (2.85%) from (6.67%) in December 31, 2016. This profitability ratio is not yet feasible to the Corporation.

As of 31 March 2017, the Corporation's loss per share is (P0.06) from (P0.14) in December 31, 2016.

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

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

There are substantial commitments on capital expenditures, specifically for the on-going construction of the hotel and entertainment project on its property located in Sta. Cruz, Manila.

#### D. External Audit Fees and Audit-Related Fees

The Corporation expects to pay its external auditor, SGV & Co., an aggregate amount of P650,000.00 as professional fees for the audit of its annual financial statements for the year ended 31 December 2016. There was an increase in the audit fee due to increased volume of transactions as the Corporation is in the final stage of the developing a hotel-entertainment casino. Also, SGV is tasked to review the operational procedures for gaming operations, which the Audit Committee approved. No other fees were paid to said team of auditors for other services.

The engagement of an external auditor as well as the type of services to be rendered to the Corporation is being evaluated by the Audit Committee and recommended to the Board. Likewise, the payment of audit fees is being evaluated by the same committee prior to remittance.

In the past two (2) years, the Corporation paid its external auditors the following fees:

	Audit and audit-related fees <i>(with VAT)</i>
2016	P650,000.00
2015	P550,000.00

There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosures.

#### E. General Nature and Scope of Business

The Corporation was formed in 1955 to engage in mining business. However, the Corporation stopped its mining operations and eventually changed its primary purpose from mining to that of an investments holding Corporation (approved by the SEC on February 12, 1997).

As provided for in its Amended Articles of Incorporation, the Corporation is formed primarily "to carry on the business of an investment holding Corporation and for that purpose either in the name of the said Corporation or in the name of any other Corporation in which it shall have an equity interest, to receive, purchase or otherwise acquire an interest in, hold, own, pledge, mortgage, assign, dispose and

generally deal in all kinds of securities including but not limited to shares of stock of Corporation which shall include but shall not be limited to financial services institution such as banking, insurance, stock broking, leasing, hire purchase and other forms of financial services as are found in modern financial market; to acquire and hold real property and personal property which includes but not limited to hotels, inns, restaurants, cafes, bars, stores and offices, barbershops and beauty lounges, sports facilities, places of amusements and entertainment of all kinds; to enter into any lawful arrangement for sharing profits with any Corporation, association, partnership, person or entity, domestic or foreign, in concessions, rights or licenses tom others to operate, manage or deal with the same; and to do any and all things necessary, suitable, convenient, proper or incidental to the accomplishment of the above purposes<sup>11</sup>.”

The Corporation is an associate of Manila Jockey Club, Inc.

## F. Plan of Operation

The Winford Hotel and Entertainment Project located at the San Lazaro Business and Tourism Park, Sta. Cruz, Manila, a 22-story five-star hotel with 128 all suite rooms, an expansive podium to house high-end restaurants, a column-less 1,000+ person capacity, 900 parking slots and over 9,000 square meters of internationally designed themed indoor entertainment spaces lauched the formal opening of its business operation on April 21, 2017 at the auspicious time of 11:38 a.m. to gain favorable fortune from the Chinece philosophy of feng shui.

The hotel’s entertainment hub is designed to fill a critical need for luxury accommodations, meetings and event facilities as well as creative and innovative entertainment concepts targeted to the expanding and affluent Chinese and Filipino-Chinese communities in central Mega Manila, where no new luxury hotel has opened in the past almost ten (10) years.

The entertainment portion is the casino operated by PAGCOR pursuant to the Agreement dated 18 March 2010 between PAGCOR and the Corporation. Under the said Agreement, the Corporation shall establish the gaming facility, including furnishings, with PAGCOR supervising and managing the casino operations. The Corporation shall be entitled to forty percent (40%) of the gross revenues of the casino after deducting prizes, winnings and taxes.

The researches, studies and surveys conducted by local and international consulting firms show very positive and encouraging outlook of the Project. The Project is targeting China, South Korea, Japan, Malaysia, and Singapore markets because of their economic growth and consumption patterns. Furthermore, these economies are just 2 to 4 hours from Manila. An initial result showed very positive returns and is expected to even improve in the coming years.

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<sup>11</sup> Article II, Amended Articles of Incorporation

The implementing of the Project required the strategic planning by Winford Hotel and Casino management team in the 1<sup>st</sup> quarter of 2017 that focused on efficient hotel operation including sales and marketing initiatives. Manpower optimization, process improvement and energy conservation measures are being implemented in order to operate in a sustainable and profitable manner. Strong partnerships with online travel agencies and tour operators are the key that will help us tap both local and international markets and will enable the Corporation to capture the Chinese market from mainland China. Partnership with corporate accounts with broad membership data base will also enable the Corporation to reach the target market nationwide. Events and promotions such as concert series, tournaments, food discounts, freebies and Win-a-Ford Car Raffle draw will increase visitation and revenue of Winford Hotel and Casino.

#### G. Market Price and Dividends

1. The principal market of the common equity of the Corporation is the Philippine Stock Exchange. Provided below is a table indicating the high and low sales price of the common equity of the Corporation for 2015 to 2017.

		<u>2015</u>			
		<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
		Price	Price	Price	Price
HIGH		3.98	4.20	4.25	3.79
LOW		3.15	1.99	2.10	2.80
		<u>2016</u>			
		<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
		Price	Price	Price	Price
HIGH		4.57	4.10	3.60	3.49
LOW		3.00	2.85	3.08	3.01
		<u>2017</u>			
		<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
		Price	Price	Price	Price
HIGH		3.40	-	-	-
LOW		3.40	-	-	-

The price per share is 3.90 as of 10 May 2017.

2. There are Four Hundred Forty Six (446) holders of common equity of the Corporation as of 10 May 2017. The Corporation has no other class of shares.

3. Top Twenty Stockholders as of 10 May 2017 [Record Date]

<u>No.</u>	<u>Stockholders</u>	<u>No. of Shares</u>	<u>%</u>	<u>Title of Class</u>
1.	PCD NOMINEE CORPORATION	1,406,044,196	44.29%	Common
2.	ONE WISTERIA LOOP HOLDINGS, INC.	145,000,000	4.57%	Common
3.	MULBERRY ORCHID HOLDINGS, INC.	140,000,000	4.41%	Common
4.	FAIRBROOKS HOLDINGS, INC.	122,300,000	3.85%	Common
5.	SAVILE ROW HOLDINGS, INC.	122,300,000	3.85%	Common
6.	BELGRAVE SQUARE HOLDINGS, INC.	122,300,000	3.85%	Common
7.	MONTBRECIA PLACE HOLDINGS, INC..	122,300,000	3.85%	Common
8.	EVERDEEN SANDS HOLDINGS, INC.	122,299,999	3.85%	Common
9.	PEPPERBERRY VISTA HOLDINGS, INC.	122,291,662	3.85%	Common
10.	MANILA JOCKEY CLUB, INC.	107,360,137	3.38%	Common
11.	BRANFORD RIDGE HOLDINGS, INC.	75,716,000	2.39%	Common
12.	EAST BONHAM HOLDINGS INC.	75,715,000	2.39%	Common
13.	BELLTOWER LAKES HOLDINGS, INC	75,715,000	2.39%	Common
14.	CHERRYGROVE HOLDINGS, INC.	75,715,000	2.39%	Common
15.	FLYING HERON HOLDINGS, INC.	75,713,999	2.39%	Common
16.	PURPLE CASSADY HOLDINGS INC.	75,713,000	2.39%	Common
17.	ORCHARDSTAR HOLDINGS, INC.	75,712,000	2.39%	Common
18.	ARIES PRIME GLOBAL HOLDINGS, INC.	69,242,526	2.18%	Common
19.	REYNO JR., ALFONSO R.	14,582,704	0.46%	Common
20.	CORONADO, MA. LOURDES S.	13,212,762	0.42%	Common

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

4. Recent Sales of Unregistered Securities or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

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

**H. Discussion on Compliance with Leading Practices on Corporate Governance**

The Corporation, through its Compliance Officer, established an evaluation system to measure the level of compliance of the Board of Directors and management with the Corporation's Manual of Corporate Governance. The Compliance Officer monitors this through a regular checklist system after interview and consultation with all parties concerned.



Some of the measures being undertaken by the Corporation include updating the persons concerned on any available seminar on Corporate Governance-related matters informing them of recent trends in Corporate Governance.

For 2016 and in compliance with SEC Memorandum Circular No. 20, series of 2013, Independent Director Laurito E. Serrano attended the Corporate Governance seminar held at the NBS Seminar Room, SF Quad Alpha Centrum, Mandaluyong City, dated 04 July 2016. Director Jose Alvaro D. Rubio attended the Corporate Governance seminar held at the Manila Marriott Hotel, Resorts Drive, Pasay City dated 24 November 2016. On 08 December 2016, Directors Alfonso R. Reyno, Jr., Alfonso Victorio G. Reyno, III, Gabriel A. Dee, Cherrylyn Prado-Caoile, Dennis Ryan C. Uy, John Anthony B. Espiritu, Independent Director Victor P. Lazatin, Ferdinand A. Domingo, Lemuel M. Santos and Angelica T. Vega attended Corporate Governance seminar held at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. Director Teik Seng Cheah attended the Corporate Governance seminar held at the RCBC Plaza, Ayala Ave., Makati City dated 16 December 2016. The Corporation also updated its Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 19, series of 2016.

For the past three (3) years or from 2014 to 2016, there were no deviations from the Corporation's Manual on Corporate Governance. The Board of Directors supports strict adherence to the same by continuously strengthening the Internal Audit Department, which is now immediately under the control and supervision of the Board of Directors through its Audit Committee. Thus, the recommendation of the Board of Directors as directly issued to the aforesaid department, and at the same time, any findings of the Internal Audit Department are directly relayed to the Board of Directors.

#### **I. Undertaking**

The Corporation undertakes, upon the written request of its stockholder, to provide such stockholder free of charge with a printed or electronic copy of its Annual Report or SEC Form 17-A.

Written requests shall be addressed to:

**The Corporate Secretary**  
12/F Strata 100 Building  
F. Ortigas Jr. Road, Ortigas Center  
Pasig City



Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila 1014

### CERTIFICATION


I, LEMUEL M. SANTOS, the duly elected and qualified Corporate Information Officer and Compliance Officer of MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO (the "Corporation"), a corporation duly organized and existing under Philippine laws with business address at Winford Hotel and Casino, MJC Drive, Sta. Cruz, 1014, Manila, Philippines, hereby certify that no Directors or Officers of the Corporation are connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, this Certification has been signed this 11 MAY 2017 of May 2017 at Pasig City.

  
LEMUEL M. SANTOS  
Corporate Information Officer

SUBSCRIBED AND SWORN to before me this 11 MAY 2017 day of May 2017 at Pasig City, affiant exhibiting to me his Tax Identification No. 143-405-790 issued in the Philippines.

Doc. No. 420  
Page No. 85 ;  
Book No. III ;  
Series of 2017.

  
JINGJING S. ROMERO  
NOTARY PUBLIC  
APPOINTMENT NO. 153 (2016-2017)  
UNTIL DECEMBER 31, 2017  
PTR NO. 2515-068/01-05-17/PASIG CITY  
IBP NO. 1060501 / 01-07-17/QUEZON CITY  
CITIES OF PASIG, SAN JUAN AND PATEROS  
ROLL OF ATTORNEY NO. 60827

**MJC INVESTMENTS CORPORATION**  
**Doing Business under the name and style of Winford Leisure and Entertainment**  
**Complex and Winford Hotel and Casino**

**CONSOLIDATED BALANCE SHEET**

	Balance as of	
	MARCH 31, 2017	DECEMBER 31, 2016
	<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalent	259,314,216	124,984,895
Receivables	223,036,321	262,003,756
Inventories	23,557,922	21,308,091
Input value added tax (VAT)	396,770,762	387,795,739
Other Current Asset	7,698,098	416,618
Total Current Assets	<b>910,377,319</b>	<b>796,509,099</b>
<b>Noncurrent Assets</b>		
Investment in Subsidiary	-	-
Property and Equipment	5,682,971,461	5,753,968,763
Deferred Input VAT	22,295,311	25,883,288
Other Non-Current Asset	108,288,932	115,049,638
Total Noncurrent Assets	<b>5,813,555,704</b>	<b>5,894,901,689</b>
TOTAL ASSETS	<b>6,723,933,023</b>	<b>6,691,410,788</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable and other current liabilities	617,556,323	641,217,686
Interest Payable	16,813,959	19,055,836
Total Current Liabilities	<b>634,370,281</b>	<b>660,273,522</b>
<b>Noncurrent Liabilities</b>		
Loans Payable	3,473,828,267	3,471,974,746
Retirement Liability	812,718	812,718
Total Liabilities	<b>3,474,640,985</b>	<b>3,472,787,464</b>
<b>Equity</b>		
Capital Stock	3,174,405,822	3,174,405,822
Deposit For Future Subscription	247,937,824	
Deficit - Current Year	(807,421,888)	(616,056,020)
Total Equity	<b>2,614,921,757</b>	<b>2,558,349,802</b>
TOTAL LIABILITIES AND EQUITY	<b>6,723,933,023</b>	<b>6,691,410,788</b>

**MJC INVESTMENTS CORPORATION**  
**Doing Business under the name and style of Winford Leisure and Entertainment**  
**Complex and Winford Hotel and Casino**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	For the period Ended	
	MARCH 31, 2017	MARCH 31, 2016
<b>REVENUE</b>		
Revenue Share in Gaming Operations	51,064,089	18,666,098
Hotel, Food And Beverage	19,501,756	32,462
Other Operating Income	7,373,743	34,500
<b>TOTAL REVENUE</b>	<b>77,939,588</b>	<b>18,733,060</b>
<b>OPERATING COST AND EXPENSES</b>		
	(215,326,541)	(55,675,707)
<b>LOSS BEFORE OTHER INCOME(EXPENSES) AND INCOME TAX</b>	<b>(137,386,953)</b>	<b>(36,942,647)</b>
<b>OTHER INCOME(EXPENSES)</b>		
Interest Expense	(52,295,395)	-
Interest Income	61,683	511,272
Miscellaneous Incom(Expense) - Net	(516,499)	(13,376)
	<b>(52,750,211)</b>	<b>497,896</b>
<b>INCOME(LOSS) BEFORE INCOME TAX</b>	<b>(190,137,164)</b>	<b>(36,444,751)</b>
Provision for Income Tax	(1,228,705)	(102,170)
<b>NET INCOME(LOSS)</b>	<b>(191,365,869)</b>	<b>(36,546,921)</b>
Other Comprehensive Income	-	-
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>(191,365,869)</b>	<b>(36,546,921)</b>

**MJC INVESTMENTS CORPORATION**  
**Doing Business under the name and style of Winford Leisure and Entertainment**  
**Complex and Winford Hotel and Casino**

**CONSOLIDATED STATEMENT OF CASH FLOW**

	Balance as of	
	March 31, 2017	December 31, 2016
	<i>Unaudited</i>	<i>Audited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(190,137,164)	(443,778,730)
Adjustments for		
Depreciation and amortization	125,080,949	242,194,560
Interest expense	52,295,395	128,180,135
Interest income	(61,683)	(1,307,544)
Retirement benefit expense		812,718
Gain on sale of disposal of transportation equipment		(137,054)
Operating loss before working capital changes	(12,822,503)	(74,035,915)
Decrease (increase) in:		
Receivables	38,967,434	331,667,707
Inventories	(2,249,831)	(17,369,951)
Input VAT		
Current	(8,975,023)	(67,375,339)
Deferred	3,587,977	12,216,987
Other current assets	(7,281,479)	311,631
Decrease in accounts payable and other current liabilities	25,903,241	(71,758,340)
Net cash used in operations	37,129,816	<b>113,656,780</b>
Income taxes paid	(3,932,640)	(2,587,954)
Interest received	61,683	1,307,544
Net cash flows provided by (used in) operating activities	<b>33,258,859</b>	<b>112,376,370</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(70,997,302)	(2,027,578,691)
Decrease in Non-Current Asset	(6,760,706)	(117,911,092)
Proceeds from disposal		650,000
Net cash flows used in investing activities	<b>(77,758,008)</b>	<b>(2,144,839,783)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from avaiement of loans		995,000,000
Payment of Interest	(69,109,354)	(116,648,831)
Collection of subscriptions receivable	-	38,739,719
Proceeds from subscription of capital stock	-	-
Deposit For Future Subscription	247,937,824	-
Net cash flows provided by financing activities	<b>178,828,470</b>	<b>917,090,888</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>134,329,321</b>	<b>(1,115,372,525)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>124,984,895</b>	<b>1,240,357,420</b>
<b>CASH AND CASH EQUIVALENTS AT</b>		
<b>END OF THE QUARTER</b>	<b>259,314,216</b>	<b>124,984,895</b>

MJC INVESTMENTS CORPORATION  
 Doing Business under the name and style of Winford Leisure and Entertainment  
 Complex and Winford Hotel and Casino

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 For the Quarter Ended March 31, 2017 and Year Ended December 31, 2016, 2015

	Issued and Subscribed	Subscription Receivable	Deposit for Future Subscription	Net	Deficit	Total
Balance at December 31, 2016	3,174,405,821	-		3,174,405,821	(616,056,020)	2,558,349,801
Deposit for Future Subscription			247,937,824	247,937,824		247,937,824
Total Comprehensive income for the year				-	(191,365,869)	(191,365,869)
Balance at March 31, 2017	3,174,405,821	-	247,937,824	3,422,343,645	(807,421,889)	2,614,921,757
Balance at December 31, 2015	3,174,405,821	(38,739,719)		3,135,666,102	(169,692,654)	2,965,973,448
Collection of subscription receivable		38,739,719		38,739,719		38,739,719
Total Comprehensive income for the year				-	(446,363,366)	(446,363,366)
Balance at December 31, 2016	3,174,405,821	-	-	3,174,405,821	(616,056,020)	2,558,349,801
Balance at December 31, 2014	2,500,614,159	(105,548,554)		2,395,065,605	(112,383,887)	2,282,681,718
Subscription of Capital stock	673,791,662			673,791,662		673,791,662
Collection of subscription receivable		66,808,835		66,808,835		66,808,835
Transaction costs on issuance of capital stock				-	(3,368,958)	(3,368,958)
Total Comprehensive income for the year				-	(53,939,809)	(53,939,809)
Balance at December 31, 2015	3,174,405,821	(38,739,719)	-	3,135,666,102	(169,692,654)	2,965,973,448

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LAURITO E. SERRANO**, Filipino, of legal age and a resident of 4205C Madras St., Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **MJC INVESTMENTS CORPORATION (MIC)** and have been its independent director since May 2014.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service/ Affiliation Period
Philippine Veterans Bank	Director	Since June 2012
Atlas Consolidated Mining and Development Corporation	Independent Director	Since August 2012
APC Group, Inc.	Independent Director	Since June 2013
MRT Dev. Corporation	Director	Since July 2013
Travellers International Hotel Group Inc.	Independent Director	Since June 2013
Pacific Online Systems Inc.	Independent Director	Since May 2014
United Paragon Mining Corporation	Independent Director	Since October 2016
Negros Navigation Corporation	Independent Director	Since April 2017
2GO Group	Independent Director	Since April 2017
Axelum Resources Corp.	Director	Since April 2017

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MIC, as provided for in Section 38 of the Securities and Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of MIC and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities and Regulations Code.

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

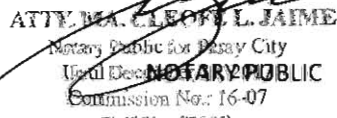
Offense Charged/Investigated	Tribunal or Agency Involved	Status
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (N/A) to be an independent director in (N/A), pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Cod of Corporate Governance and other SEC issuances.
8. I shall inform the corporate secretary of **MJC Investments Corporation** of any changes in the abovementioned information within five days from its occurrence.

MAY 09 2017  
Done this \_\_\_\_\_ day of May 2017, at PASAY City.

  
**LAURITO E. SERRANO**  
Affiant

MAY 09 2017  
SUBSCRIBED AND SWORN to before me this \_\_\_ day of May 2017 at PASAY, affiant personally appeared before me and exhibited to me his Passport ID No. EB7165539 valid until 15 January 2018.

  
**ATTY. MA. CLEOF L. JAIME**  
Notary Public for Pasay City  
Member, **NOTARY PUBLIC**  
Commission No.: 16-07  
Roll No. 27802

Doc. No. 441  
Page No. 98  
Book No. 4  
Series of 2017.

PTR No. 523011, 01/03/2017, Pasay City  
IBP No. 1015043, Lifetime member, PPLM Chapter  
MCLE Compliance No.: W-001781-11-7-15  
Address: Stall No. 1, 54 Arnabiz Street, corner  
Liberad Street, Pasay City, Metro Manila



## CERTIFICATION OF INDEPENDENT DIRECTOR

I **VICTOR P. LAZATIN**, Filipino, of legal age and resident of 237 Batangas West Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MJC Investments Corporation (MJIC) and have been its independent director since 2009.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Angara Abello Concepcion Regala and Cruz Law Offices	Of-Counsel	2012 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJC Investments Corporation (MJIC), as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_ pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of MJC Investments Corporation (MJIC) any changes in the abovementioned information within five days from its occurrence.

DONE this \_\_\_\_\_ day of May 2017 at Pasig City.

**VICTOR P. LAZATIN**  
Affiant

SUBSCRIBED AND SWORN to before me this day of \_\_\_\_\_ at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 125-673-098 issued in the Philippines.

Doc. No. \_\_\_\_;  
Page No. \_\_\_\_;  
Book No. \_\_\_\_;  
Series of 2017.

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

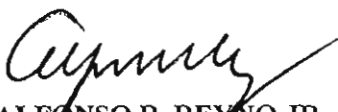
The management of **MJC INVESTMENTS CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and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


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

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

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

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

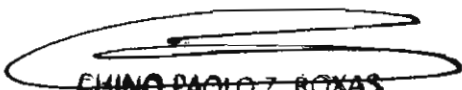
  
**ALFONSO R. REYNO JR.**  
Chairman of the Board, CEO and President  
*Philippine Passport No. EB8157161*

  
**JOSE ALVARO D. RUBIO**  
Chief Financial Officer  
*TN: 109-933-906*

Signed this 19th day of April 2017

SUBSCRIBED AND SWORN TO  
before me this 20 APR 2017 at  
PASIG CITY affiant exhibiting  
to me his / her **Competent evidence**  
of Identity.

DOC. NO. 037 ;  
PAGE NO. 029 ;  
BOOK NO. V ;

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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
MJC INVESTMENTS CORPORATION  
Doing business under the name and style of Winford Leisure  
And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)  
Winford Hotel and Casino, MJC Drive,  
Sta. Cruz, Manila

### Report on the Audit of the Parent Company Financial Statements

#### Opinion

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

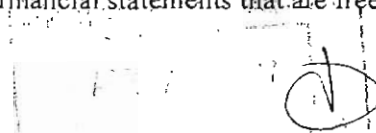
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016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

#### Basis for Opinion

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

#### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

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

APR 2 2017

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

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

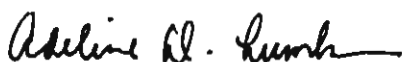
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

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

April 14, 2016, valid until April 14, 2019

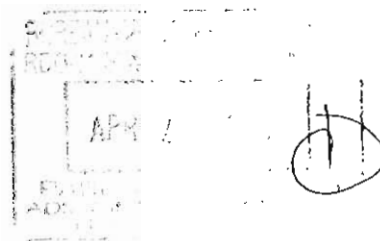
Tax Identification No. 224-024-746

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

February 15, 2016, valid until February 14, 2019

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

April 19, 2017



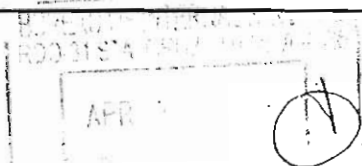
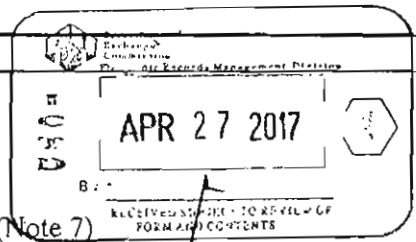
**MJC INVESTMENTS CORPORATION**

Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)

**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	P67,158,220	P1,240,357,420
Receivables (Note 8)	336,189,960	593,671,463
Inventories (Note 9)	21,308,091	3,938,140
Input value added tax (VAT) (Note 10)	387,795,739	320,420,400
Other current assets (Note 11)	416,619	5,728,249
<b>Total Current Assets</b>	<b>812,868,629</b>	<b>2,164,115,672</b>
<b>Noncurrent Assets</b>		
Investment in a subsidiary (Note 1)	20,000,000	-
Property and equipment (Note 12)	5,753,914,917	3,857,034,742
Deferred input VAT (Note 10)	25,883,288	38,100,275
Other noncurrent assets (Note 13)	93,802,623	7,404,741
<b>Total Noncurrent Assets</b>	<b>5,893,600,828</b>	<b>3,902,539,758</b>
<b>Total Assets</b>	<b>P6,706,469,457</b>	<b>P6,066,655,430</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 14)	P638,487,636	P611,182,703
Interest payable	19,055,836	14,047,419
<b>Total Current Liabilities</b>	<b>657,543,472</b>	<b>625,230,122</b>
<b>Noncurrent Liabilities</b>		
Loans payable (Note 15)	3,471,974,747	2,475,451,860
Retirement liability (Note 16)	812,718	-
<b>Total Noncurrent Liabilities</b>	<b>3,472,787,465</b>	<b>2,475,451,860</b>
<b>Total Liabilities</b>	<b>4,130,330,937</b>	<b>3,100,681,982</b>
<b>Equity</b>		
Capital stock (Note 21)	3,174,405,821	3,135,666,102
Deficit	(598,267,301)	(169,692,654)
<b>Total Equity</b>	<b>2,576,138,520</b>	<b>2,965,973,448</b>
<b>Total Liabilities and Equity</b>	<b>P6,706,469,457</b>	<b>P6,066,655,430</b>

See accompanying Notes to Parent Company Financial Statements.



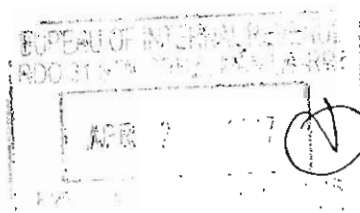
**MJC INVESTMENTS CORPORATION**

Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)

**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Revenue share in gaming operations (Note 17)	₱171,930,605	₱-	₱-
Hotel, food and beverage	28,318,755	-	-
Other revenue (Note 24)	20,566,834	-	-
	220,816,194	-	-
<b>OPERATING COSTS AND EXPENSES (Note 23)</b>	(519,571,226)	(43,280,046)	(32,413,972)
<b>OPERATING LOSS</b>	(298,755,032)	(43,280,046)	(32,413,972)
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Note 15)	(128,180,135)	(14,499,279)	-
Interest income (Note 7)	1,200,782	4,627,775	9,878,114
Miscellaneous income (expenses) - net	(276,978)	139,884	298,448
	(127,256,331)	(9,731,620)	10,176,562
<b>LOSS BEFORE INCOME TAX</b>	(426,011,363)	(53,011,666)	(22,237,410)
<b>PROVISION FOR INCOME TAX</b> (Notes 2 and 18)	(2,563,284)	(928,143)	(1,981,623)
<b>NET LOSS</b>	(428,574,647)	(53,939,809)	(24,219,033)
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	(₱428,574,647)	(₱53,939,809)	(₱24,219,033)
<b>Basic/Diluted Loss Per Share (Note 22)</b>	₱0.14	₱0.02	₱0.01

See accompanying Notes to Parent Company Financial Statements.





**MJC INVESTMENTS CORPORATION**

**Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)**

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

	Capital Stock (Note 21)		Net	Deficit	Total
	Issued and subscribed	Subscription receivables			
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
Collection of subscriptions receivable	-	38,739,719	38,739,719	-	38,739,719
Total comprehensive loss for the year	-	-	-	(428,574,647)	(428,574,647)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2016</b>	<b>₱3,174,405,821</b>	<b>₱-</b>	<b>₱3,174,405,821</b>	<b>(₱598,267,301)</b>	<b>₱2,576,138,520</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>
Subscription of capital stock	673,791,662	-	673,791,662	-	673,791,662
Collection of subscriptions receivable	-	66,808,835	66,808,835	-	66,808,835
Transaction costs on issuance of capital stock (Note 21)	-	-	-	(3,368,958)	(3,368,958)
Total comprehensive loss for the year	-	-	-	(53,939,809)	(53,939,809)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2015</b>	<b>₱3,174,405,821</b>	<b>(₱38,739,719)</b>	<b>₱3,135,666,102</b>	<b>(₱169,692,654)</b>	<b>₱2,965,973,448</b>
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2013</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱88,164,854)</b>	<b>₱2,306,900,751</b>
Total comprehensive loss for the year	-	-	-	(24,219,033)	(24,219,033)
<b>BALANCES AT</b>					
<b>DECEMBER 31, 2014</b>	<b>₱2,500,614,159</b>	<b>(₱105,548,554)</b>	<b>₱2,395,065,605</b>	<b>(₱112,383,887)</b>	<b>₱2,282,681,718</b>

See accompanying Notes to Parent Company Financial Statements.

**MJC INVESTMENTS CORPORATION**  
**Doing business under the name and style of Winford Leisure And Entertainment**  
**Complex and Winford Hotel and Casino**  
**(Formerly MJC Investments Corporation)**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P426,011,363)	(P53,011,666)	(P22,237,410)
Adjustments for:			
Depreciation and amortization (Notes 12,13 and 23)	242,171,350	650,533	489,366
Interest expense (Note 15)	128,180,135	14,499,279	-
Interest income (Note 7)	(1,200,782)	(4,627,775)	(9,878,114)
Retirement benefit expense	812,717	-	-
Gain on sale of disposal of transportation equipment	(137,054)	-	-
Operating loss before working capital changes	(56,184,997)	(42,489,629)	(31,926,158)
Decrease (increase) in:			
Receivables	257,481,503	(333,132,773)	(37,318,195)
Inventories	(17,369,951)	(44,744,841)	-
Input VAT:			
Current	(67,375,339)	(127,261,782)	(90,328,403)
Deferred	12,216,987	(24,531,028)	(6,646,272)
Other current assets	311,631	(6,902,099)	(330,800)
Increase in accounts payable and other current liabilities	27,308,250	399,961,326	124,733,509
Net cash generated from (used in) operations	156,388,084	(179,100,826)	(41,816,319)
Income taxes paid	(2,566,602)	(930,825)	(1,981,623)
Interest received	1,200,782	4,627,775	9,878,114
Net cash flows provided by (used in) operating activities	155,022,264	(180,031,651)	(43,797,942)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment (Note 12)	(1,963,613,223)	(2,083,771,542)	(891,700,348)
Payment of accounts payable for construction costs (Notes 12 and 28)	(165,703,366)	-	-
Increase in other noncurrent assets	(96,645,762)	-	-
Acquisition of a subsidiary	(20,000,000)	-	-
Proceeds from disposal of transportation equipment	650,000	-	-
Net cash flows used in investing activities	(2,245,312,351)	(2,079,143,767)	(881,822,234)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of loans (Note 15)	995,000,000	2,470,000,000	-
Payment of interest (Note 15)	(116,648,832)	-	-
Collection of subscriptions receivable (Note 21)	38,739,719	66,808,835	-
Proceeds from subscription of capital stock (Note 21)	-	673,791,662	-
Transaction costs on issuance of capital stock (Note 21)	-	(3,368,958)	-
Advances received from a related party (Note 20)	-	1,317,166	1,834,628
Net cash flows provided by financing activities	917,090,887	3,208,548,705	1,834,628
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,173,199,200)	949,373,287	(923,485,548)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,240,357,420	290,984,133	1,214,469,681
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	P67,158,220	P1,240,357,420	P290,984,133

See accompanying Notes to Parent Company Financial Statements

**MJC INVESTMENTS CORPORATION**  
**Doing business under the name and style of Winford Leisure And Entertainment**  
**Complex and Winford Hotel and Casino**  
**(Formerly MJC Investments Corporation)**

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**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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**1. Corporate Information**

MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino (the "Parent Company") and Trafalgar Square Leisure Corporation ("TSLC") are incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

Date	Corporate Name
February 12, 1997	Ebecom Holdings, Inc.
September 25, 2003	Aries Prime Resources, Inc.
September 30, 2008	MJCI Investments, Inc.
October 15, 2009	MJC Investments Corporation
June 29, 2015	MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

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

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding parent company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten (10) years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro (see Note 2). On November 25, 2015, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO which also extended the term of the PTO to fifteen (15) years commencing from the start of commercial operation of PAGCOR San Lazaro (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign

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

The same agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.

For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross revenues after deducting the players' winnings/ prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

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

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's

premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

Furthermore, upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree (P.D.) 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, as the entity is granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

*b. Traditional Bingo Operation*

On January 19, 2015, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses").

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

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

#### Basis of Preparation

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

#### Statement of Compliance

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

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

#### New and Amended Standards and Interpretation

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

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

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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

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

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

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

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

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

These amendments are applied prospectively and do not have any impact to the Parent Company, given that the Parent Company has not used a revenue-based method to depreciate or amortize its property and equipment and the Parent Company does not have any intangible assets.

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

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

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

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

- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

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

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

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

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

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

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

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

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

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



#### Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2017*

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

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

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

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

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

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

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

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

#### *Effective beginning on or after January 1, 2018*

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

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

accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

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

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

- PFRS 9, *Financial Instruments*

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

The Parent Company is assessing the potential effect of the amendments on its parent company financial statements.

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

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

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

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

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

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

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

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

The Parent Company is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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## 5. Summary of Significant Accounting and Financial Reporting Policies

### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, recognized the use of relevant observable inputs and recognized the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Cash and Cash Equivalents

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

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

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

#### Financial assets

##### *Initial recognition and measurement*

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

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

##### *Subsequent measurement*

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

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

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

##### *Loans and receivables*

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

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

#### *Derecognition*

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

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

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

#### *Impairment of financial assets*

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

#### *Other financial liabilities*

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

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

#### *Derecognition*

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

#### *Offsetting of financial instruments*

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

#### Inventories

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

#### Investment in a Subsidiary

The Parent Company's investment in subsidiary is accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

#### Property and equipment

Property and equipment, except Land, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Parent Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition



criteria are satisfied. All other repair and maintenance costs are recognized in the parent company statements of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statements of comprehensive income when the asset is derecognized.

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

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond 1 year are classified as noncurrent assets and are amortized over three years.

#### Impairment of non-financial assets

The Parent Company assesses at each reporting date whether there is an indication that the nonfinancial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other asset or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the parent company statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

#### Revenue Recognition

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

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

#### *Revenue Share in Gaming Operations*

Revenue share in gaming operations represents a certain percentage share of gross winnings after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Parent Company's gaming facilities and gaming equipment.

#### *Hotel, food and beverage*

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

Other income consists of:

#### *Revenue from Bingo*

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards less prizes/winnings. This is included at "Other income" in the parent company statements of comprehensive income.

#### *Rental Income*

Rental revenue from the leasing of certain areas of the hotel held under operating lease are recognized on a straight line basis over the periods of the respective leases.

#### *Interest Income*

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and advances to related parties.

#### Operating Costs and Expenses

Costs and expenses are recognized in the parent company statements of comprehensive income upon utilization of the service or at the date they are incurred.

### Gaming Fees

As a grantee of PAGCOR, the Parent Company is required to pay PAGCOR a percentage of its gross receipts from bingo operations. These fees are recorded as part of gaming fees under "Operating costs and expenses".

### Taxes

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statements comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

#### Retirement Benefits Cost

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Leases

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

#### *Parent Company as a lessee*

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

#### *Parent Company as a lessor*

Leases in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Value-Added Tax (VAT)

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

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

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

#### Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

#### Segment reporting

For management purposes, the Parent Company is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the parent company reports its segment information presented in Note 25.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

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## 6. Significant Accounting Judgments, Estimates and Assumptions

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

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

### Judgments

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

### *Evaluating Lease Commitments*

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

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

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

### *Recognition of deferred tax assets*

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

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

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

#### Estimates and Assumptions

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

#### *Estimation of the useful lives of property and equipment*

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

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

#### *Recoverability of input VAT*

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

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## 7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱2,859,930	₱50,000
Cash in banks	57,653,854	1,233,742,556
Cash equivalents	6,644,436	6,564,864
	<u>₱67,158,220</u>	<u>₱1,240,357,420</u>

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱1.2 million in 2016, ₱4.6 million in 2015 and ₱9.9 million in 2014.

8. **Receivables**

This account consists of:

	2016	2015
Trade (Note 20)	P8,291,951	P-
Receivable from PAGCOR	18,246,057	-
Advances to contractors and suppliers	124,118,787	481,736,341
Advances to related parties (Note 20)	74,186,804	-
Advances to employees (Note 20)	212,577	330,321
Others	111,133,784	111,604,801
	<b>P336,189,960</b>	<b>P593,671,463</b>

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

Receivable from PAGCOR pertains to the outstanding balance of Parent Company's revenue share in gaming operations after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Parent Company within 15 days of the following month.

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

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

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

9. **Inventories**

This account consists of:

	2016	2015
Operating supplies	P18,116,614	P3,938,140
Food, beverage, tobacco	3,191,477	-
	<b>P21,308,091</b>	<b>P3,938,140</b>

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



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#### 10. Input VAT

This account consists of:

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

Input VAT pertains mainly to the Parent Company's purchases related to the construction of Winford Hotel building, while deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

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#### 11. Other Current Assets

This account consists of:

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

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

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

12. Property and Equipment

This account consists of:

Cost	2016							Total
	Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen and bar equipment, Computer software and hardware	Construction in Progress	
Balance at beginning of year	P600,800,000	P-	P-	P203,095,681	P102,527,807	P152,601,300	P2,799,184,871	P3,858,209,659
Additions	-	234,685,850	7,521,448	107,072,824	83,304,270	27,401,147	1,674,331,053	2,129,316,592
Reclassifications	-	3,639,225,813	187,498,231	62,374	238,864,367	407,865,139	(4,473,515,924)	-
Disposal	-	-	-	-	(1,025,892)	-	-	(1,025,892)
Balance at end of year	600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,552	587,867,586	-	5,986,500,359
Accumulated depreciation	-	-	-	-	732,238	442,679	-	1,174,917
Balance at beginning of year	-	93,440,349	1,562,485	35,778,249	33,058,145	68,084,243	-	231,923,471
Depreciation	-	-	-	-	(512,946)	-	-	(512,946)
Disposal	-	-	-	-	33,277,437	68,526,922	-	232,585,442
Balance at end of year	-	93,440,349	1,562,485	35,778,249	P390,393,115	P519,340,664	P-	P5,753,914,917
Net book value	P600,800,000	P3,780,471,314	P188,457,194	P274,452,630	P390,393,115	P519,340,664	P-	P5,753,914,917

Cost	2015							Total
	Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen and bar equipment, Computer software and hardware	Construction in Progress	
Balance at beginning of year	P600,800,000	P-	P-	P-	P1,812,280	P695,664	P1,130,323,472	P1,733,631,416
Additions	-	-	-	203,095,681	100,715,527	151,905,636	1,668,861,399	2,124,578,243
Balance at end of year	600,800,000	-	-	203,095,681	102,527,807	152,601,300	2,799,184,871	3,858,209,659
Accumulated depreciation	-	-	-	-	342,611	181,773	-	524,384
Balance at beginning of year	-	-	-	-	389,627	260,906	-	650,533
Depreciation	-	-	-	-	732,238	442,679	-	1,174,917
Balance at end of year	-	-	-	-	P101,795,569	P152,158,621	P2,799,184,871	P3,857,034,742
Net book value	P600,800,000	P-	P-	P203,095,681	P101,795,569	P152,158,621	P2,799,184,871	P3,857,034,742



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

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

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

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

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### 13. Other Noncurrent Assets

This account consists of:

	2016	2015
Operating equipment	₱86,826,374	₱-
Long term deposit	6,976,249	7,404,741
	<b>₱93,802,623</b>	<b>₱7,404,741</b>

Operating equipment pertains to linens, uniforms and utensils purchased by the Parent Company to be amortized over a period of three years. Purchases were made in 2016 amounting to ₱97.0 million. Amortization amounted to ₱10.2 million for the year ended December 31, 2016.

Long term deposit pertains to guarantee payment for utility bills.

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### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	2016	2015
Retention payable	₱349,373,245	₱202,160,962
Accounts payable	264,484,809	388,238,778
Accrued expenses	11,291,676	10,516,105
Advances from related parties (Note 20)	4,970,819	4,096,965
Withholding tax payable	2,335,136	6,123,067
Unearned income	1,669,510	-
Income tax payable	-	3,318
Others	4,362,441	43,508
	<b>₱638,487,636</b>	<b>₱611,182,703</b>

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

Accounts payable are noninterest-bearing and are normally settled within the next financial year. As of December 31, 2016 and 2015, a significant amount of the accounts payable pertains to the construction cost incurred for the Winford Hotel building in Sta. Cruz, Manila (see Note 12).

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

Withholding tax payable pertains to taxes withheld by the Parent Company from its contractors and suppliers from payments made mainly in relation to the construction of building.

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

Others include statutory liabilities and other various individually insignificant items.

## 15. Loans Payable

This account consists of:

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

The movements in unamortized debt discount follow:

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

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

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year PDST R2 +125 basis points at drawdown date, plus gross receipts tax. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.47 billion, net of related debt issue cost of ₱30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million. Out of the ₱17.5 million upfront fee, ₱5.0 million pertains to the undrawn portion amounting to ₱1.0 billion as at December 31, 2015 which is presented as part of "Other current assets" in the 2015 parent company statement of financial position as (see Note 11).

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million.

The related interest recognized amounted to ₱192.1 million and ₱14.5 million in 2016 and 2015, respectively. Total interest paid amounted to ₱116.6 million and nil in 2016 and 2015, respectively.

Part of the said interest in 2016 was capitalized as borrowing cost in relation to the construction of the building which amounted to ₱63.9 million in 2016 (see Note 12).

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

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the parent company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. The Parent Company continues to comply with the loan covenants.

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

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

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**16. Retirement Benefits**

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

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

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

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

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

	Effect on Net Retirement Liability	
	Increase (Decrease)	2016
Discount Rate	+1.00%	(113,017)
	-1.00%	138,064
Salary increase rate	+1.00%	131,641
	-1.00%	(110,054)

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

As of December 31, 2016, the expected future benefit payments in six to ten years amounted to ₱1.1 million.

## 17. Commitments

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

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

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

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

Based on applicable accounting standards, the Parent Company retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of December 31, 2016, the Parent Company continues to recognize these assets in the parent company statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱171.9 million and are presented as “Revenue share in gaming operations” in the parent company statements of comprehensive income.

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

- a. The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 sq. m. The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also states that rental payment shall escalate by 10% per annum.
- b. The Parent Company also entered into an agreement of lease with Ifoods Group Inc. (the lessee) to lease a 315.5 sq. m area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Upon completion of all hotel rooms of Winford Hotel, base rental shall be

₱600 per sq. m per month, exclusive of VAT. Percentage rental rate shall be 10% of Gross Sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and 7% of gross sales upon completion of all hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

- c. The Parent Company also entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sq. m. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per square meter per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher.
- d. The Parent Company also entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sq. m for a basic rent of ₱1,300 per sq. m plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sq. m per month), whichever is higher.

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

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

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

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

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

*Operating Lease Commitment – the Parent Company as Lessee*

- a. On July 15, 2014, the Parent Company entered into a lease agreement with EEG Development Corporation to lease a property located at 1774 Consuelo Street, Sta. Cruz, Manila consisting of a floor area of 225 square meters for the purposes of the mockup of Winford Hotel and Casino project. The lease term is for a period of two (2) years commencing July 15, 2014 and expiring on July 14, 2016, renewable under such terms and conditions mutually agreed upon by the parties. The monthly rate for rental amounted to ₱45,000, exclusive of VAT and subject to withholding tax, which is payable every 15<sup>th</sup> day of each calendar month. No renewal was made on July 14, 2016.
- b. On September 3, 2014, the Parent Company also entered into a lease agreement with Carosal Development Corporation to lease Unit E, 17<sup>th</sup> Floor, Strata 100 Bldg., F Ortigas Jr. Road, Ortigas Center, Pasig City with an area of 120 square meters. The lease term is for a period of one (1) year commencing on September 3, 2014 and expiring on September 2, 2015, renewable

under the terms and conditions as the parties may hereafter agree upon. The monthly rate for rental amounted to ₱45,600 exclusive of VAT and association dues. The Parent Company extended the lease term until November 2, 2015 and was not further renewed.

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

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

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

*Operations and management agreement*

The Parent Company also entered into an operations and management contract with a service provider engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management, and development of the hotel. The agreement shall take effect on November 1, 2015 and will continue until terminated in accordance with the provision thereof. The monthly service fee is equivalent to the necessary and reasonable costs of providing the services plus ten percent (10%) markup, which in no event shall be less than ₱1,655,800 per month.

*Others*

As discussed in Note 2, the Parent Company was granted by PAGCOR the right to operate the traditional bingo operations.

**18. Income Taxes**

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2).

The provision for income tax consists of the following:

	2016	2015	2014
Current:			
Final	₱2,563,284	₱924,825	₱1,975,623
MCIT	-	3,318	6,000
	<u>₱2,563,284</u>	<u>₱928,143</u>	<u>₱1,981,623</u>

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

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



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

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

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

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

*NOLCO*

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

*MCIT*

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

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

	2016	2015	2014
Benefit from income tax based on accounting income before income tax	(P127,803,409)	(P15,903,500)	(P6,671,223)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	111,176,534	17,263,101	9,622,022
Nondeductible expenses and others	13,163,629	32,049	18,635
Expired NOLCO and MCIT	12,048,420	-	-
Income from gaming operations exempt from income tax	(5,632,300)	-	-
Expired NOLCO and MCIT	12,048,420	-	-
Interest income subjected to final tax	(389,290)	(463,507)	(987,811)
<b>Provision for income tax</b>	<b>P2,563,584</b>	<b>P928,143</b>	<b>P1,981,623</b>

#### 19. PEZA Registration

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

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

#### 20. Related Party Transactions

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Entity and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the entity, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions with Related Parties

In the ordinary course of business, the Company has significant transactions with related parties as follows:

Entity	Relationship	Nature	2016		2015		Terms	Condition
			Amount	Receivable (Payable)	Amount	Receivable (Payable)		
Trafalgar Square and Leisure Corp. (TSLC)	Subsidiary	Advances <sup>(a)</sup>	₱127,303,173	₱74,186,804	₱-	₱-	Noninterest-bearing, payable upon call	Unsecured, unguaranteed
		Advances <sup>(b)</sup>	873,853	(4,970,819)	1,317,166	(4,096,965)	Noninterest-bearing, due and demandable	Unsecured, unguaranteed
Manila Jockey Club, Inc. (MJCI)	Stockholder	Commission from the off-track betting <sup>(c)</sup>	10,137	10,137	701,640	-	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting <sup>(d)</sup>	75,934	75,934	-	-	Noninterest-bearing, due and demandable	Unsecured, unguaranteed

<sup>(a)</sup> Advances of the Parent Company to its subsidiary of a stockholder, were provided to fund the payments of license fees to PAGCOR in consideration of the grant given by PAGCOR authorizing the Parent Company to bring in pre-registered foreign players to play in the designated junket gaming areas within PAGCOR San Lazaro.

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

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

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

Key Management Personnel

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

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

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

**21. Equity**

Capital Stock

Details of capital stock are as follows:

	2016		2015		2014	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Common shares – ₱1 par value						
Authorized – 5,000,000,000 shares						
Issued and subscribed shares	3,174,405,821	₱3,174,405,821	2,500,614,159	₱2,500,614,159	2,309,601,064	₱2,309,601,064
Additional subscription during the year	-	-	673,791,662	673,791,662	191,013,095	191,013,095
Subscriptions receivable	-	-	-	(38,739,719)	-	(105,548,554)
Total issued and outstanding and subscribed capital (held by 443,444 and 452 equity holders in 2016, 2015 and 2014, respectively)	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,135,666,102	2,500,614,159	₱2,395,065,605

On January 23, 2009, MJCI executed a subscription agreement to subscribe to 107,360,137 shares out of the unissued portion of the authorized capital stock of the Parent Company at the subscription

price of ₱1.0 per share. In 2013, MJCI has paid ₱64.6 million representing the initial and partial payments of 60.13% of the subscription price. The remaining balance of ₱42.8 million was paid by MJCI on July 14, 2015.

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱38.7 million was collected on May 30, 2016.

On January 14, 2015, the Parent Company received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in parent company statements of changes in equity.

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**22. Basic/Diluted Loss Per Share**

	2016	2015	2014
Net loss for the year	<b>₱428,574,647</b>	₱53,939,809	₱24,219,033
Divided by weighted average number of outstanding common shares	<b>3,174,405,821</b>	3,146,331,168	2,500,614,159
<b>Basic/diluted losses per share</b>	<b>₱0.14</b>	<b>₱0.02</b>	<b>₱0.01</b>

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

### 23. Operating Costs and Expenses

This account consists of:

	2016	2015	2014
<b>Cost of Operations</b>			
Depreciation and amortization (Notes 12 and 13)	P140,441,197	P-	P-
Utilities	56,118,764	-	-
Salaries and wages	26,017,556	-	-
Professional fees	9,545,332	-	-
Gaming fees (Note 2)	7,420,079	-	-
Food, beverage, and tobacco	6,912,332	-	-
Communication	5,381,984	-	-
Hotel room and supplies	4,238,114	-	-
Banquet expenses	2,931,745	-	-
Entertainment	1,943,401	-	-
Repairs and maintenance	926,415	-	-
Others	3,866,803	-	-
	<b>265,743,722</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>			
Depreciation and amortization (Notes 12 and 13)	101,730,153	650,533	489,366
Contract services	51,365,621	385,791	401,957
Security	27,582,364	-	-
Management fee (Note 17)	17,385,900	-	-
Salaries and wages	15,293,323	23,221,602	17,449,825
Utilities	9,903,311	4,617,872	237,947
Advertising and marketing	6,112,218	-	25,357
Taxes and licenses	5,767,596	496,453	46,705
Rent (Note 17)	4,610,654	3,492,289	1,448,736
Insurance	2,150,766	35,328	623
Transportation and travel	2,096,979	353,881	3,020,204
Professional fees	1,684,470	6,763,212	1,671,000
Meetings and conferences	1,515,417	563,400	3,195,012
Supplies	1,249,668	152,906	110,363
Representation	1,203,731	106,830	62,117
Communication	949,762	573,898	339,264
Directors' fees	553,000	449,000	707,000
Others	2,672,571	1,417,051	3,208,496
	<b>253,827,504</b>	<b>43,280,046</b>	<b>32,413,972</b>
<b>Total</b>	<b>P519,571,226</b>	<b>P43,280,046</b>	<b>P32,413,972</b>

## 24. Other Revenue

This consists of:

	2016	2015	2014
Revenue from bingo operations	₱16,378,521	₱-	₱-
Rent income (Note 17)	2,839,601	-	-
Miscellaneous	1,348,712	-	-
	₱20,566,834	₱-	₱-

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

## 25. Operating Segment Information

The Parent Company has two operating segments in 2016 and only one operating segment in 2015 and 2014. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income on the financial statements. The Parent Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

### Segment Revenue and Expenses

The segment results for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016		
	Gaming	Non-gaming	Total
Revenue	₱188,309,126	₱32,507,068	₱220,816,194
Operating costs and expenses	(153,156,273)	(366,414,953)	(519,571,226)
Other expenses - net	-	(127,256,331)	(127,256,331)
Provision from income tax	(2,563,284)	-	(2,563,284)
Net loss	₱32,589,569	(₱461,164,216)	(₱428,574,647)

	2015		
	Gaming	Non-gaming	Total
Operating costs and expenses	₱-	(₱57,805,325)	(₱57,805,325)
Other income- net	-	4,793,659	4,793,659
Provision from income tax	-	(928,143)	(928,143)
Net loss	₱-	(₱53,939,809)	(₱53,939,809)

	2014		
	Gaming	Non-gaming	Total
Operating costs and expenses	₱-	(₱32,415,524)	(₱32,415,524)
Other income - net	-	10,178,114	10,178,114
Provision from income tax	-	(1,981,623)	(1,981,623)
Net loss	₱-	(₱24,219,033)	(₱24,219,033)

Segment Assets and Liabilities and Other Information

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

	2016		
	Gaming	Non-gaming	Total
Assets	₱2,196,266,272	₱4,510,203,185	₱6,706,469,457
Liabilities	3,549,056,887	581,274,050	4,130,330,937
Capital expenditures	531,172,612	1,598,143,980	2,129,316,592
Interest income	–	1,200,782	1,200,782
Depreciation and amortization	68,953,579	173,217,771	242,171,350
	2015		
	Gaming	Non-gaming	Total
Assets	₱–	₱6,066,655,430	₱6,066,655,430
Liabilities	–	3,100,681,982	3,100,681,982
Capital expenditures	–	2,083,771,542	2,083,771,542
Interest income	–	4,793,659	4,793,659
Depreciation and amortization	–	650,533	650,533

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

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

Credit Risk

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

The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, 2016 and 2015 as follows:

	2016	2015
Loans and receivables:		
Cash and cash equivalents*	₱64,298,290	₱1,240,307,420
Receivables**	212,071,173	111,935,122
Long-term deposit***	6,976,249	7,404,740
	<b>₱283,345,712</b>	<b>₱1,359,647,282</b>

\*Excluding cash on hand amounting to ₱2,859,930 and ₱50,000 for the year ended December 31, 2016 and December 31, 2015, respectively.

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

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

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

2016	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade (Note 20)	P8,291,951	P6,171,011	P529,777	P680,283	P375,938	P534,942	P-	P-
Receivable from PAGCOR	18,246,057	18,246,057	-	-	-	-	-	-
Advances to related parties	74,186,804	74,186,804	-	-	-	-	-	-
Advances to employees (Note 20)	212,577	212,577	-	-	-	-	-	-
Others	111,133,784	-	-	-	-	-	111,133,784	-
	<b>P212,071,173</b>	<b>P98,816,449</b>	<b>P529,777</b>	<b>P680,283</b>	<b>P375,938</b>	<b>P534,942</b>	<b>P111,133,784</b>	<b>P-</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016

2015	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Others	P111,604,801	P-	P-	P-	P-	P-	P111,604,801	P-

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015

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

	2016			
	Grade A	Grade B	Grade C	Total
Trade (Note 20)	P3,605,224	P1,001,330	P1,564,457	P6,171,011
Receivable from PAGCOR	-	18,246,057	-	18,246,057
Advances to related parties	74,186,804	-	-	74,186,804
Advances to employees (Note 20)	212,577	-	-	212,577
	<b>P78,004,605</b>	<b>P19,247,387</b>	<b>P1,564,457</b>	<b>P98,816,449</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016.

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

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015.

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

- Grade A  
This includes cash and cash equivalents deposited with banks having good reputation and bank standing and receivables from related parties and employees that always pay on time or even before the maturity date.



- **Grade B**  
This includes receivables that are collected on their due dates provided that they were reminded or followed up by the parent company.
- **Grade C**  
This includes receivables which are still collected within their extended due dates.

Liquidity Risk

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

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	P-	P-	P4,212,351,992	P4,212,351,992
Accounts payable and other current liabilities**	4,970,819	631,181,681	-	636,152,500
	<b>P4,970,819</b>	<b>P631,181,681</b>	<b>P4,212,351,992</b>	<b>P4,848,504,492</b>

\*Including interest.

\*\*Excluding withholding taxes payable amounting to P2,335,136.

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

\*Including interest.

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

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	P64,298,290	P-	P-	P64,298,290
Receivables**	74,186,804	137,884,369	-	212,071,173
Long-term deposit***	-	-	6,976,249	6,976,249
	<b>P138,485,094</b>	<b>P137,884,369</b>	<b>P6,976,249</b>	<b>P283,345,712</b>

\*Excluding cash on hand amounting to P2,859,930.

\*\*Excluding advances to contractors and suppliers amounting to P124,118,787.

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



	2015			Total
	Due and Demandable	Less than 1 year	1 year or above	
Loans and receivables:				
Cash and cash equivalents*	P1,240,307,420	P-	P-	P1,240,307,420
Receivables**	-	111,935,122	-	111,935,122
Long-term deposit**	-	-	7,404,740	7,404,740
	<b>P1,240,307,420</b>	<b>P111,935,122</b>	<b>P7,404,740</b>	<b>P1,359,647,282</b>

\*Excluding cash on hand amounting to P50,000.

\*\*Excluding advances to contractors and suppliers amounting to P481,736,341

\*\*\*Presented under "Other noncurrent assets" in parent company financial statements

### Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), accounts payable and other current liabilities (excluding withholding taxes payable) approximate their fair values due to the short-term nature of these accounts.

The fair value of long term deposits and loans payable was based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of loans payable and long term deposits as of 2016 and 2015 are as follows:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Long term deposits	<b>P6,976,249</b>	<b>P6,976,249</b>	<b>P7,404,741</b>	<b>P6,585,709</b>
<b>Financial Liabilities</b>				
Other financial liability				
Loans Payable	<b>P3,471,974,747</b>	<b>P3,729,639,356</b>	<b>P2,475,451,860</b>	<b>P2,725,692,158</b>

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

## **27. Capital Management**

The primary objective of the Parent Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value. The Parent Company considers its total equity amounting to P2.6 billion and P3.0 billion as its capital as of December 31, 2016 and 2015.

The Parent Company maintains a capital base to cover risks inherent in the business. The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity) should not exceed 2.0x.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity) should not exceed 2.0x. As of December 31, 2016, the Group complies with the covenant. Debt to equity ratio of Group as of December 31, 2016 and 2015 is as follows:

	2016	2015
Total Liabilities	₱4,130,330,937	₱3,100,681,981
Total Equity	2,576,138,520	2,965,973,448
Debt to equity ratio	1.60	1.05

## 28. Note to Consolidated Statement of Cash Flows

Noncash investing activity for the year ended December 31, 2016 pertains to the construction of building on account and capitalized borrowing cost amounting to ₱101.8 million and ₱63.9 million, respectively, recorded under the "Property and equipment" account.

## 29. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR 15-2010 to amend certain provisions of RR 21-2002 prescribing the matter of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosure of taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2016.

- a. The Parent Company has VAT output tax declaration of ₱3.3 million in 2016 based on the amount reflected in the revenue from hotel, food and beverage and other income arising from sale of tobacco amounting to ₱252.9 million.

The Parent Company's revenue share from gaming operation is exempt from VAT as mentioned in P.D. 1869. The Parent Company is subject to 5% franchise tax, which shall be in lieu of all other taxes, including income tax and value added tax.

The following table shows the sources of input VAT claimed:

Balance at beginning of the year	₱320,471,141
Purchases of:	
Goods other than for resale	4,060,275
Services lodged under other accounts	66,581,155
Claims for tax credit/refund and other adjustments	(3,302,170)
<b>Balance at end of the year</b>	<b>₱387,810,401</b>

b. Other taxes and licenses

These include all other taxes, national and local, including real estate taxes, licenses and permit fees included under the 'Taxes and licenses' account under the 'Operating Expenses' account in the parent company's statements of comprehensive income. Details consist of the following:

National

BIR registration	₱10,000
PSE listing fee	809,511
Custom duties and taxes	612,320
Documentary stamp taxes	270,328
Public performance license	₱62,779
Trademark fees	8,726
Optical Media Board license	14,550
	<hr/>
	₱1,788,214

Local

Annotation costs	₱1,895,023
Real property tax	664,249
Zoning and processing fee	911,073
PEZA permit	445,692
Business permit	53,295
Notarial services	5,050
Barangay clearance certificate	4,000
Hotel permit	1,000
	<hr/>
	3,979,382
<b>Total</b>	<hr/>
	₱5,767,596

The Parent Company incurred franchise tax amounting to ₱9,697,715 from its gaming operations and is offset against "Revenue share in gaming operations" account.

The Parent Company did not have any importations or purchases of any products subject to excise tax. Details of the parent company's withholding taxes in 2016 are as follows:

Expanded withholding taxes	₱45,816,746
Withholding taxes on compensation	3,898,339
<b>Total</b>	<hr/>
	₱49,715,085

Tax Assessments or Tax Cases

The Parent Company is currently not involved in any tax cases, preliminary investigations, litigations and/or prosecution in courts outside of BIR.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Signature of Atty. Alfonso R. Reyno Jr.
Atty. Alfonso R. Reyno Jr.
Chairman/CEO/President
Philippine Passport No. EB887161

Signature of Jose Alvaro D. Rubio
Jose Alvaro D. Rubio
Chief Finance Officer
TIN 109-937-904

SUBSCRIBED AND SWORN TO before me this PASIG CITY 6 APR 2017 at ... exhibiting ... his / her Competent evidence of Identity.

DOC. NO. 039 ;
PAGE NO. 019 ;
BOOK NO. 7 ;
SERIES OF 2017 ;

Signed this 19th day of April 2017

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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
MJC INVESTMENTS CORPORATION  
Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino  
(Formerly MJC Investments Corporation)

### Opinion

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

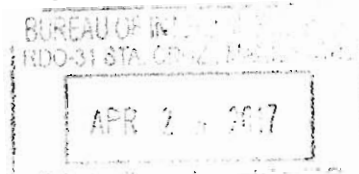
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and of its consolidated financial performance and its consolidated cash flows for each of the three years in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

### Basis for Opinion

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

### Key Audit Matters

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



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

*Commencement of Permit to Operate granted by PAGCOR*

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

*Audit Response*

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

**Other Information**

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

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

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

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

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

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

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

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

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

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

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

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



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

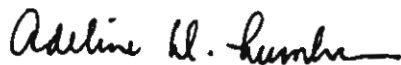
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

SEC Accreditation No. 1555-A (Group A),  
April 14, 2016, valid until April 14, 2019

Tax Identification No. 224-024-746

BIR Accreditation No. 08-001998-118-2016,  
February 15, 2016, valid until February 14, 2019

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

April 19, 2017



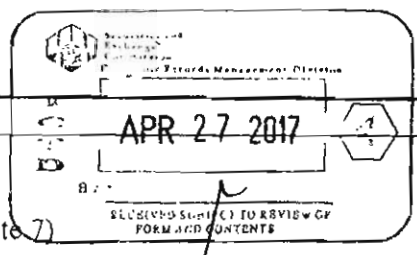
**MJC INVESTMENTS CORPORATION**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

See accompanying Notes to Consolidated Financial Statements.



**MJC INVESTMENTS CORPORATION**

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

*See accompanying Notes to Consolidated Financial Statements.*

**MJC INVESTMENTS CORPORATION**

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

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

See accompanying Notes to Consolidated Financial Statements.

# MJC INVESTMENTS CORPORATION

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Consolidated Financial Statements

## MJC INVESTMENTS CORPORATION

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Corporate Information

MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino (the "Parent Company") and Trafalgar Square Leisure Corporation ("TSLC") (collectively referred to as the "Group") are incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

Date	Corporate Name
February 12, 1997	Ebecom Holdings, Inc.
September 25, 2003	Aries Prime Resources, Inc.
September 30, 2008	MJCI Investments, Inc.
October 15, 2009	MJC Investments Corporation
June 29, 2015	MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

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

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten (10) years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. On November 25, 2015, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO, which also extended the term of the PTO to fifteen (15) years commencing from the start of commercial operations of PAGCOR San Lazaro (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning,

accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro (see Note 2).

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

Authorization for the Issuance of Consolidated financial statements

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

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## 2. Agreements with PAGCOR

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

*a. Permit to operate granted to Parent Company*

As discussed in Note 1 to the consolidated financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, as embodied in the provisions of the PTO.

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

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

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

The same agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.

For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross revenues after deducting the players' winnings/ prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

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



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

Furthermore, upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, as the entity is granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

*b. Traditional Bingo Operation of the Parent Company*

On January 19, 2015, the Group was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses").

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

*c. Junket Agreement granted to TSLC*

On May 16, 2016, TSLC was granted by PAGCOR the authority to bring in pre-registered foreign players to play in designated junket gaming areas in Winford Hotel and Casino with an initial Gaming Table Mix of four (4) junket gaming tables. Operation of gaming tables in excess of the initial Gaming Table Mix shall be subject to PAGCOR's approval. The agreement is effective for a period of three years, commencing on day 1 of the gaming operation at the junket area but not later than six months from the date of the agreement.

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee of US\$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 23). In addition to the monthly fee, the TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

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

The TSLC shall also deposit to PAGCOR the following:

- a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation (“gaming deposit”) prior to the actual operation of the junket tables amounting to ₱17.03 million, which are recorded as part of Long term deposits under Other noncurrent assets in the consolidated statement of financial position (see Note 13).
- b) an Administrative Charge Deposit in the amount equivalent to six months manpower cost of PAGCOR’s Monitoring Team for the Junket Gaming Operation prior to the actual operation amounting to ₱2.91 million, which shall be made to cover TSLC’s share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The Administrative Charge Deposit is recorded as part of the Long term deposits under Other noncurrent assets in the consolidated statement of financial position (see Note 13).
- c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC’s compliance with the terms and conditions of the agreement and PAGCOR’s pre-operating requirements (see Note 13).

Should TSLC cease operations, for reasons such as violation of terms or conditions as stated in the agreement with PAGCOR, one year or more after the commencement of the agreement but before the end of its term, only TSLC’s cash bond and administrative charge deposit shall be forfeited in favor of PAGCOR. The Gaming deposit shall be returned to TSLC after deducting any unpaid fees owed by the TSLC to PAGCOR.

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

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

#### Basis of Preparation

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

#### Statement of Compliance

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

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

#### New and Amended Standards and Interpretation

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

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

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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs 2012 - 2014 Cycle

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

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

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

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

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

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

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

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

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

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

#### Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2017*

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

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

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

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

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

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

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

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

*Effective beginning on or after January 1, 2018*

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

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

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

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

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

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

- PFRS 9, *Financial Instruments*

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

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

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

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

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

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

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

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

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

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint



venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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## 5. Summary of Significant Accounting and Financial Reporting Policies

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary where the parent has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

*Subsidiary.* Subsidiary is an entity controlled by the Parent Company. Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

*Transactions Eliminated on Consolidation.* All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

*Accounting Policies of Subsidiaries.* The financial statements of subsidiary are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

*Functional and Presentation Currency.* The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

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

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

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

#### Financial assets

##### *Initial recognition and measurement*

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

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

##### *Subsequent measurement*

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

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

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

#### *Loans and receivables*

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

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

#### *Derecognition*

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

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

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

#### *Impairment of financial assets*

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

#### *Other financial liabilities*

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

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

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

#### *Derecognition*

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

#### *Offsetting of financial instruments*

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

#### Inventories

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

#### Property and equipment

Property and equipment, except land, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>2016</u>	<u>2015</u>
Building	30 years	–
Machinery	10 years	10 years
Gaming equipment	8 years	–
Nongaming equipment	5 years	5 years
Kitchen and bar equipment, computer software and hardware	3 years	3 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

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

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) includes linens, uniforms and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over three years.

#### Impairment of nonfinancial assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other asset or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

### Revenue Recognition

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

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

#### *Revenue Share in Gaming Operations*

Revenue share in gaming operations represents a certain percentage share of gross winnings after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Group's gaming facilities and gaming equipment.

#### *Hotel, food and beverage*

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

Other income consists of:

#### *Revenue from Bingo*

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards less prizes/winnings. This is included at "Other income" in the consolidated statements of comprehensive income.

#### *Rental Income*

Rental revenue from the leasing of certain areas of the hotel held under operating lease are recognized on a straight line basis over the periods of the respective leases.

#### *Interest Income*

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and advances to related parties.

### Operating Costs and Expenses

Costs and expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred.

#### Gaming Fees

As a grantee of PAGCOR, the Group is required to pay PAGCOR a fixed amount of gaming fees or a percentage of its gross winnings from TSLC's junket operation and a percentage of the Parent Company's gross receipts from bingo operations. These fees are recorded as part of gaming fees under "Operating costs and expenses".

### Taxes

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that

are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.



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

#### Retirement Benefits Cost

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Leases

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

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

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

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

Leases in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

### Value-Added Tax (VAT)

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

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

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

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

### Segment reporting

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 25.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

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## 6. Significant Accounting Judgments, Estimates and Assumptions

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

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

### Judgments

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

### *Evaluating Lease Commitments*

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

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

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

### *Recognition of deferred tax assets*

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

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

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

### Estimates and Assumptions

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

*Estimation of the useful lives of property and equipment*

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

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

*Recoverability of input VAT*

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

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**7. Cash and Cash Equivalents**

This account consists of:

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

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

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## 8. Receivables

This account consists of:

	2016	2015
Trade (Note 20)	P8,291,951	P-
Receivable from PAGCOR	18,246,057	-
Advances to contractors and suppliers	124,118,787	481,736,341
Advances to employees (Note 20)	213,176	330,321
Others	111,133,784	111,604,801
	<b>P262,003,755</b>	<b>P593,671,463</b>

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

Receivable from PAGCOR pertains to the outstanding balance of the Group's revenue share in gaming operations after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Group within 15 days of the following month.

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

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

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

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## 9. Inventories

This account consists of:

	2016	2015
Operating supplies	P18,116,614	P3,938,140
Food, beverage, tobacco	3,191,477	-
	<b>P21,308,091</b>	<b>P3,938,140</b>

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

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#### 10. Input VAT

This account consists of:

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

Input VAT pertains mainly to the Group's purchases related to the construction of Winford Hotel building, while deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

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#### 11. Other Current Assets

This account consists of:

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

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

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

12. Property and Equipment

This account consists of:

Cost	2016							Total
	Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen and bar equipment, Computer software and hardware	Construction in Progress	
Balance at beginning of year	P600,800,000	P-	P-	P203,095,681	P102,527,807	P152,601,300	P2,799,184,871	P3,858,209,659
Additions	-	234,685,850	2,521,448	107,072,824	83,304,270	17,459,888	1,674,331,053	2,129,375,333
Reclassifications	-	3,639,225,813	187,498,231	62,374	238,864,367	407,865,139	(4,473,515,924)	-
Disposal	-	-	-	-	(1,025,892)	-	-	(1,025,892)
Balance at end of year	600,800,000	3,873,911,663	190,019,679	310,230,879	422,670,552	587,926,327	-	5,986,559,100
Accumulated depreciation	-	-	-	-	732,238	442,679	-	1,174,917
Balance at beginning of year	-	-	-	-	33,058,145	68,089,138	-	231,928,366
Depreciation	-	93,440,349	1,562,485	35,778,249	(512,946)	-	-	(512,946)
Disposal	-	-	-	-	33,277,437	68,531,817	-	232,590,237
Balance at end of year	-	93,440,349	1,562,485	35,778,249	P390,393,115	P519,394,510	P-	P5,753,968,763
Net book value	P600,800,000	P3,780,471,314	P188,457,194	P274,452,630	P39,273,137	P78,531,817	P-	P5,232,590,237

Cost	2015							Total
	Land	Building	Machinery	Gaming Equipment	Non-gaming equipment, Computer software and hardware	Kitchen and bar equipment, Computer software and hardware	Construction in Progress	
Balance at beginning of year	P600,800,000	P-	P-	P-	P1,812,280	P695,664	P1,130,323,472	P1,735,631,416
Additions	-	-	-	203,095,681	100,715,521	151,905,636	1,668,861,399	2,124,578,243
Balance at end of year	600,800,000	-	-	203,095,681	102,527,807	152,601,300	2,799,184,871	3,858,209,659
Accumulated depreciation	-	-	-	-	342,611	181,773	-	524,384
Balance at beginning of year	-	-	-	-	389,627	260,906	-	650,533
Depreciation	-	-	-	-	732,238	442,679	-	1,174,917
Balance at end of year	-	-	-	-	P1,017,955,699	P152,158,621	P2,799,184,871	P3,857,014,742
Net book value	P600,800,000	P-	P-	P203,095,681	P1,475,372,108	P340,442,679	P-	P3,857,014,742



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

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

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

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

### 13. Other Noncurrent Assets

This account consists of:

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

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

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

### 14. Accounts Payable and Other Current Liabilities

This account consists of:

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

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

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



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

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

Withholding tax payable pertains to taxes withheld by the Group from its contractors and suppliers from payments made mainly in relation to the construction of building.

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

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

## 15. Loans Payable

This account consists of:

	2016	2015
Principal	P3,500,000,000	P2,500,000,000
Less unamortized debt discount	28,025,253	24,548,140
	<b>P3,471,974,747</b>	<b>P2,475,451,860</b>

The movements in unamortized debt discount follow:

	2016	2015
Unamortized debt discount at beginning of year	P24,548,140	P-
Additions	10,000,000	25,000,000
Less: amortization*	6,522,887	451,860
Unamortized debt discount at end of year	<b>P28,025,253</b>	<b>P24,548,140</b>

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

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a P3.5 billion loan facility with an interest rate of 7-year PDST R2 +125 basis points at drawdown date, plus gross receipts tax. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew P2.5 billion from the loan facility, receiving proceeds of P2.47 billion, net of related debt issue cost of P30.0 million. The debt issue cost includes documentary stamp tax amounting to P12.5 million and upfront fees amounting to P17.5 million. Out of the P17.5 million upfront fee, P5.0 million pertains to the undrawn portion amounting to P1.0 billion as at December 31, 2015 which is presented as part of "Other current assets" in the 2015 consolidated statement of financial position (see Note 11).

In April 2016, the Parent Company drew the remaining P1.0 billion from the loan facility, receiving proceeds of P995.0 million, net of documentary stamp tax amounting P5.0 million.

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

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

#### Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the parent company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. The Parent Company continues to comply with the loan covenants.

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

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

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#### 16. Retirement Benefits

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

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

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

Discount rate	5.86%
Salary Increase rate	3.00%

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

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

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

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

## 17. Commitments

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

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

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

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

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

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

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

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

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

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

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

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

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

*Operating Lease Commitment – the Parent Company as Lessee*

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

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

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

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

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

*Operations and Management Agreement*

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

*Others*

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

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**18. Income Taxes**

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of Presidential Decree (P.D.) 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2).

The provision for income tax consists of the following:

	2016	2015	2014
Current:			
Final	<b>₱2,584,636</b>	₱924,825	₱1,975,623
MCIT	-	3,318	6,000
	<b>₱2,584,636</b>	<b>₱928,143</b>	<b>₱1,981,623</b>

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

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

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

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

	2016	2015
NOLCO	<b>₱495,568,395</b>	₱129,727,418
Customer deposits	1,722,579	-
Unearned income	1,669,510	-
Retirement expense	812,718	-
Amortization of long term deposit	428,491	-
Unrealized foreign exchange loss	134,173	-
MCIT	9,318	15,318
	<b>₱500,345,184</b>	<b>₱129,742,736</b>

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

*NOLCO*

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	₱40,141,400	₱-	₱40,141,400	₱-	2016
2014	32,053,407	-	-	32,053,407	2017
2015	57,532,611	-	-	57,532,611	2018
2016	-	405,982,377	-	405,982,377	2019
	<b>₱129,727,418</b>	<b>₱405,982,377</b>	<b>₱40,141,400</b>	<b>₱495,568,395</b>	

MCIT

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2013	₱6,000	₱-	₱6,000	₱-	2016
2014	6,000	-	-	6,000	2017
2015	3,318	-	-	3,318	2018
	₱15,318	₱-	₱6,000	₱9,318	

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

	2016	2015	2014
Benefit from income tax based on accounting income before income tax	(₱133,133,619)	(₱15,903,500)	(₱6,671,223)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	111,176,534	17,263,101	9,622,022
Nondeductible expenses and others	13,163,329	32,049	18,635
Expired NOLCO and MCIT	12,048,420	-	-
Income from gaming operations exempt from income tax	(270,061)	-	-
Interest income subjected to final tax	(399,967)	(463,507)	(987,811)
Provision for income tax	₱2,584,636	₱928,143	₱1,981,623

19. PEZA Registration

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

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

## 20. Related Party Transactions

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entity, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

### Transactions with Related Parties

In the ordinary course of business, the Group has significant transactions with related parties as follows:

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

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

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

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

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

### Key Management Personnel

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

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

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



## 21. Equity

### Capital Stock

Details of capital stock are as follows:

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

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

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

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

## 22. Basic/Diluted Loss Per Share

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

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

23. Operating Costs and Expenses

This account consists of:

	2016	2015	2014
<b>Cost of Operations</b>			
Depreciation and amortization (Notes 12 and 13)	P140,441,197	P-	P-
Utilities	56,118,764	-	-
Salaries and wages	29,533,690	-	-
Gaming fees (Note 2)	22,029,770	-	-
Professional fees	9,545,332	-	-
Food, beverage, and tobacco	6,912,332	-	-
Communication	5,381,984	-	-
Hotel room and supplies	4,238,114	-	-
Banquet expenses	2,931,745	-	-
Entertainment	1,943,401	-	-
Repairs and maintenance	926,415	-	-
Others	3,866,803	-	-
	<b>283,869,547</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>			
Depreciation and amortization (Notes 12 and 13)	101,753,363	650,533	489,366
Contract services	51,365,621	385,791	401,957
Security	27,582,364	-	-
Salaries and wages	15,293,323	23,221,602	17,449,825
Management fee (Note 17)	17,385,900	-	-
Utilities	9,903,311	4,617,872	237,947
Advertising and marketing	6,112,218	-	25,357
Taxes and licenses	5,983,506	496,453	46,705
Rent (Note 17)	4,610,654	3,492,289	1,448,736
Insurance	2,150,766	35,328	623
Transportation and travel	2,096,979	353,881	3,020,204
Supplies	1,934,873	152,906	110,363
Professional fees	1,684,470	6,763,212	1,671,000
Meetings and conferences	1,515,417	563,400	3,195,012
Representation	1,203,731	106,830	62,117
Communication	949,762	573,898	339,264
Directors' fees	553,000	449,000	707,000
Others	2,898,069	1,417,051	3,208,496
	<b>254,977,327</b>	<b>43,280,046</b>	<b>32,413,972</b>
<b>Total</b>	<b>P538,846,874</b>	<b>P43,280,046</b>	<b>P32,413,972</b>

## 24. Other Revenue

This account consists of:

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

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

## 25. Operating Segment Information

The Group has two operating segments in 2016 and only one operating segment in 2015 and 2014. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

### Segment Revenue and Expenses

The segment results for the years ended December 31, 2016, 2015 and 2014 are as follows:

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

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

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

Segment Assets and Liabilities and Other Information

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

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

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

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

Financial Risk Management Objectives and Policies

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

Credit Risk

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

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

	2016	2015
Loans and receivables:		
Cash and cash equivalents*	P117,124,965	P1,240,307,420
Receivables**	137,884,968	111,935,122
Long term deposit***	6,976,249	7,404,740
	<b>P261,986,182</b>	<b>P1,359,647,282</b>

\*Excluding cash on hand amounting to P7,859,930 and P50,000 for the year ended December 31, 2016 and 2015, respectively.

\*\*Excluding advances to contractors and suppliers amounting to P124,118,787 and P481,736,341 for the year ended December 31, 2016 and 2015, respectively.

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

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

2016	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due		
Trade (Note 20)	P8,291,951	P6,171,011	P529,777	P680,283	P375,938	P534,942	P-	P-
Receivable from PAGCOR	18,246,057	18,246,057	-	-	-	-	-	-
Advances to employees (Note 20)	213,176	213,176	-	-	-	-	-	-
Others	111,133,784	-	-	-	-	-	111,133,784	-
	<b>P137,884,968</b>	<b>P24,630,244</b>	<b>P529,777</b>	<b>P680,283</b>	<b>P375,938</b>	<b>P534,942</b>	<b>P111,133,784</b>	<b>P-</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016.

2015	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due		
Advances to employees (Note 20)	P330,321	P330,321	P-	P-	P-	P-	P-	P-
Others	111,604,801	-	-	-	-	-	111,604,801	-
	<b>P111,935,122</b>	<b>P330,321</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P111,604,801</b>	<b>P-</b>

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015.

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

	2016			Total
	Grade A	Grade B	Grade C	
Trade (Note 20)	P3,605,224	P1,001,330	P1,564,457	P6,171,011
Receivable from PAGCOR	-	18,246,057	-	18,246,057
Advances to employees (Note 20)	213,176	-	-	213,176
	<b>P3,818,400</b>	<b>P19,247,387</b>	<b>P1,564,457</b>	<b>P24,630,244</b>

\*Excluding advances to contractors and suppliers amounting to P124,118,787 as of December 31, 2016.

	2015			Total
	Grade A	Grade B	Grade C	
Advances to employees (Note 20)	P330,321	P-	P-	P330,321

\*Excluding advances to contractors and suppliers amounting to P481,736,341 as of December 31, 2015.

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

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

Liquidity Risk

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

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

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

\*Including interest.

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

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

\*Including interest.

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

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

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

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

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

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

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

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

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

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

#### Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), accounts payable and other current liabilities (excluding withholding taxes payable) approximate their fair values due to the short-term nature of these accounts.

The fair values of long term deposits and loans payable were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of loans payable and long term deposits as of 2016 and 2015 are as follows:

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

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

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## 27. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value. The Group considers its total equity amounting to ₱ 2.6 billion and ₱ 3.0 billion as its capital as of December 31, 2016 and 2015.

The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity) should not exceed 2.0x. As of December 31, 2016, the Group complies with the covenant. Debt to equity ratio of Group as of December 31, 2016 and 2015 is as follows:

	2016	2015
Total Liabilities	₱4,133,060,987	₱3,100,681,982
Total Equity	2,558,349,801	2,965,973,448
Debt to equity ratio	1.62	1.05

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## 28. Note to Consolidated Statements of Cash Flows

Noncash investing activity for the year ended December 31, 2016 pertains to the construction of building on account and capitalized borrowing cost amounting to ₱101.8 million and ₱63.9 million, respectively, recorded under the "Property and equipment" account.

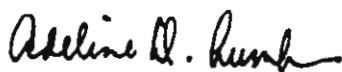


## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
MJC INVESTMENTS CORPORATION  
Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford  
Hotel and Casino  
(Formerly MJC Investments Corporation)

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) and subsidiary ("the Group") as at December 31, 2016 and 2015 included in this Form 17-A and have issued our report thereon dated April 19, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Adeline D. Lumbres

Partner

CPA Certificate No. 0107241

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

April 14, 2016, valid until April 14, 2019

Tax Identification No. 224-024-746

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

February 15, 2016, valid until February 14, 2019

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

April 19, 2017

**MJC INVESTMENTS CORPORATION, INC. AND SUBSIDIARY**  
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF**  
**DECEMBER 31, 2016**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PFRS 10: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 – Clarification of the Scope of the Standard	Not early adopted		
PFRS 13	Fair Value Measurement (2013 Version)			✓
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	✓		
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	Not early adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 Investment Entities			✓
	Amendments to PAS 27 Equity Method Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendment to PAS 28 – Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			✓
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property	Not early adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



**MJC INVESTMENTS CORPORATION**  
**SCHEDULE A: FINANCIAL ASSETS**

December 31, 2016

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Cash and cash equivalents*	N/A	N/A	₱117,124,965	N/A	N/A
Receivables**	N/A	N/A	137,884,968	N/A	N/A
Long term deposit***	N/A	N/A	6,976,249	N/A	N/A
<b>TOTAL</b>			<b>₱261,986,182</b>	<b>N/A</b>	<b>N/A</b>

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

\*\*Excluding advances to contractors and suppliers amounting to ₱124,118,786 and ₱481,736,341 for the year ended December 31, 2016 and 2015, respectively.

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

**MJC INVESTMENTS CORPORATION**

**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

December 31, 2016

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off			
Manila Jockey Club, Inc.	P-	P10,137	P-	P-	P10,137	P-	P10,137
Manilacockers Club, Inc.	-	75,934	-	-	75,934	-	75,934
Advances to Employee	330,321	-	(117,145)	-	213,176	-	213,176
<b>TOTAL</b>	<b>P330,321</b>	<b>P86,071</b>	<b>(P117,145)</b>	<b>P-</b>	<b>P299,247</b>	<b>P-</b>	<b>P299,247</b>

**MJC INVESTMENTS CORPORATION**

**SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS**

December 31, 2016

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions			Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off	Others			
Trafalgar Square Leisure Corporation	P-	P127,303,173	P53,116,369	P-	P-	P74,186,804	P-	P74,186,804
<b>TOTAL</b>	<b>P-</b>	<b>P127,303,173</b>	<b>P53,116,369</b>	<b>P-</b>	<b>P-</b>	<b>P74,186,804</b>	<b>P-</b>	<b>P74,186,804</b>

**MJC INVESTMENTS CORPORATION**  
**SCHEDULE D: INTANGIBLE ASSETS(OTHER ASSETS)**  
 December 31, 2016

Description	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes		Ending Balance
					Additions	(Deductions)	
<b>NOT APPLICABLE</b>							

**MJC INVESTMENTS CORPORATION**

**SCHEDULE E: LONG TERM DEBT**

December 31, 2016

Title of Issue and Type of Obligation	Amount authorized by Indenture	Amount shown under caption "Current Portion of Long term Debt" in related Balance Sheet	Amount shown under caption "Long Term Debt" in Related Balance Sheet
Bank Loan	N/A	P-	P3,471,974,747
<b>TOTAL</b>		<b>P-</b>	<b>P3,471,974,747</b>

**MJC INVESTMENTS CORPORATION**  
**SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES**  
**(LONG TERM LOANS FROM RELATED COMPANIES)**

December 31, 2016

Name of Related Party	Balance at beginning of period	Balance at End of Period
-----------------------	--------------------------------	--------------------------

**NOT APPLICABLE**

**MJC INVESTMENTS CORPORATION**  
**SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS**

December 31, 2016

Name of issuing entity issuing guaranteed by the company for which this statement is filed	Title of Issue of each class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
<b>NOT APPLICABLE</b>				

**MJC INVESTMENTS CORPORATION**  
**SCHEDULE H: CAPITAL STOCK**

December 31, 2016

Title of Issue	No. of Shares Authorized	No. of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Common Stock	5,000,000,000	P3,174,405,821	N/A	N/A	-	N/A
<b>TOTAL</b>	<b>5,000,000,000</b>	<b>P3,174,405,821</b>			-	-

**MJC INVESTMENTS CORPORATION**

**SCHEDULE I: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS**

December 31, 2016

Name of Creditor	Designation of Creditor	Balance at the Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of period
				Amounts Paid	Others			

**NOT APPLICABLE**



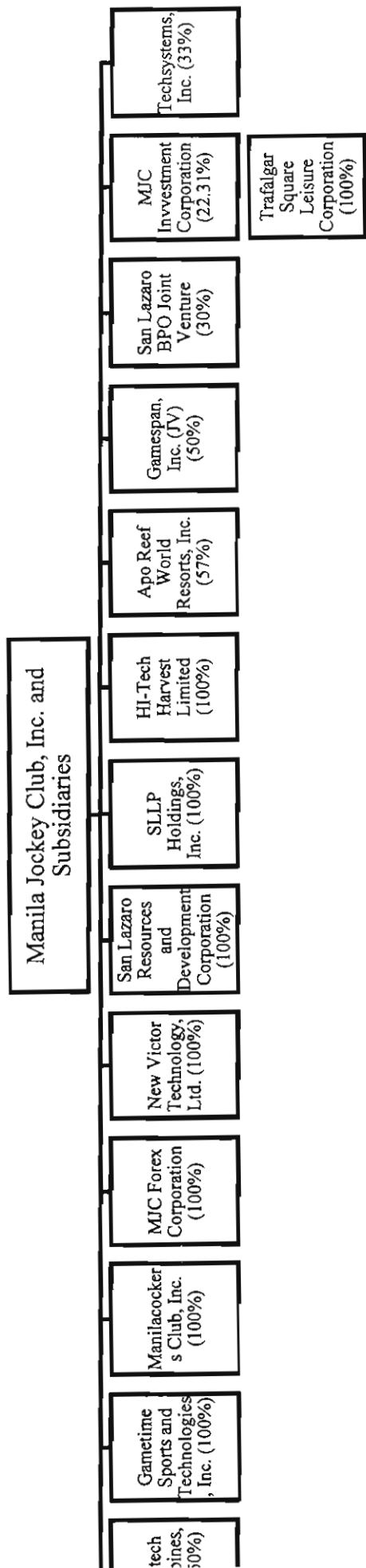
**MJC INVESTMENTS CORPORATION**

**SCHEDULE J: PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
December 31, 2016

**NOT APPLICABLE**

**MJC INVESTMENTS CORPORATION**  
**SCHEDULE K: MAP OF AFFILIATES**

December 31, 2016

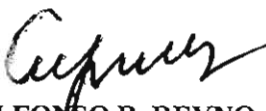


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The management of **MJC INVESTMENTS CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax return, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MJC INVESTMENTS CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

- a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of revenue regulations No. 8-2007 and other relevant issuances;
- c. **MJC INVESTMENTS CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**ALFONSO R. REYNO JR.**  
Chairman of the Board, CEO and President  
*Philippine Passport No. EB85J9161*

  
**JOSE ALVARO D. RUBIO**  
Chief Financial Officer  
*TIN: 109-933-906*

Signed this 19th day of April 2017

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

DOC. NO. 78 ;  
PAGE NO. 009 ;  
BOOK NO. 8 ;  
SERIES OF 2017 ;

  
**CHINO PAOLO Z. ROXAS**

NOTARY PUBLIC

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

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

## FILING REFERENCE NO.

---

TIN	: 000-596-509-000
Name	: MJC INVESTMENTS CORPORATION FRMLY:EBECOM HOLDINGS
RDO	: 031
Form Type	: 1702
Reference No.	: 121700019679583
Amount Payable (Over Remittance)	: -41,618.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2016
Date Filed	: 04/16/2017
Tax Type	: IT

[ [BIR Main](#) | [eFPS Login](#) | [User Menu](#) | [Help](#) ]

**Glenn Lagundino**

---

**From:** no-reply@bir.gov.ph  
**Sent:** Linggo, Abril 16, 2017 9:28 PM  
**To:** Glenn Lagundino  
**Subject:** BIR Email Notification (eFiling of Tax Return)

Good Day MJC INVESTMENTS CORPORATION FRMLY:EBECOM HOLDINGS ,

Thank you for filing your Return through eFPS.

This email indicates that the eFiled Return has been submitted to BIR, see below the summary details of your tax filing transaction for your reference. To ensure that the said transaction was successfully submitted, please inquire your eReturn Details through the eFPS Tax Inquiry.

From,

Bureau of Internal Revenue

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

**FILING REFERENCE NO.**


<b>TIN</b>	:000-596-509-000
<b>Name</b>	MJC INVESTMENTS CORPORATION FRMLY:EBECOM HOLDINGS
<b>RDO</b>	:031
<b>Form Type</b>	:1702
<b>Reference No.</b>	:121700019679583
<b>Amount Payable / (Over Remittance)</b>	: -41618.00
<b>Accounting Type</b>	: C - Calendar
<b>For Tax Period</b>	: 12/31/2016
<b>Date Filed</b>	: 04/16/2017
<b>Tax Type</b>	: 11

=====  
DISCLAIMER  
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

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For BIR Use Only BCS Item	 <b>Annual Income Tax Return</b> For Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.</small>	BIR Form No. <b>1702-MX</b> June 2013 Page 1		
1 For <input checked="" type="checkbox"/> Calendar <input type="checkbox"/> Fiscal 2 Year Ended (MM/DD/YYYY) 1 2 / 20 1 6				
3 Amended Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 4 Short Period Return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
5 Alphabetic Tax Code (ATC) IC 055 <input checked="" type="checkbox"/> Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/> IC 010 <input type="checkbox"/> In General <input checked="" type="checkbox"/>				
<b>Part I – Background Information</b>				
6 Taxpayer Identification Number (TIN) 0 0 0 - 5 9 6 - 5 0 9 - 0 0 0 7 RDO Code 0 3 1				
8 Date of Incorporation/Organization (MM/DD/YYYY) 0 7 / 2 5 / 1 9 9 7				
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) M J C I N V E S T M E N T S C O R P O R A T I O N ( F R M L Y : E B E C O M H O L D I N G S )				
10 Registered Address (Indicate complete registered address) W I N F O R D H O T E L A N D C A S I N O M J C D R I V E C O R . C O N S U E L O S T S S A N L A Z A R O T O U R I S M & B U S I N E S S				
11 Contact Number 6327 - 373      12 Email Address joemar.onnagan@winfordhotel.com.ph				
13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES      14 PSIC Code 6 6 9 4				
15 Method of Deduction <input checked="" type="checkbox"/> Itemized Deduction [Section 34 (A-J), NIRC]				
<b>Part II – Total Tax Payable (Do NOT enter Centavos)</b>				
16 Total Income Tax Due (Overpayment) (From Part V Item 37D) 0				
17 Less: Total Tax Credits/Payments (From Part V Item 38D) 4 1 , 6 1 8				
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) ( 4 1 , 6 1 8 )				
19 Add: Total Penalties (From Part V Item 43) 0				
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Items 18 & 19) or (From Part V Item 44) ( 4 1 , 6 1 8 )				
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) <input type="checkbox"/> To be refunded <input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input checked="" type="checkbox"/> To be carried over as a tax credit for next year/quarter				
We declare under the penalties of perjury that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief is true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representatives, attach authorization letter and indicate TIN)				
Signature over printed name of President/Principal Officer/Authorized Representative: <u>JOEMAR ONNAGAN</u> Signature over printed name of Treasurer/Assistant Treasurer: _____ Title of Signatory: _____      Number of pages filed: 9				
22 Community Tax Certificate (CTC) Number/SEC Reg. No. 0 0 0 0 0 1 0 0 2 0      23 Date of Issue (MM/DD/YYYY) 0 7 / 2 5 / 1 9 9 7				
24 Place of Issue MANILA      25 Amount, f CTC 0				
<b>Part III – Details of Payment</b>				
Details of Payment	Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo			/ /	0
27 Check			/ /	0
28 Tax Debit Memo			/ /	0
29 Others (Specify below)			/ /	0
Machine Validation/Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)				

BIR Revenue Office (AAB) and Date of Receipt (ROs) Signature Bank Teller's Initial  
**APR 25 2017**  
 PABLO E. MENEZES  
 ADMINISTRATIVE SECTION  
 TIN - 175-640-182

<b>Annual Income Tax Return</b> Page 2		BIR Form No. <b>1702-MX</b> June 2013	 1702-MX06/13P2
TIN 0 0 0 5 9 6 5 0 9 0 0 0 0 0		Registered Name MJC INVESTMENTS CORPORATION (FRMLY):	

Part IV - Basis of Tax Relief			
30 Basis of Tax Relief under Special Law or International Tax Treaty If there is only one activity/program under EXEMPT and SPECIAL Tax Regimes, fill up spaces below.			
If there are more than one activities/programs under EXEMPT and SPECIAL Tax Regimes, use as many Mandatory Attachments per Activity (Part VII) as necessary and mark "X" the box at the left.			
31 Investment Promotion Agency (IPA) / Implementing Government Agency	A Exempt	B Special Rate	C Special Tax Relief (Under Regular/Normal Rate)
P A G C O R			
32 Legal Basis	R A 9 4 8 7		
33 Registered Activity/Program (Reg. No.)	C A S I N O		
34 Special Tax Rate	0 - 0 %		
35 From (MM/DD/YYYY)	0 1 / 0 1 / 2 0 1 6		
36 To (MM/DD/YYYY)	0 1 / 0 1 / 2 0 2 6		

Part V - Computation of Amount Payable per Tax Regime				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
37 TOTAL INCOME TAX DUE (OVERPAYMENT) <i>(From Schedule 1 Item 16B/16C/16D) (To Part II Item 18)</i>	0.00	0	0	0
38 Less: Tax Credits/Payments <i>(From Schedule 8 Item 13) (To Part II Item 17)</i>	0	0	41,618	41,618
39 NET TAX PAYABLE (OVERPAYMENT) <i>(Item 37 Less Item 38) (To Part II Item 18)</i>	0	0	(41,618)	(41,618)
<b>Add Penalties</b>				
40 Surcharge				0
41 Interest				0
42 Compromise				0
43 Total Penalties (Sum of Items 40 to 42) <i>(To Part II Item 19)</i>				0
44 TOTAL AMOUNT PAYABLE (OVERPAYMENT) (Sum of Items 39 and 43) <i>(To Part II Item 20)</i>				(41,618)

Part VI - Information - External Auditor/Accredited Tax Agent			
45 Name of External Auditor/Accredited Tax Agent S Y C I P G O R R E S V E L A Y O A N D C O M P A N Y			
		46 TIN	0 0 0 5 0 2 5 4 7 0 0 0
47 Name of Signing Partner (If External Auditor is a Partnership) A D E L I N E D . L U M B R E S			
		48 TIN	2 2 4 0 2 4 7 4 6 0 0 0
49 BIR Accreditation No.	50 Issue Date (MM/DD/YYYY)	51 Expiry Date (MM/DD/YYYY)	
0 8 - 0 0 1 9 9 8 - 1 1 8 - 2 0 1 6	0 2 / 1 5 / 2 0 1 6	0 2 / 1 5 / 2 0 1 9	

ATC	DESCRIPTION	TAX RATE	TAX BASE	ATC	DESCRIPTION	TAX RATE	TAX BASE
IC 005	a. 2% General	2%	Income Taxable from All Sources	IC 011	1. Limited Corporation	3%	Gross Income
IC 005	b. 24% from Corporate Income Tax (2020)	24%	Income Taxable from All Sources	IC 015	4. 5% from Activities	5%	Income Taxable from All Sources
IC 020	2. Programs, Educational Institutions	10%	Income Taxable from All Sources	IC 021	3. 0% from Activities	0%	Income Taxable from All Sources
IC 025	a. 37% from Corporate Income Tax (2020)	37%	Income Taxable from All Sources	IC 022	A. General Professional Partnership (GPP)	0%	Income Taxable from All Sources
IC 025	b. 24% from Corporate Income Tax (2020)	24%	Income Taxable from All Sources	IC 023	V. Corporation covered by Special Law		
IC 030	3. Non-Stock "Family" Enterprises	10%	Income Taxable from All Sources	<b>RESIDENT FOREIGN CORPORATION</b>			
IC 035	a. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 070	a. 30%	30%	Income Taxable from All Sources
IC 035	b. 24% from Corporate Income Tax (2020)	24%	Income Taxable from All Sources	IC 055	b. 24%	24%	Income Taxable from All Sources
IC 040	4. a. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 060	2. International Carriers	2.5%	Gross Philippine Billings
IC 040	b. 24% from Corporate Income Tax (2020)	24%	Income Taxable from All Sources	IC 100	3. "Regional Operating Headquarters"	10%	Income Taxable
IC 045	5. a. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 105	4. Corporations covered by Special Law		
IC 045	b. 24% from Corporate Income Tax (2020)	24%	Income Taxable from All Sources	IC 180	6. a. 10% from Currency Transactions not subject to Final Tax	10%	Gross Taxable Income on Foreign Currency Transactions not subject to Final Tax
IC 050	6. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 185	b. 10% from Currency Transactions not subject to Final Tax	10%	Gross Taxable Income on Foreign Currency Transactions not subject to Final Tax
IC 055	7. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 190	c. 10% from Currency Transactions not subject to Final Tax	10%	Gross Taxable Income on Foreign Currency Transactions not subject to Final Tax
IC 060	8. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 195	d. 30% from Currency Transactions not subject to Final Tax	30%	Gross Taxable Income on Foreign Currency Transactions not subject to Final Tax
IC 065	9. 30% from Corporate Income Tax (2020)	30%	Income Taxable from All Sources	IC 199	e. 30% from Currency Transactions not subject to Final Tax	30%	Gross Taxable Income on Foreign Currency Transactions not subject to Final Tax



<b>Annual Income Tax Return</b> Page 3 – Schedules 1 & 2	BIR Form No. <b>1702-MX</b> June 2013	 1702-MX06/13P3
<b>TIN</b> 0 0 0 5 9 6 5 0 9 0 0 0 0	<b>Registered Name</b> MJC INVESTMENTS CORPORATION (FRMLY):	

Instructions: A. Fill up the applicable columns below, if there is **only one activity/program** under EXEMPT and/or SPECIAL Tax Regimes.  
 B. Use as many Part VIII-Mandatory Attachments per Activity as necessary, if there are **more than one activities/programs** under EXEMPT and/or SPECIAL Tax Regimes. Consolidated amounts from Part VIII Mandatory Attachments PER TAX REGIME shall be reflected under the corresponding columns below.


**Part VII – SCHEDULES**

**Schedule 1 – COMPUTATION OF TAX Per Tax Regime**


Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
<b>1 Net Sales/Revenues/Receipts/Fees</b> <small>(From Schedule 3 Item 5) and (From all of Part VII Sched B Item 1)</small>	193,954,309	0	41,465,509	235,419,818
<b>2 Less: Cost of Sales/Services</b> <small>(From Schedule 3 Item 27) and (From all of Part VII Sched B Item 2)</small>	90,709,032	0	107,287,103	197,996,135
<b>3 Gross Income from Operation</b> <small>(Item 1 Less Item 2)</small>	103,245,277	0	(65,821,594)	37,423,683
<b>4 Add: Other Taxable Income not Subjected to Final TAX</b> <small>(From Schedule 4 Item 4) &amp; (From all of Part VII Sched B Item 4)</small>	0	0	3,977,694	3,977,694
<b>5 Total Gross Income/Gross Taxable Income</b> <small>(Sum of Items 3 &amp; 4)</small>	103,245,277	0	(61,843,900)	41,401,377
<b>6 Ordinary Allowable Itemized Deductions</b> <small>(From Schedule 5 Item 4) and (From all of Part VII Sched B Item 6)</small>	52,997,519	0	359,824,337	412,821,856
<b>7 Special Allowable Itemized Deductions</b> <small>(From Schedule 6 Item 5) and (From all of Part VII Sched B Item 7)</small>	0	0	0	0
<b>8 NOLCO</b> (only for those taxable under Sec. 27(A to G); Sec. 28(A)(1) & (A)(6)(b) of the Tax Code) <small>(From Schedule 7A Item 8D) and (From all of Part VII Sched B Item 8)</small>	0	0	0	0
<b>9 Total Itemized Deductions</b> (Sum of Items 6, 7 & 8)	52,997,519	0	359,824,337	412,821,856
<b>10 Net Taxable Income/Net Income</b> <small>(Item 5 Less Item 9)</small>	50,247,758	0	(421,668,237)	(371,420,479)
<b>11 Applicable Income Tax Rate</b> <small>(i.e., Special or Regular/Normal rate)</small>	0%	0.0%	30.0%	
<b>12 Income Tax Due other than MCIT</b> <small>(Item 5 OR Item 10 X Item 12)</small>	0.00	0	0	0
<b>13 Less: Share of Other Govt. Agencies, if remitted directly</b>		0	0.00	0
<b>14 Net Income Tax Due to National Government</b> (Item 12 Less Item 13)		0	0	0
<b>15 MCIT (2% of Gross Income in Item 5)</b>		0	0	0
<b>16 Total Income Tax Due (Overpayment)</b> <small>(Item 16B = Item 14B); (Item 16C = Normal Income Tax in Item 12C or MCIT in Item 15C, whichever is higher); (Item 16D = Sum of Items 16B &amp; 16C) (To Part V Item 37B-37C-37D)</small>		0	0	0


**Schedule 2 - Tax Relief Availment**


Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
<b>1 Regular Income Tax Otherwise Due</b> <small>(30% of the Net Taxable Income in Item 11A for Exempt &amp; Item 11B for Special Rate)</small>	15,074,327	0		15,074,327
<b>2 Special Allowable Itemized Deductions</b> <small>(30% of the applicable Total in Schedule 6 Item 5)</small>	0	0	0	0
<b>3 Sub-Total</b> (Sum of Items 1 and 2)	15,074,327	0	0	15,074,327
<b>4 Less: Income Tax Due</b> (From Sched 1 Item 13B)	0.00	0		0
<b>5 Tax Relief Availment before Special Tax Credit</b> (Item 3 Less Item 4)	15,074,327	0	0	15,074,327
<b>6 Add: Special Tax Credits</b> (From Schedule 8 Item 10)	0	0	0	0
<b>7 Total Tax Relief Availment</b> (Sum of Items 5 & 6)	15,074,327	0	0	15,074,327

Annual Income Tax Return Page 4 – Schedule 3		BIR Form No. <b>1702-MX</b> June 2013		 1702-MX06/13P4	
TIN		Registered Name			
0 0 0 5 9 6 5 0 9 0 0 0 0		MJC INVESTMENTS CORPORATION (FRMLY:			
Schedule 3 - Sales/Revenues/Receipts/Fees		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Sale of Goods/Properties		0	0	0	0
2 Sale of Services		193,954,309	0	41,465,509	235,419,818
3 Lease of Properties		0	0	0	0
4 Total (Sum of Items 1 to 3)		193,954,309	0	41,465,509	235,419,818
5 Less: Sales Returns, Allowances & Discounts		0	0	0	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Schedule 1 Item 1)		193,954,309	0	41,465,509	235,419,818
Schedule 3A - Cost of Sales (For those engaged in Trading)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Merchandise Inventory, Beginning		0	0	0	0
2 Add: Purchases of Merchandise		0	0	0	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)		0	0	0	0
4 Less: Merchandise Inventory, Ending		0	0	0	0
5 Cost of Sales (Item 3 Less Item 4) (To Item 27)		0	0	0	0
Schedule 3B - Cost of Sales (For those engaged in Manufacturing)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
6 Direct Materials, Beginning		0	0	0	0
7 Add: Purchases		0	0	0	0
8 Materials Available for Use (Sum of Items 6 & 7)		0	0	0	0
9 Less: Direct Materials, Ending		0	0	0	0
10 Raw Materials Used (Item 8 Less Item 9)		0	0	0	0
11 Direct Labor		0	0	0	0
12 Manufacturing Overhead		0	0	0	0
13 Total Manufacturing Cost (Sum of Items 10 to 12)		0	0	0	0
14 Add: Work in Process, Beginning		0	0	0	0
15 Less: Work in Process, Ending		0	0	0	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)		0	0	0	0
17 Add: Finished Goods, Beginning		0	0	0	0
18 Less: Finished Goods, Ending		0	0	0	0
19 Cost of Goods Manufactured & Sold (Sum of Items 16 & 17 Less Item 18) (To Item 27)		0	0	0	0
Schedule 3C - Cost of Services (For those engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
20 Direct Charges - Salaries, Wages & Benefits		9,412,075	0	13,395,418	22,807,493
21 Direct Charges - Materials, Supplies & Facilities		12,325,188	0	9,692,637	22,017,825
22 Direct Charges - Depreciation		56,242,149	0	84,199,048	140,441,197
23 Direct Charges - Rental		800	0	0	800
24 Direct Charges - Outside Services		0	0	0	0
25 Direct Charges - Others		12,728,820	0	0	12,728,820
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)		90,709,032	0	107,287,103	197,996,135
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Schedule 1 Item 2)		90,709,032	0	107,287,103	197,996,135

Annual Income Tax Return		BIR Form No.			
Page 5 - Schedules 4 & 5		1702-MX			
TIN		Registered Name			
0 0 0 5 9 6 5 0 9 0 0 0 0		MJC INVESTMENTS CORPORATION (FRMLY:			
<b>Schedule 4 - Other Taxable Income not Subjected to Final Tax</b> <i>(Attach additional sheet/s, if necessary)</i>		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 OTHER INCOME		0	0	3,977,694	3,977,694
2		0	0	0	0
3		0	0	0	0
4 Total Other Taxable Income not Subjected to Final Tax <i>(Sum of items 1 to 3) (To Schedule 1 item 4)</i>		0	0	3,977,694	3,977,694
<b>Schedule 5 - Ordinary Allowable Itemized Deductions</b> <i>(Attach additional sheet/s, if necessary)</i>		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Advertising and Promotions		34,706	0	6,504,914	6,539,620
Amortizations <i>(Specify on Items 2, 3 &amp; 4)</i>					
2		0	0	0	0
3		0	0	0	0
4		0	0	0	0
5 Bad Debts		0	0	0	0
6 Charitable Contributions		0	0	0	0
7 Commissions		0	0	0	0
8 Communication, Light and Water		26,571,764	0	45,782,057	72,353,821
9 Depletion		0	0	0	0
10 Depreciation		1,849,782	0	84,499,402	86,349,184
11 Director's Fees		0	0	553,000	553,000
12 Fringe Benefits		0	0	0	0
13 Fuel and Oil		0	0	0	0
14 Insurance		0	0	2,150,766	2,150,766
15 Interest		0	0	127,751,915	127,751,915
16 Janitorial and Messengerial Services		0	0	0	0
17 Losses		0	0	0	0
18 Management and Consultancy Fee		17,385,900	0	0	17,385,900
19 Miscellaneous		27,362	0	4,882,155	4,909,517
20 Office Supplies		110,589	0	5,664,100	5,774,689
21 Other Services		0	0	0	0
22 Professional Fees		0	0	10,579,803	10,579,803
23 Rental		0	0	4,610,654	4,610,654
24 Repairs and Maintenance <i>(Labor or Labor &amp; Materials)</i>		0	0	0	0
25 Repairs and Maintenance <i>(Materials/Supplies)</i>		0	0	1,089,900	1,089,900
26 Representation and Entertainment		2,276,471	0	1,525,301	3,801,772
27 Research and Development		0	0	0	0
28 Royalties		0	0	0	0
29 Salaries and Allowances		1,706,885	0	56,010,362	57,717,247
30 Security Services		3,034,060	0	0	3,034,060
31 SSS, GSIS, Philhealth, HDMF and Other Contributions		0	0	301,289	301,289
32 Taxes and Licenses		0	0	5,767,596	5,767,596
33 Tolling Fees		0	0	0	0
34 Training and Seminars		0	0	54,145	54,145
35 Transportation and Travel		0	0	2,096,978	2,096,978


<b>Annual Income Tax Return</b> Page 6 - Schedules 5 to 8		BIR Form No. <b>1702-MX</b> June 2013			
TIN 0 0 0 5 9 6 5 0 9 0 0 0 0		Registered Name MJC INVESTMENTS CORPORATION (FRMLY: EBECOM)			
<b>Schedule 5 - Ordinary Allowable Itemized Deductions</b> (Continued from Previous Page)					
Others (Specify below; Attach additional sheet(s), if necessary)	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns	
36	0	0	0	0	
37	0	0	0	0	
38	0	0	0	0	
39	0	0	0	0	
<b>40 Total Ordinary Allowable Itemized Deductions</b> (Sum of items 1 to 39) (To Schedule 1 Item 6)	52,997,519	0	359,824,337	412,821,856	
<b>Schedule 6 - Special Allowable Itemized Deductions</b> (Attach additional sheet(s), if necessary)					
Description	Legal Basis	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1		0	0	0	0
2		0	0	0	0
3		0	0	0	0
4		0	0	0	0
<b>5 Total Special Allowable Itemized Deductions</b> (Sum of items 1 to 4) (To Schedule 1 Item 7)		0	0	0	0
<b>Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO)</b> (only for those taxable under Sec. 27(A)(c); Sec. 28(A) (A)(1) & (A)(6)(b))					
1 Gross Income		0			
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law		4 2 1 , 6 6 8 , 2 3 7			
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule 7A)		( 4 2 1 , 6 6 8 , 2 3 7 )			
<b>Schedule 7A - Computation of Available Net Operating Loss Carry Over (NOLCO)</b>					
Year Incurred		Net Operating Loss		B) NOLCO Applied Previous Year	
		A) Amount			
4	2 0 1 6	4 2 1 , 6 6 8 , 2 3 7		0	
5	2 0 1 5	5 7 , 5 3 2 , 6 1 1		0	
6	2 0 1 4	3 2 , 0 5 3 , 4 0 7		0	
7	2 0 1 3	4 0 , 1 4 1 , 4 0 0		0	
Continuation of Schedule 7A (Item numbers continue from table above)					
C) NOLCO Expired		D) NOLCO Applied Current Year		E) Net Operating Loss (Unapplied)	
4	0	0		4 2 1 , 6 6 8 , 2 3 7	
5	0	0		5 7 , 5 3 2 , 6 1 1	
6	0	0		3 2 , 0 5 3 , 4 0 7	
7	4 0 , 1 4 1 , 4 0 0	0		0	
8	Total NOLCO (Sum of items 4D to 7D) (To Schedule 1 Item 8)	0			
<b>Schedule 8 - Tax Credits/Payments</b> Attach proof					
	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns	
1 Prior Year's Excess Credits Other Than MCIT	0	0	0	0	
2 Income Tax Payments under MCIT from Previous Quarter/s	0	0	0	0	
3 Income Tax Payments under Regular/Normal Rate from Previous Quarter/s	0	0	0	0	
4 Excess MCIT Applied this Current Taxable Year (From Schedule 9 Item 4F)	0	0	0	0	
5 Creditable Tax Withheld from Previous Quarter/s	0	0	0	0	
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0	0	41,618	41,618	

<b>Annual Income Tax Return</b> Page 7-Schedules 8 to 10		BIR Form No. <b>1702-MX</b> June 2013	 1702-MX06/13P7	
TIN 0 0 0 5 9 6 5 0 9 0 0 0 0		Registered Name MJC INVESTMENTS CORPORATION (FRMLY: EBECOM)		
<b>Schedule 8 - Tax Credits/Payments</b> (Continued from Previous Page)				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
7 Foreign Tax Credits, if applicable	0	0	0	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0	0	0	0
9 Income Tax Payments under Special Rate from Previous Quarter/s	0	0	0	0
10 Special Tax Credits (To Schedule 2 Item 6)	0	0	0	0
Other Credits/Payments (Specify below):				
11	0	0	0	0
12	0	0	0	0
<b>13 Total Tax Credits/Payments</b> <i>(Sum of Items 7 to 12) (To Part V Item 38)</i>	0	0	41,618	41,618
<b>Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT)</b> (Applicable only to those taxable under Sec 27 (A to C) & Sec. 28(A)(2))				
Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax	
1 2 0 1 5	0	3,318	3,318	
2 2 0 1 4	0	6,000	6,000	
3 2 0 1 3	0	6,000	6,000	
Continuation of Schedule 9 (Item numbers continue from table above)				
	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Years
1	0	0	0	3,318
2	0	0	0	6,000
3	6,000	0	0	0
<b>4 Total Excess MCIT</b> (Sum of Column for Items 1F to 3F) (To Schedule 8 Item 4)			0	
<b>Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income</b> (Attach additional sheet/s, if necessary)				
	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
<b>1 Net Income (Loss) per books</b>	50,247,758	0	(460,342,068)	(410,094,310)
Add: Non-deductible Expenses/Taxable Other Income				
2 NONDEDUCTIBLE EXPENSE	0	0	39,543,246	39,543,246
3 NONDEDUCTIBLE INTEREST EXPENSE	0	0	428,220	428,220
<b>4 Total</b> (Sum of Items 1 to 3)	50,247,758	0	(420,370,602)	(370,122,844)
Less: A) Non-taxable Income and Income Subjected to Final Tax				
5 INCOME SUBJECT TO FINAL TAX	0	0	1,297,635	1,297,635
6	0	0	0	0
B) Special Deductions				
7	0	0	0	0
8	0	0	0	0
<b>9 Total</b> (Sum of Items 5 to 8)	0	0	1,297,635	1,297,635
<b>10 Net Taxable Income (Loss)</b> (Item 4 Less Item 9)	50,247,758	0	(421,668,237)	(371,420,479)

<b>Annual Income Tax Return</b> Page 8 - Schedules 11 & 12		BIR Form No. <b>1702-MX</b> June 2013	 1702-MX06/13P8
TIN 0 0 0 5 9 6 5 0 9 0 0 0 0		Registered Name MJC INVESTMENTS CORPORATION FRMLY:EBECOM	

Schedule 11- Balance Sheet	
Assets	
1 Current Assets	8 3 1, 3 4 7, 4 0 9
2 Long-Term Investment	2 0, 0 0 0, 0 0 0
3 Property, Plant and Equipment - Net	5, 7 1 0, 1 9 8, 2 9 5
4 Long-Term Receivables	5 2, 7 4 6, 7 0 0
5 Intangible Assets	0
6 Other Assets	2 1, 9 0 5, 2 5 2
<b>7 Total Assets (Sum of items 1 to 6)</b>	<b>8, 6 3 6, 1 9 7, 6 5 6</b>
Liabilities and Equity	
8 Current Liabilities	5 7 2, 1 7 5, 2 1 0
9 Long-Term Liabilities	3, 4 7 0, 4 5 1, 8 6 0
10 Deferred Credits	0
11 Other Liabilities	0
<b>12 Total Liabilities (Sum of items 8 to 11)</b>	<b>4, 0 4 2, 6 2 7, 0 7 0</b>
13 Capital Stock	3, 1 7 4, 4 0 5, 8 2 2
14 Additional Paid-in Capital	0
15 Retained Earnings	( 5 8 0, 8 3 5, 2 3 6 )
<b>16 Total Equity (Sum of items 13 to 15)</b>	<b>2, 5 9 3, 5 7 0, 5 8 6</b>
<b>17 Total Liabilities and Equity (Sum of items 12 &amp; 16)</b>	<b>8, 6 3 6, 1 9 7, 6 5 6</b>

Schedule 12 - <input checked="" type="checkbox"/> Stockholders <input type="checkbox"/> Partners <input type="checkbox"/> Members Information (Top 20 stockholders, partners or members) (On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership.)						
REGISTERED NAME	TIN			Capital Contribution	% to Total	
PCD NOMINEE CORPORATION	004	774	849	000	1, 4 0 6, 0 3 3, 7 9 7	44.29
ONE WISTERIA LOOP HOLD.	008	356	648	000	145, 0 0 0, 0 0 0	4.57
MULBERRY ORCHID HOLD.	008	356	664	000	140, 0 0 0, 0 0 0	4.41
FAIRBROOKS HOLDINGS INC	008	357	470	000	122, 3 0 0, 0 0 0	3.85
SAVILE ROW HOLDINGS INC	008	356	593	000	122, 3 0 0, 0 0 0	3.85
BELGRAVE SQUARE HOLDING	008	356	623	000	122, 3 0 0, 0 0 0	3.85
EVERDEEN SANDS HOLDINGS	008	356	535	000	122, 3 0 0, 0 0 0	3.85
MONTBRECIA PLACE HOLD.	008	356	616	000	122, 3 0 0, 0 0 0	3.85
PEPPERBERRY VISTA HOLD.	008	356	576	000	122, 2 9 1, 6 6 2	3.85
MANILA JOCKEY CLUB INC	008	786	785	000	107, 3 6 0, 1 3 7	3.38
BRANFORD RIDGE HOLDINGS	008	356	703	000	75, 7 1 5, 0 0 0	2.39
EAST BONHAM HOLDINGS	008	357	486	000	75, 7 1 5, 0 0 0	2.39
BELLTOWER LAKES HOLD.	008	356	542	000	75, 7 1 5, 0 0 0	2.39
CHERRY GROVE HOLDINGS INC	008	356	711	000	75, 7 1 5, 0 0 0	2.39
FLYING HERON HOLDINGS	008	356	607	000	75, 7 1 4, 0 0 0	2.39
PURPLE CASSADY HOLDINGS	008	356	631	000	75, 7 1 3, 0 0 0	2.39
ORCHARDSTAR HOLDINGS	008	356	737	000	75, 7 1 2, 0 0 0	2.39
ARIES PRIME GLOBAL HOLD	221	696	813	000	69, 2 4 2, 5 2 6	2.18
ALFONSO R. REYNO JR.	114	555	166	000	14, 5 8 2, 7 0 4	0.46
					0	0

<b>Annual Income Tax Return</b> Page 9 - Schedules 13 & 14		BIR Form No. <b>1702-MX</b> June 2013	 1702-MX06/13P9
TIN 0 0 0   5 9 6   5 0 9   0 0 0   0		Registered Name MJC INVESTMENTS CORPORATION FRMLY:EBECOM	
<b>Schedule 13 - Supplemental Information</b> (Attach additional sheets, if necessary)			
5 Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	0	0
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0
<b>II) Sale/Exchange of Real Properties</b>		A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g., land, improvement, etc.)			
6 OCT/TCT/CCT/Tax Declaration No.			
7 Certificate Authorizing Registration (CAR) No.			
8 Actual Amount/Fair Market Value/Net Capital Gains		0	0
9 Final Tax Withheld/Paid		0	0
<b>III) Sale/Exchange of Shares of Stock</b>		A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind (PS/CS) / Stock Certificate Series No.		P 5 /	P 5 /
11 Certificate Authorizing Registration (CAR) No.			
12 Number of Shares		0	0
13 Date of Issue (MM/DD/YYYY)		□□/□□/□□□□	□□/□□/□□□□
14 Actual Amount/Fair Market Value/Net Capital Gains		0	0
15 Final Tax Withheld/Paid		0	0
<b>IV) Other Income (Specify)</b>		A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)			
17 Actual Amount/Fair Market Value/Net Capital Gains		0	0
18 Final Tax Withheld/Paid		0	0
<b>19 Total Final Tax Withheld/Paid</b> (Sum of Items 1C to 4C, 8A, 9B, 16A, 16B, 16A & 16B)			0
<b>Schedule 14- Gross Income/Receipts Exempt from Income Tax</b>			
1 Return of Premium (Actual Amount/Fair Market Value)			0
<b>I) Personal/Real Properties Received thru Gifts, Bequests, and Devisees</b>		A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g., land, improvement, etc.)			
3 Mode of Transfer (e.g. Donation)			
4 Certificate Authorizing Registration (CAR) No.			
5 Actual Amount/Fair Market Value		0	0
<b>II) Other Exempt Income/Receipts</b>		A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)			
7 Actual Amount/Fair Market Value/Net Capital Gains		0	0
<b>8 Total Income/Receipts Exempt from Income Tax</b> (Sum of Items 1, 5A, 5B, 7A & 7B)			0